Universal Robina

To Limitless Landscapes

2022 Annual Report

About the Cover

To Limitless Landscapes

The past few years have posed unprecedented shifts for businesses at large. Nonetheless, URC seized this challenge and transformed it into a pivotal opportunity for agile and sustainable innovation to future-proof both the business and our nation.

In 2022, we are pleased to share that our perseverance has manifested itself in the company's financial performance breakthroughs, which continues to exceed expectations. The historical success is driven by our commitment to scale and sustain the adaptive long-term solutions we've set into motion over time: digitize supply chain processes, increase product developments, expand within the ASEAN market, and venture into new categories through partnerships.

With our current business outlook, URC is confident in its firm entrepreneurial foothold to anticipate the ever-shifting needs of consumers with an endless field of possibilities in sight. As we achieve milestones from our collective efforts, the company shares each win with its collaborators, communities, and consumers. Moving forward, URC will remain adaptive and determined to follow through every new breakthrough and create limitless landscapes for the people we serve.

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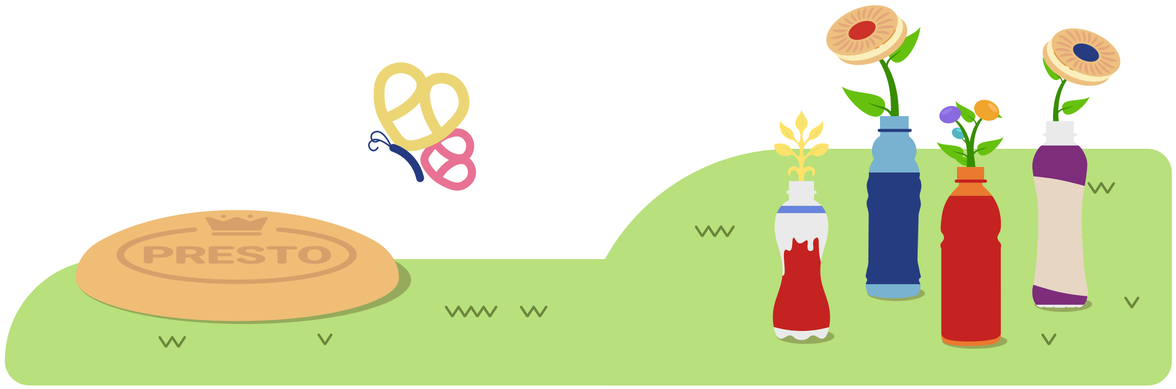
Chairman's Message

What a difference a year makes.

Last year, amidst the challenges the business faced, I spoke about sensing a return to normalcy, and expecting a more positive outlook for the business moving forward. Little did I know that 2022 would be a banner year, as the world came out of the pandemic doldrums.

In 2022, the Philippines demonstrated strong GDP growth, clocking in 7.6% growth for the calendar year and sustaining the momentum seen from the 4th quarter of 2021. With mobility restrictions easing, most sectors of the Philippine economy were reverting to pre-pandemic levels. Domestic services picked up and local tourism was revived. Students and workers trooped back to schools and offices, respectively, adding a boost to out-of-home consumption. And as unemployment and underemployment were addressed, consumer confidence rebounded with a vengeance. The same story played out throughout Southeast Asia, with COVID receding into the background, and economic activity returning broadly.



After steep drops in demand during early 2020 and muted results in 2021, many companies around the region reverted back to strong growth as consumption recovered. As all these opportunities became clearer, companies who would best be able to serve customer demand and provide consumers with outstanding value would succeed. And I believe no other company capitalized on the opportunities from the "reopening dividend" as much as URC. When the region opened up, we rose quickly to the challenge, with all our businesses surging by double-digit rates throughout the year. The company hit historical highs in revenues every quarter, consecutively, for the entire year – truly an outstanding performance.

However, costs remained an issue throughout the year, with above-average inflation and rampant cost volatility posing a challenge to the business. Shipping rates remained high in 2022, reflecting the slow unsnarling of supply chains post-pandemic. The war in Ukraine raged on, continuing to add uncertainty to the price trajectory of wheat and fertilizer. Protectionist pressures led to disruptions in global commodity sourcing, with some countries limiting exports of certain materials to ensure supply stability for their own domestic use. Philippine sugar output was tight for the second year in a row due to inclement weather, leading to historically high prices for this important ingredient. Finally, the strengthening of the dollar in the middle of the year also impacted our landed costs, given the significant volume of raw materials that the company imports. All these factors forced our hand; we increased prices numerous times throughout the year, albeit without passing on the full cost increases to our valued end-consumer. This enabled us to continue growing our bottomline, while creating sustainable growth for the years to come.

After hurdling the challenges of 2022, we look forward to what 2023 will bring – and while we may not see the same level of volatility, navigating the coming year will not be easy. Despite the broad basket of commodity prices receding from the highs hit earlier in the year, costs remain elevated against the pre-pandemic period. The geopolitical tension has not significantly eased. Overall inflation remains stubbornly high, putting pressure on household budgets. And there are predictions that consumer demand will be muted this coming year, as the reopening dividend fades away.

But despite these concerns, I remain optimistic about the year ahead. In last year's annual report, I spoke about URC solidifying its foundation, and making sure we had a strong base to build on as we prepared to move beyond the pandemic. The company has navigated through the rapids, investing smartly and generously to ensure our readiness for what the coming years have in store. Those same investments that have helped us grow and thrive beyond expectations in 2022 will continue to drive growth into 2023.

We continue to invest in our people and our partners, enabling them with new technology and supporting innovation, while reinforcing our customer-centric culture and entrepreneurial mindset. Our Agile@Scale rollout is now expanding beyond the Philippines branded business, bringing faster decision making and bottom-up ideation to the rest of the URC ecosystem. The win-win mindset we bring daily to our customer and supplier relationships continues to be a key strength in brand building, trade executions, and distribution. Our digital transformation continues unabated, and we have recently undergone a massive system transition to future-proof our business operations for the coming years. Finally, new product development will remain to be a key focus area, with our commitment to provide consumers with more good food choices helping drive value creation in our portfolio.

Once again, I would like to thank all our partners – our employees, customers, suppliers, consumers, and the communities we work with. Our successes are a result of your trust, hard work, and dedication. The future remains bright for URC, and with your support, opportunities are limitless.

Lance Y. Gokongwei
Chairman

Message from the President and CEO

> “It is during challenging times that we can play to our strengths and pull away from the pack even more.”

To our valued shareholders,

2022 has been an eventful year for Southeast Asia, as the general malaise from 2021 gave way to renewed optimism behind the recovery of the world economy. As COVID turned endemic and governments began loosening mobility restrictions, the “reopening dividend” began to materialize. Consumers showed up in full force, with employment normalizing, business booming, and confidence returning.

Food manufacturers around the world experienced upticks in demand as the economy reopened, and the ASEAN was no exception. Many companies were able to capitalize on this opportunity by pivoting their operations, investing in new technologies, and expanding their offerings. But the reopening was no guarantee of success.

Having the wind at your back may be a favorable position but if you are not prepared, you run the risk of losing control and being dashed on the rocks.

Those rocks took the form of higher inflation and increased costs across the supply chain, as input prices – already elevated in 2021 – surged even further in 2022 against the Russia-Ukraine war. Protectionist policies also reared their ugly head, with some countries not allowing key raw materials to be sold beyond their borders, to reinforce their own domestic supply resiliency. Domestically, the Philippines faced its own cost challenges, with sugar hitting historical highs on the back of supply tightness and importation issues. Even the forex turned against us, with a double-digit devaluation of the peso in the middle of the year as the US dollar strengthened against all major currencies.

These macroeconomic challenges would be navigated most successfully by those with grit, resilience, and a willingness to roll up their sleeves. The biggest growth would come to those who were primed and ready to seize opportunities and ride the momentum forward.

Harvesting Investments in Foundations

In last year’s annual report, I spoke about building firm foundations and strong fundamentals, as the pauses during the pandemic allowed us the opportunity to strengthen our businesses and reinforce our strategies, aligned with our purpose, values and ambition.

Our Branded Consumer Foods (BCF) operations in the Philippines have fully transitioned to Agile ways of working, with chapters, tribes, and squads set up across the entire organization, all speaking the same language and equipped with customer-focused “fail fast, fail forward” ways of working.

After a year of integrating Agile methods into our business, URC has demonstrated stronger efficiencies with more bottom-up ideation across its operations. It has also enabled us to quickly act with our people-first mindset and help drive iterative product innovation, allowing us to swiftly enter into new segments for our consumers. By engendering a stretch mindset across the organization, it has allowed us to go beyond our limits to serve our customers.

The implementation of our Agile@Scale Program has also taught us the value of adaptivity. It has been inspiring to witness teams embrace the challenge of igniting their collaborative spirits to sustain our growth momentum. As such, we have started expanding our Agile@Scale Program across our Agro-Industrial and Commodities and URC International business units, and we look forward to more breakthroughs in the years to come.

As we entered the 4th quarter of 2022, we also embarked on a strategic reorganization to support the continued momentum and agility of our business while strengthening our bench of talents through purposeful growth assignments. With the changes in leadership structure, the company will be able to further leverage the scale of the entire ecosystem, build more synergies, and further optimize our cost base through more focused category and country alignments.

Investments in areas such as product innovation renovation, data-driven processes, and the Agile@Scale rollout may not have seemed straightforward from a returns perspective back in 2021, but we were able to harvest the benefits in 2022 – with a faster, more nimble company, focused on delighting consumers and customers, stretching beyond limits, and, ultimately, creating sustainable value for all stakeholders. And the results speak for themselves.

Our Strongest Year Ever

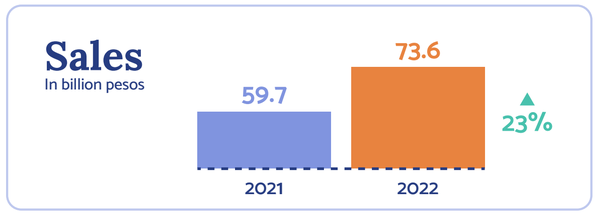
	2021 (in Billions)	2022 (in Billions)
NET SALES	Php 117.0	Php 149.9 (+28%)
OPERATING INCOME	Php 12.7	Php 15.2 (+20%)
NET INCOME	Php 13.0 *Net Income from Continuing Operations	Php 14.5 (+12%)

2022 was a record year for the company as we rode the reopening of the economy and the recovery from the pandemic, with topline significantly surpassing pre-COVID levels. URC's sales grew a staggering 28%, despite the difficult, high inflationary environment. Consumer demand remained resilient throughout the year as sales momentum from the 4th quarter of 2021 continued into 2022.

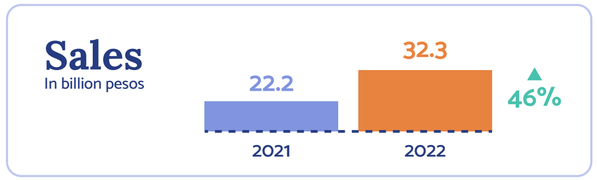
The impact of increased material and fuel costs to the company was valued at over Php21B for the full year. Pricing actions made throughout the past year allowed us to recover and mitigate the effect of these costs. Against the backdrop of surging input costs, we were still able to grow operating income by 20% through volume growth, pricing actions and cost optimization programs.

Divisional Strength

Branded Consumer Foods Philippines had a stellar performance, growing revenue by 23% in 2022, its fastest growth rate in history. The division continued its strong momentum, growing sequentially quarter on quarter since Q2 of 2021, and regularly breaking monthly and quarterly sales records throughout the year. Operating income also grew by 11% on the back of strong volume growth, along with brave pricing actions and well-executed cost savings programs.

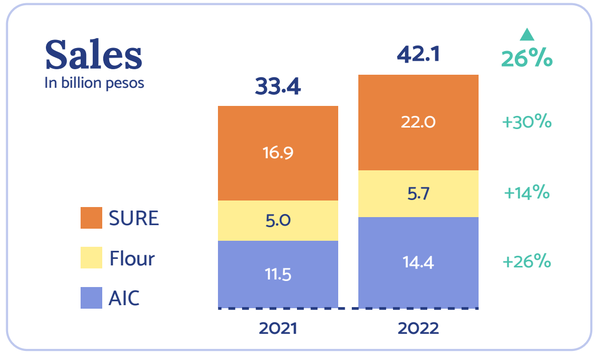


The story of Branded Consumer Foods International was similar to that of the Philippines, with most markets posting double digit growth. Topline grew 46% with the consolidation of our recent Malaysian acquisition, Munchy's, into our full year sales. But even without this, the existing core business was up 17% in PHP terms, or 11% in constant currency. We capitalized on the sustained strong consumer demand across the markets, regaining the #2 position in Ready-To-Drink Tea in Vietnam, seizing market leadership in Biscuits in Malaysia, and holding our strong positions in Biscuits and Wafers in Thailand.



Operating income for International was up 53% with the acquisition of Munchy's. Direct and indirect pricing moves for core SKUs in key geographies coupled with structural improvements in our smaller markets have helped both absolute profit growth and margin expansion.

Finally, our Agro-Industrial and Commodities (AIC) group posted strong topline improvements across all its business units. Our Sugar and Renewables (SURE) and Flour businesses were able to grow behind higher market prices despite tighter selling volumes. Our Agro-Industrial business saw double-digit sales increases behind its resilient Feeds business, with both strong sales volume and pricing actions. Our Petfood business continued to be a standout, with sales surging 50% vs. last year.

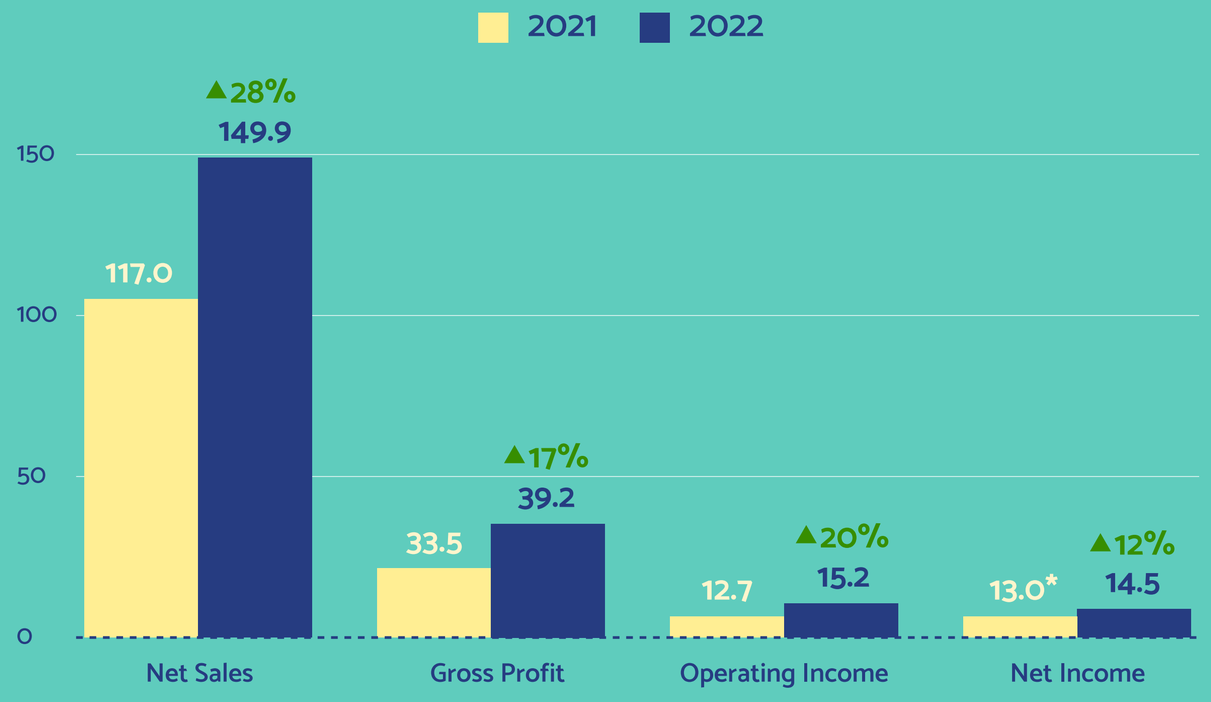


Operating Income from the group was up 29% vs. LY. Despite tight sugarcane supply, SURE was able to grow operating income significantly through higher market prices and mill operating efficiencies. This was able to offset challenges from Flour which was greatly affected by the hyperinflationary increase in wheat prices and forex weakness of the Philippine Peso. AIG also faced difficulties in 2022 with African Swine Fever and Avian Influenza outbreaks on top of higher input costs.

Overall, all businesses have navigated admirably through the volatility and dynamic environment of 2022. While many other companies fell back, URC continued to push forward with confidence. Our highly empowered teams adapted quickly and purposefully despite formidable circumstances from the various black swans throughout the year, making brave decisions on product, pricing, and promotions in order to maximize resources and create value.

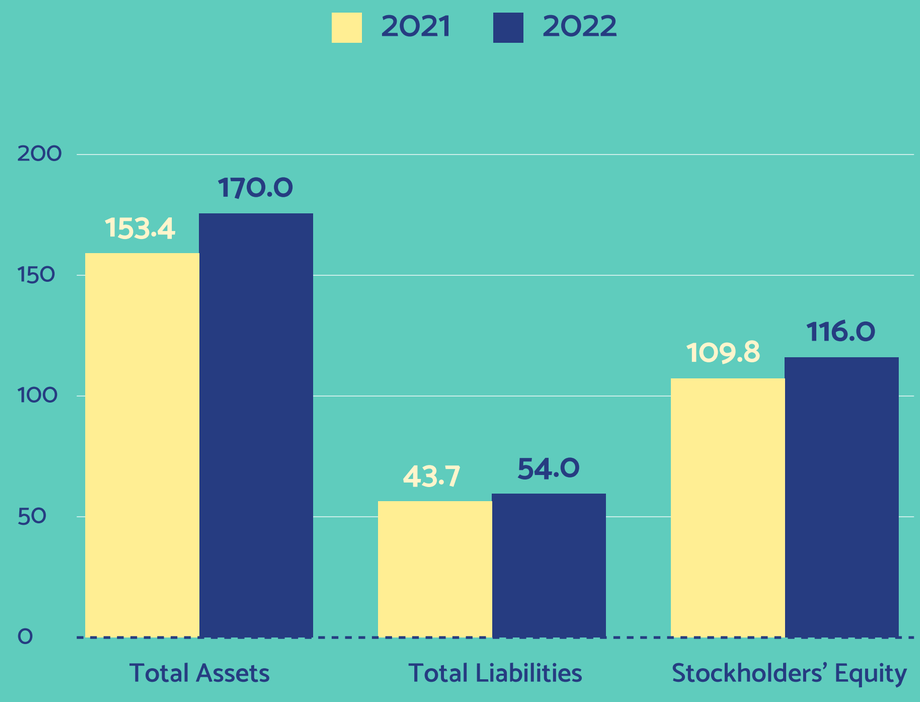
Financial Highlights

Income Statements
in PHP Billions

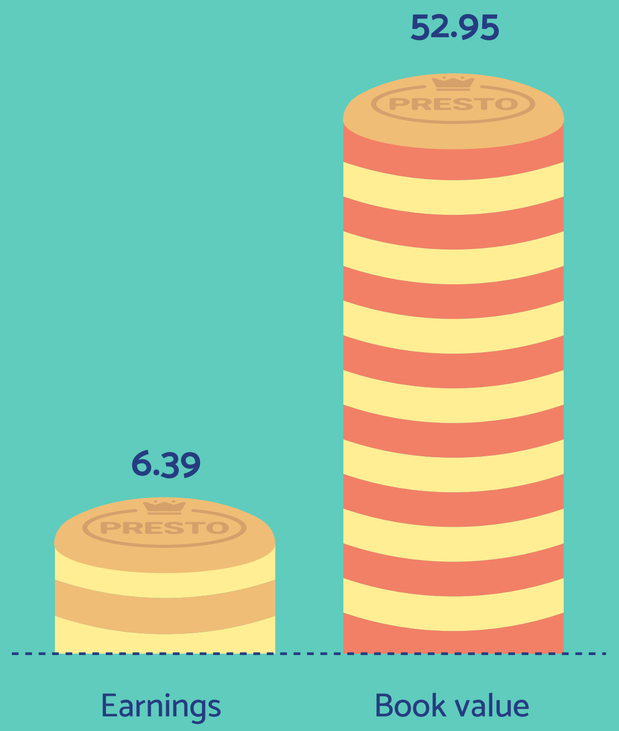


*Net Income from Continuing Operations

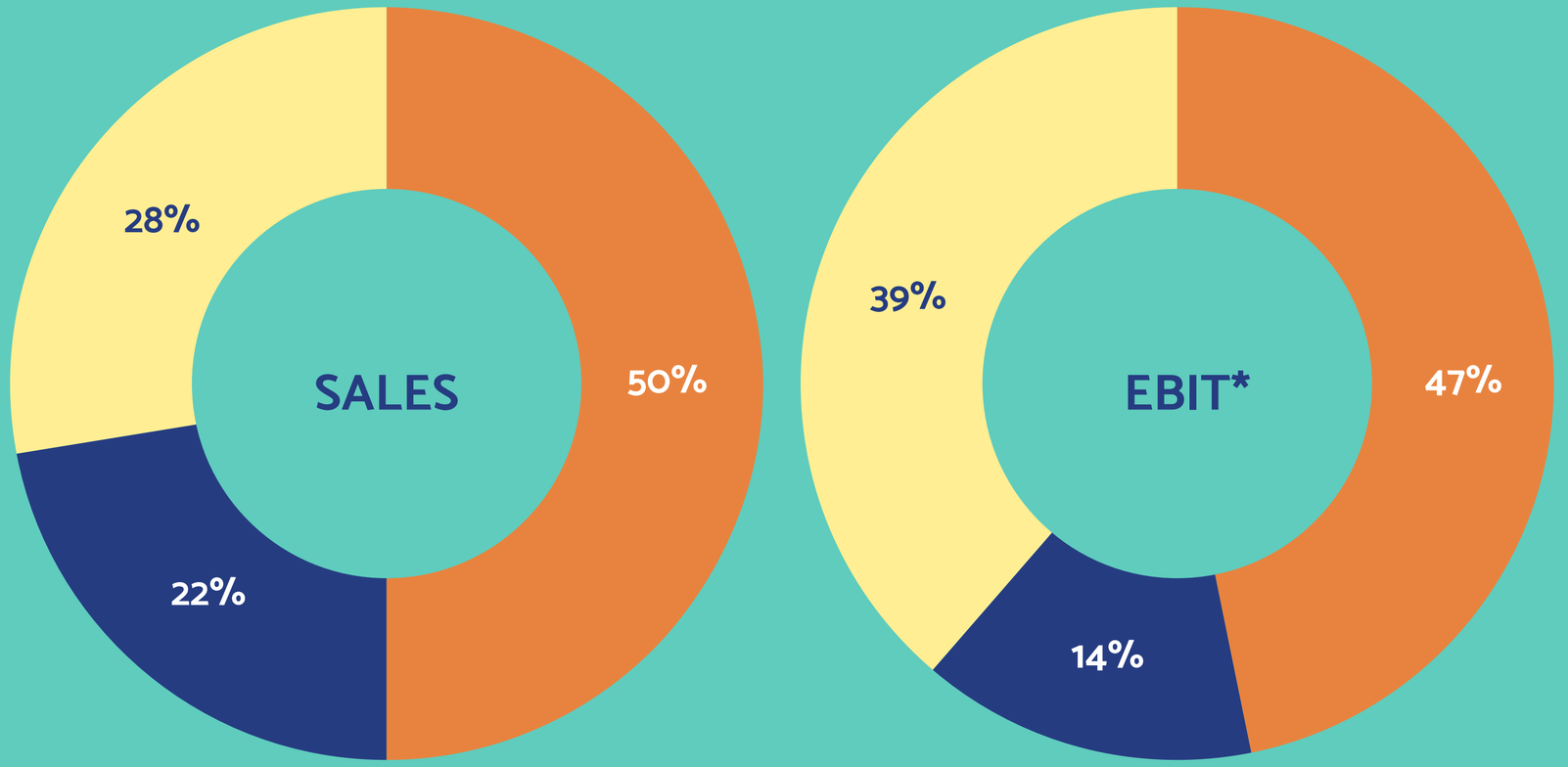
Balance Sheet
in PHP Billions



Per Share 2022
(in Php)

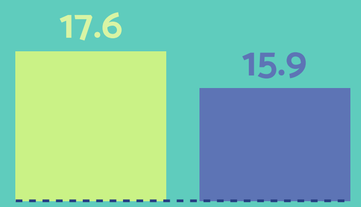


% Contribution 2022

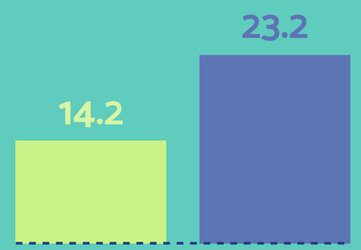


*excludes corporate expenses

Cash and Financial Debt
in PHP Billions



2021

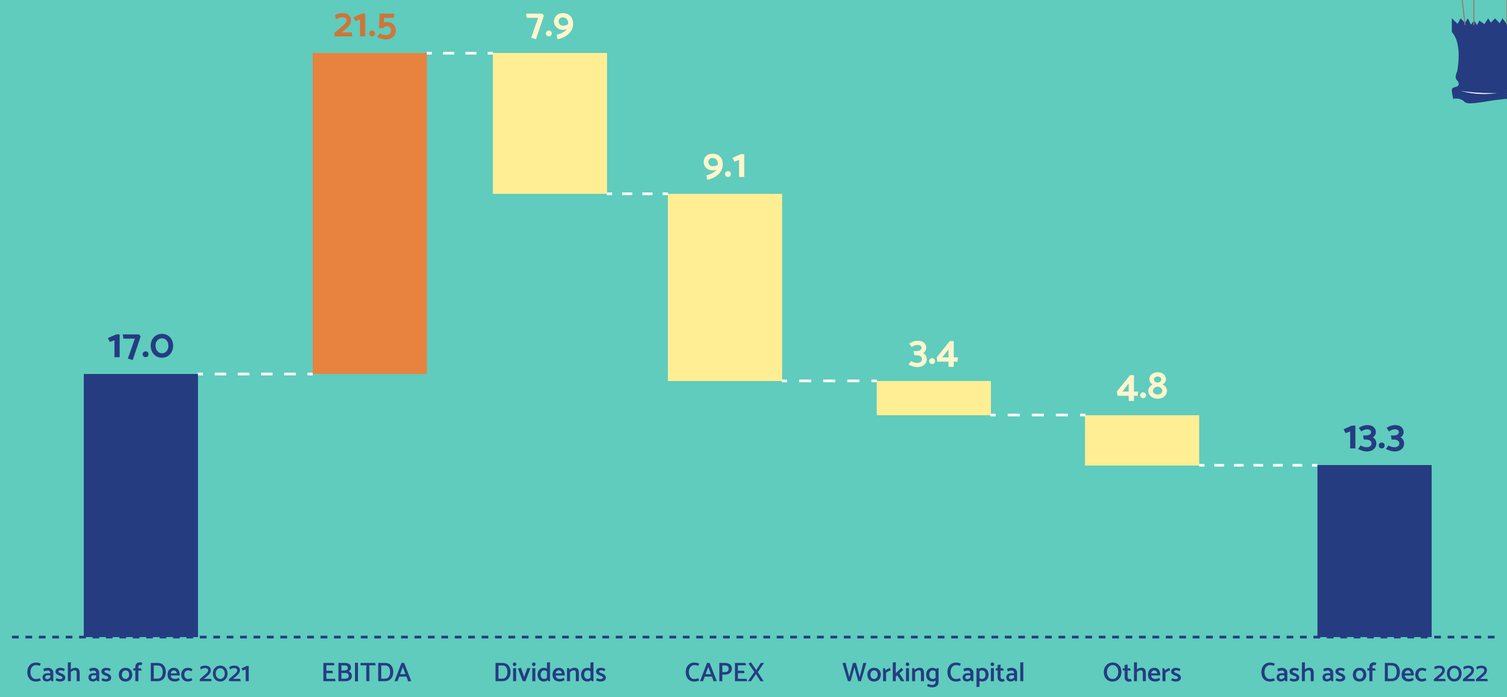


2022

Cash + Financial Assets at FPVL +AFS

Financial Debt

Cash Position
in PHP Billions



Strengthening the Product Portfolio

With URC's diverse portfolio, our brands and products have been (and continue to be) a staple of households in the Philippines and Southeast Asia. They are a major competitive advantage, which is why we continue to invest in our brands with clear communications and resonant advertising for consumers. Our new product pipeline also remains robust in the Philippines and throughout Southeast Asia. We are proud to say that more than 9% of our branded sales for the year have come from new product developments launched over the last 3 years with innovations in both the core and in new category entries.

This year, we have expanded our footprint in the Philippines' Ready-To-Drink Beverage space as we entered two new markets: the alcoholic beverage category with Chill Spiked Spirit and the Cultured Milk Yogurt Drink category with Goodday. The launch of these products has allowed us to diversify our portfolio, capture a larger market, and provide consumers with more beverage choices – and ultimately bring a greater share of throat to URC.

Our Munchy's acquisition is also ready to take off across the region. With Munchy's capturing the #1 spot in Biscuits in Malaysia, we are now accelerating our plans to take on other markets in ASEAN. With URC's strong route-to-market behind the Munchy's portfolio, we look forward to its success in Vietnam, Thailand, and the Philippines in 2023 and beyond.

A More Sustainable Future

As we strengthen our People and Planet Friendly Culture in URC, we continue to focus on our newly updated targets in the 6 focus areas, namely People & Communities, Climate Action, Product, Packaging, Water, and Sourcing. We have implemented different programs and initiatives in line with our 2030 commitments such as:

- Continuously installing solar panels in both our Philippines and International business units to increase our use of renewable energy in our operations;
- Reinforcing our Reduce, Reuse and Recycle program to optimize and drive down our overall water use;
- Kicking off our efforts to reach plastic neutrality by setting up plastic collection sites to help convert and ultimately reuse post-consumer waste; and
- Continuing our work to uplift communities and partners, with initiatives such as our Robina Agri-Partners Project Kabalikat Program, SURE's Project Salig, and FLOURish Pilipinas.

Initiatives to further improve the nutritional quality of our products are also underway. We have set Wellness Criteria aligned with WHO guidelines. Presently, across the total Branded business of URC, 100% of our products have passed 1, 98% have passed 2, and 90% have passed 3 Wellness Criteria. This is already above the initial targets we set, and we will look at raising the bar further on this metric, as we push ourselves to continue providing good food choices to our end consumers.

Limitless Possibilites

As I write this, the horizon seems cloudy. The tailwinds have slowed down, and headwinds have begun to pick up. While inflation is moderating across the region, it still remains significantly elevated against recent history, with the risk that this becomes the new normal. We are watching consumer confidence and behavior closely for signs of waning demand and challenged consumption. Navigating the coming year will become more challenging.

But it is during challenging times that we can play to our strengths and pull away from the pack even more.

Our focus on innovation, customer centricity, and agility has allowed us to adapt quickly to changing circumstances and take advantage of emerging opportunities. We remain confident that our sound strategies, dedicated teams, and strong product portfolio will continue to drive growth while staying true to our purpose of providing good food choices for consumers.

We will continue to identify strategic initiatives to further scale the business, building upon our existing achievements as we enter 2023. With insights and experiences in tow, we are set to bring our plans for the future to fruition–a step up from the foundation we've built these past few years. The horizon still signals endless possibilities for more victories to come for URC.

Together, we would like to share our 2022 wins with all of you, our shareholders, who helped make them possible. We would like to extend our utmost gratitude to all of you for your continued trust, confidence, and support.

Thank you

Irwin C. Lee

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 65 years.

Today, the company aims to become a sustainable global enterprise with the purpose of delighting its customers with good food choices.

URC's diverse portfolio and expansive geographic footprint have enabled the company to gain market leadership across various product categories in the Philippines and its key markets in the ASEAN. URC's food and beverage brands have consistently been among the most chosen in the region. It is recognized as the market leader in the snacks, candies, chocolates, and ready-to-drink (RTD) tea categories in the Philippines. It is also a top 3 player in biscuits, powdered coffee, and noodles. In the ASEAN region, the company maintains a strong position in biscuits and wafers in Thailand, RTD tea in Vietnam, and biscuits in Malaysia.

The company's Agro-Industrial & Commodities businesses are also prominent players in their respective industries, with URC Sugar and Renewables as the biggest sugar miller in the country and URC Flour as one of the top three flour millers in the Philippines. The Animal Feeds segment of the Agro-Industrial Group has also grown tremendously with its Uno and Supremo banner brands, while Top Breed is one of the fastest-growing pet food brands in the country's dry dog food category.

All of these wins resulted from the company's continued pursuit of providing value-for-money products, healthy food choices, and giving consumers an overall delightful customer experience. URC is determined to strengthen its existing ventures while identifying new progressive routes in the business to retain our competitive edge and continuously meet consumer expectations and needs in the years to come.

Achievements

28%
Net Sales Growth
PHP 149.9 billion
in CY 2022

- URC is named the Most Outstanding Consumer Staples Company in the Philippines, according to Asiamoney
- Highest-scoring local manufacturer in the Philippines in the Advantage Survey
- Great Taste, Piattos, C2, and Nova are among the top 20 most chosen food and beverage brands in the Philippines
- Payless and Nissin instant noodles are among the Philippines' Top 10 fastest-growing brands
- URC named as Outstanding Food Manufacturer in Thailand
- URC was named among Vietnam's top sustainable businesses for the 4th consecutive year
- URC Indonesia is recognized as the Most Trusted Company awarded by Indonesia Award Center
- URC is now #1 in Biscuits in Malaysia
- Biggest Sugar Milling Company in the Philippines in terms of capacity
- One of the top three flour millers in the Philippines
- One of the largest agro-industrial companies in the Philippines

NISSIN-UNIVERSAL ROBINA CORPORATION
DANONE UNIVERSAL ROBINA BEVERAGES
VITASOY-URC INC.
Calbee
ASAHI BEVERAGES PHILIPPINES, INC.
CONAGRA BRANDS

11
markets within ASEAN and China

Brand Architecture

Branded Consumer Food

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 within the ASEAN markets, each category has grown to become a staple on every family's shopping list.

Snack Foods

Snacks

Piattos · Nova · Fortified Crinkle Vcut · Potato Chips

Mang Juan · Chippy · Granny Goose Tortillos · Mr. Chips · Roller Coaster

Tostillas · Chiz Curls · Calbee · Jack 'n Jill Calbee · Pic-A

Candies

Chooey · Dynamite · Maxx Menthol Candy · Lush · X.O.

Chocolates

Cloud 9 · Hello! · Nips · Wiggles · Tivoli

Biscuits

Wafrets · Presto · Chocolate Pretzels · Tivoli · Lausanne · Munchy's · Lexus · Oat Krunch · Knots · Cream-O · Magic · Dewberry · Fun-O · Choc-O · Müzic · Captain Munch

Cakes

Dewberry Yogurt Cake · Cream-O Cakewich · Fun-O · Quake

Powdered Beverages

Coffee: Great Taste · Blend 45*

Creamer: Cream All

Chocolate: Swiss Miss Hot Cocoa Mix

Ready-to-Drink Beverages

Water: B'lue · Re Fresh Mineral Water

Tea: C2

Juice: Re Fresh Flavored Drink

RTD Chocolate: Cloud 9 Chocolate Milk Drink

RTD Coffee: Great Taste Iced Coffee Drink

Energy Drink: Rong Do

Plant-Based: Vitasoy The Soy Experts

Cultured Milk: Goodday

Spiked Spirit: chill Spiked Spirit

Noodles

Pasta: Elreal

Cup: Nissin

Pouch: Nissin · Payless

Brand Architecture

Agro-Industrial and Commodities (AIC)

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

Flour

Bread

- Baker John

Flour

- Universal Flour – First Class Flour
- Continental – All-Purpose Flour
- Daisy – Cake Flour
- Sampaguita – Soft Flour
- Globe – First Class Flour
- Noodelicious – Noodle Flour
- Fibra+ – Cracked Wheat
- My Rose – Soft Flour
- Blend 100 Flour
- Cattleya – Soft Flour

Agro-Industrial Group

Farms

- Robina Farms – Since 1956 – *Robina-Raised. Family-Safe.*
- Commercial Table Eggs
- Processed Meat and Eggs
- Pork Meat Cuts
- Carcass
- Ready to Eat
- Live Products

Feeds

- Uno – Kalidad • Kabalikat • Kita
- Supreme Infinity
- TopBreed – Top Care, Top Value.
- Robina Featherlines
- Robina Layer Blend
- Robina Hog Blend
- Robina Broiler Blend

Drugs and Infectants

- ShamPooch
- TopBreed TopB+
- BioSure
- Shield – Go Beyond Protection
- Coccibuster
- Wormbuster
- Levomax
- Spectrum
- Robipenstrep

Food Service

- Robina Food Partners
- Hidden Spring

Sugar and Renewables

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

Geographic Presence

Total URC Facilities

36 Branded Consumer Foods Facilities

16 Agro-Industrial Facilities

12 Commodity Foods Facilities

5 International Sales Offices and Distribution Presence Facilities

Domestic

- Branded Consumer Foods Group
- BOPP/Flexible Packaging Plant
- Agro-Industrial Group
  - Feed Mill
  - Piggery
  - Poultry Farms
  - Slaughterhouse
- Commodity Foods Group
  - Flour Mills
  - Distillery Plant
  - Sugar Mills
  - Sugar Mill & Biomass-Fired Power Cogeneration Plant

Geographic Presence

Geographic 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
- Middle East
- Africa/Indian Ocean
- North Asia

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.

Meaningful Breakthroughs

Surpassing Expectations

Record Breaking Sales Performance

Having laid the groundwork in the past years, URC is now reaping the rewards with our growth trajectory ascending to new heights, creating meaningful breakthroughs along the way.

2022 (in Billions)			
NET SALES Php 149.9		**OPERATING INCOME** Php 15.2	**NET INCOME** Php 14.5
BCF: Php 107.8	**AIC**: Php 42.1		

URC's total net sales reflected a 28% increase versus last year, amounting to Php 149.9 billion with all markets demonstrating growth. The **Branded Consumer Food (BCF)** segment hit Php 107.8 billion, with sales up by 29% from last year. **BCF Philippines** had four consecutive quarters of sequential growth, breaking new bests for both monthly and quarterly sales in each period. By the end of 2022, the segment hit a record high of Php 73.6 billion which grew 23% versus last year. Meanwhile, revenues from **BCF International**, which includes Munchy's consolidated sales, accelerated to Php 32.3 billion by the end of the year–up 46% versus 2021. URC's expanding presence across the ASEAN region was driven by resilient growth in Thailand, Vietnam, Malaysia, and Indonesia. Our acquisition of Munchy's in Malaysia last year contributed to our strengthened presence in the region, which helped drive our sterling performance for 2022.

Sales in the **Agro-Industrial & Commodities (AIC)** division grew 26% in 2022, ending at Php 42.1 billion for the full year. The **Sugar and Renewables (SURE)** and **Flour** divisions continued to outperform last year's sales on the back of higher prices. At the same time, the **Agro-Industrial Group (AIG)** capitalized on the strength of its animal feeds business, with strong volume and value growth for the company.

Operating income for the year ended at Php 15.2 billion, up by 20% versus 2021 with a net income growing at 12%, to close the year at Php 14.5 billion. Despite the challenges posed by volatile global commodity prices and inflationary pressures, we ensured continued and sustainable profit growth by responding with cost-saving programs and swift price increases. We have accelerated our pricing plans as necessary to defend profitability, while being mindful of consumer purchasing power.

Ultimately, URC's sales performance allowed us to invest further in our new product development and expansion, building the foundation for future growth. As we move forward into 2023, we remain committed to our Where-To-Play and How-To-Win strategies, and stay true to our mission of delighting consumers with good food choices. We will continue responding to consumer needs with people-first solutions that strengthen our portfolio of products and brands people love, while being a preferred partner of choice for our stakeholders.

Growing Agile@Scale

Agile@Scale Updates

After the successful pilot year of the Agile@Scale program, we continued its rollout beyond BCF Philippines by expanding to BCF International and the Agro-Industrial and Commodities divisions.

Our Agile journey was focused on creating innovative solutions, implementing cost-efficient programs, and developing employee engagement activities that will foster growth in the company.

By implementing the Agile@Scale framework in the organization, we ventured into a collaborative pool of **Tribes (customer-facing)** and **Platforms (internal Agile units)** where we identify the right mix of employees that will work under a corresponding business objective.

Tribe and Platform Lead

Both **Tribes** and **Platforms** are managed by their **Leads** who are responsible for driving growth performance in quarterly Objectives and Key Results (OKRs) and aligning strategic decisions with the team's desired business outcomes.

Agile Coaches

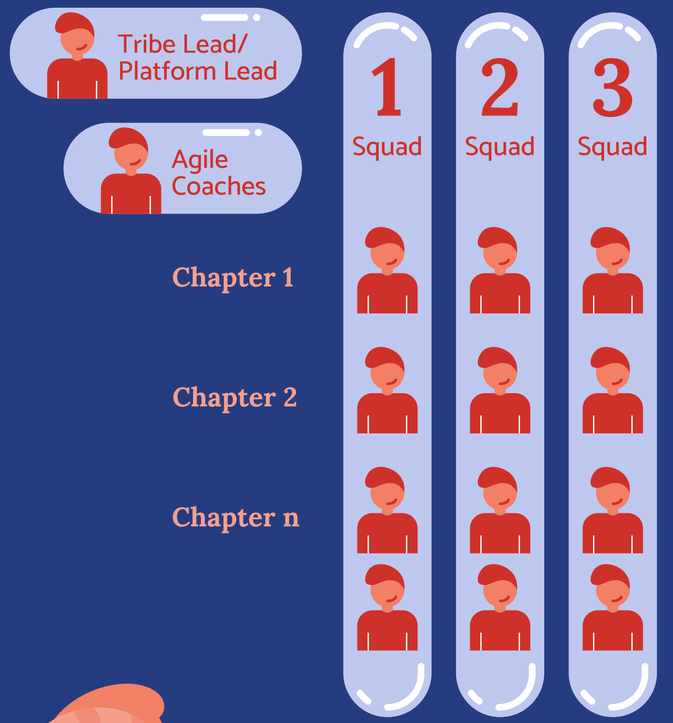
Every member receives physical and mental support through developmental programs that help with their Agile transition. Our coaches provide real-time process feedback and facilitate training sessions on Agile practices.

Squad

A **Squad** is composed of cross-functional members belonging to a group of **Chapters**, sharing the same goal with various sets of expertise that will yield the best possible outcome for a project they are working on.

Chapter

A **Chapter** is a group of people with similar functional abilities. They strategize as a group and work in their different **Squads** as individuals.



Empowering Change

URC understands that achieving its ambition entails resilience and purpose-driven actions. As the year brings in fresh and new opportunities ahead, we continue to empower change that promotes agility in driving growth across the organization within three key areas: **innovation**, **operational excellence**, and **resource optimization**.

Innovation

Innovation continues to fuel progress in the company. Through our growing number of Agile squads, we have efficiently developed purposeful products and concepts to address relevant consumer themes. This ensures our new product pipeline remains both sufficient and robust, enabling URC to achieve its long-term targets.

Operational Excellence

Through the Agile@Scale program, URC is able to optimize operational capabilities for future growth. We have created Agile Squads to deliver its productivity initiatives faster and more reliably. We also continue to bring out the company's operational excellence through manufacturing and cost efficiencies – all while upholding consistent manufacturing standards.

Resource Optimization

As we refine our organizational structure and culture, we continue to invest in the upskilling of our people and equip them with the best practices that a dynamic business landscape requires. What this means for our employees is unlocking new skills that further their design thinking, critical analysis, and time management.

By embarking on an **Agile@Scale operating model**, we were able to focus on critical business priorities, form teams with the right people, make empowered decisions, track progress, and use the right tools. These new developments enabled us to achieve meaningful progress in both our day-to-day operations and the overall performance of the company. With over 100 active squads and over 1000 Agile practitioners, URC looks forward to the years ahead better equipped to move past boundaries with determination.

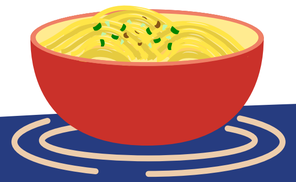
Creating Meaningful Partnerships

Launching Goodday with Asahi Beverages

URC actively explores new opportunities for strategic collaborations that will support the diversification of its product portfolio to provide better consumer experiences. This year, the company extended its wide range of Ready-to-Drink (RTD) Beverages with the launch of Goodday, its entry into Cultured Milk Yogurt Drinks (CMYD).

Our entry into the competitive CMYD market was made possible through our partnership with Asahi Beverages Philippines (ABP), the local subsidiary of global beverage leader, Asahi Group Holdings. The partnership is built on the shared vision of introducing products that add value to people's lives and elevate the consumer beverage experience to a higher standard.

Through this latest product, URC aims to capture a larger share of the RTD Beverage market, providing drinks that improve everyone's health and well-being while offering more flavorful options.

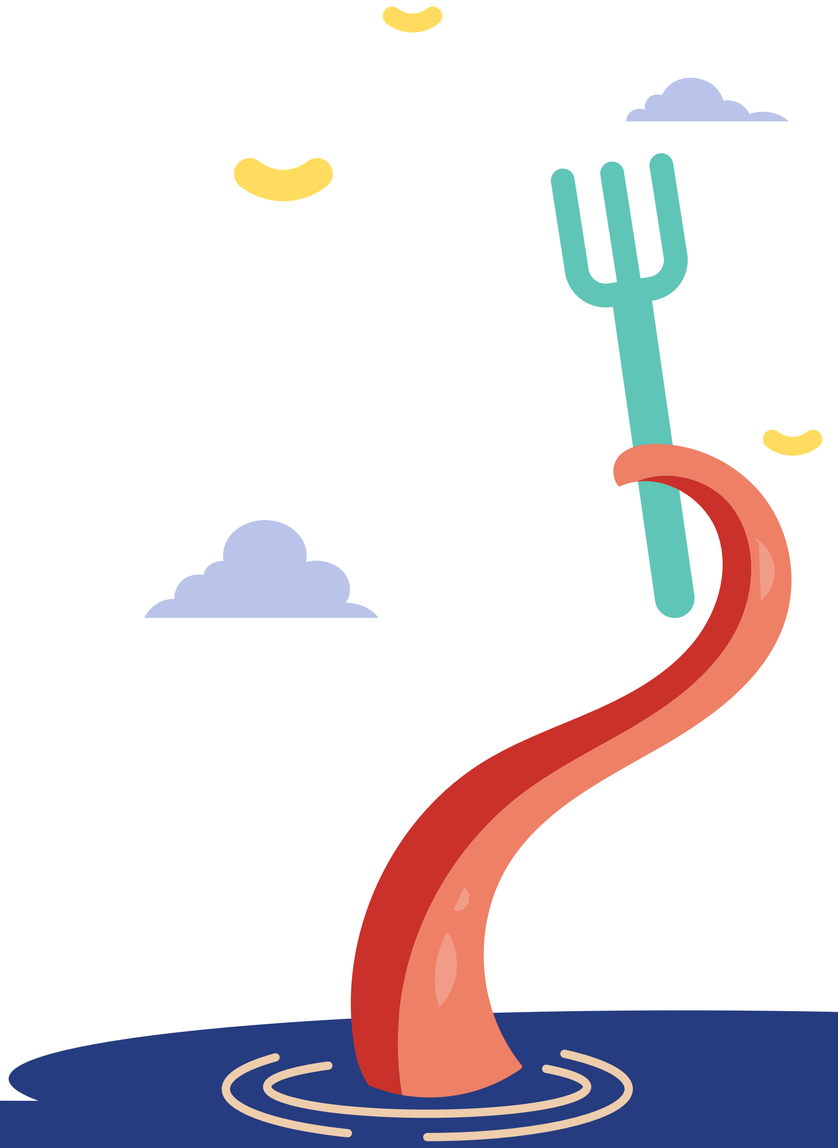


Providing Better Beverage Choices

With the launch of Goodday, URC offers a nutritious, affordable, and accessible product that provides health benefits to consumers of all ages. Using the latest Japanese food technology, Paraprobiotics were successfully integrated into the product. Goodday contains Lactobacillus Paracasei MCC1849, a particular variant of Paraprobiotics, which aids in improving immunity, production of antibodies, improving gut health, and digestion. This also extended the shelf life of Goodday even with ambient storage.

The beverage is designed and built for both room temperature and refrigeration, unlike other cultured milk products, wherein shelf life decreases when not refrigerated. This must-have comes in a mini format (80mL) for a smaller, more affordable option and a larger PET bottle option (350mL). This is ideal for consumers who prefer a healthy on-the-go beverage that can be consumed on any occasion. At present, Goodday comes in three flavor variants: original, strawberry, and mango.

Goodday is an innovative product that challenges the consumption frequency of cultured milk through its variety of sizes and flavors based on consumers' lifestyle needs. Now, people can customize their drinking experience whilst enjoying its nutritional benefits without feeling guilty about satisfying their sweet cravings. With this latest venture, URC is eager to develop an exciting pipeline of new products in the future.



Growth in Product Innovation

New Product Developments (NPDs)

In the past six decades, URC has introduced innovative products by exploring more flavorful and healthier ways to improve our portfolio and provide consumers with a range of food and beverage choices. URC identified present consumer needs in key markets through extensive research and development, to which we responded with a variety of globally competitive offerings.

Entry to New Business Markets

As part of diversifying our portfolio, URC entered the alcoholic beverages market with the launch of **Chill Spiked Spirit** in three popular flavors: Red Apple, Lemon Lime, and Lychee. Chill Spiked Spirit has the same alcohol strength as beer but without the bitterness and extra calories that come with it. The product doesn't leave drinkers with a bloated and heavy feeling. It is URC's way of promoting a better drinking experience for everyone through zero trans fats, no artificial sweeteners, and natural fruit extracts. It also caters to drinkers who prefer light drinking sessions. With the help of URC's increased omnichannel presence and various marketing strategies, this premium but affordable product aims to be every Filipino's go-to alcoholic drink.

Branded Consumer Foods Philippines	Agro-Industrial Group (AIG)
Alcoholic Beverages Noodles RTD Beverages 	TopBreed

Product Updates Just for Filipinos

When it comes to milk tea, our consumers do not have to wait in line to get their fix with the launch of our latest **C2 Milk Tea** in Caramel, Chocolate, and Wintermelon variants. This fortifies C2's reputation of providing refreshing drinks for almost two decades, relieving and quenching our consumers' thirsts. Meanwhile, our newest **Great Taste RTD Coffee** offers a quicker way to perk up our consumers with a sip. It lets coffee lovers and enthusiasts experience instant delight as they drink our RTD coffee. It also comes in three classic flavors: Chocolate Mocha, Caramel Macchiato, and Vanilla Latte, giving consumers choices depending on their taste and liking.

The company's joint venture with Nissin remains strong with our latest **Nissin cups** line with its cheesy to hot variations. We also introduced a unique Japanese-flavored product with **Garlic Pork Tonkotsu**, available in both pouch and cup formats. These launches were made to satisfy our consumers' taste buds, ensuring that our brands continue to be well-loved and cherished by consumers.

Finally, URC is doubling down on the pet foods category with **Top Breed**. This product was formulated to satisfy the nutritional needs of dogs for good health, general well-being, and optimum performance. Pet owners have appreciated the value of Top Breed, as seen in the significant increase in sales over the past few years.

Growth in Product Innovation

New Product Developments (NPDs)

Branded Consumer Foods International			
Vietnam	Indonesia	Thailand	Malaysia

Across the ASEAN Market

The success of our NPDs continues beyond URC Philippines, as we have also seen significant contributions from the new products across our international markets.

In Vietnam, we recently introduced **C2 Freeze** and **C2 Peach** to widen C2's product range and further promote tea consumption to boost the body's immunity. The launch of these NPDs helped URC reclaim its #2 position in the RTD Tea market in Vietnam. **The Piattos Hot Series** reinforced Piattos' brand popularity and familiarity in Indonesia to a greater extent, with the brand bagging the Digital Popular Award 2022 under the Potato Snacks Category in the country. Meanwhile, **Roller Coaster Chips** strengthened URC Thailand's presence in the Snacks Category, with new sizes and offerings catering to a growing Thai market.

We hope that offering these Potato-based chips in Thailand will bring new and playful experiences to all consumers.

With our vast presence across the ASEAN region, we look forward to introducing **Munchy's** to markets beyond Malaysia. Currently, we have integrated their brands into our existing operations, maximizing our wide distribution network and supply scale. The expansion is already being carried out by URC's sales force in Vietnam, while its launch in the Philippines and Thailand is underway. Munchy's unique portfolio of premium and healthier biscuits are poised to bring even more goodness into other ASEAN markets.

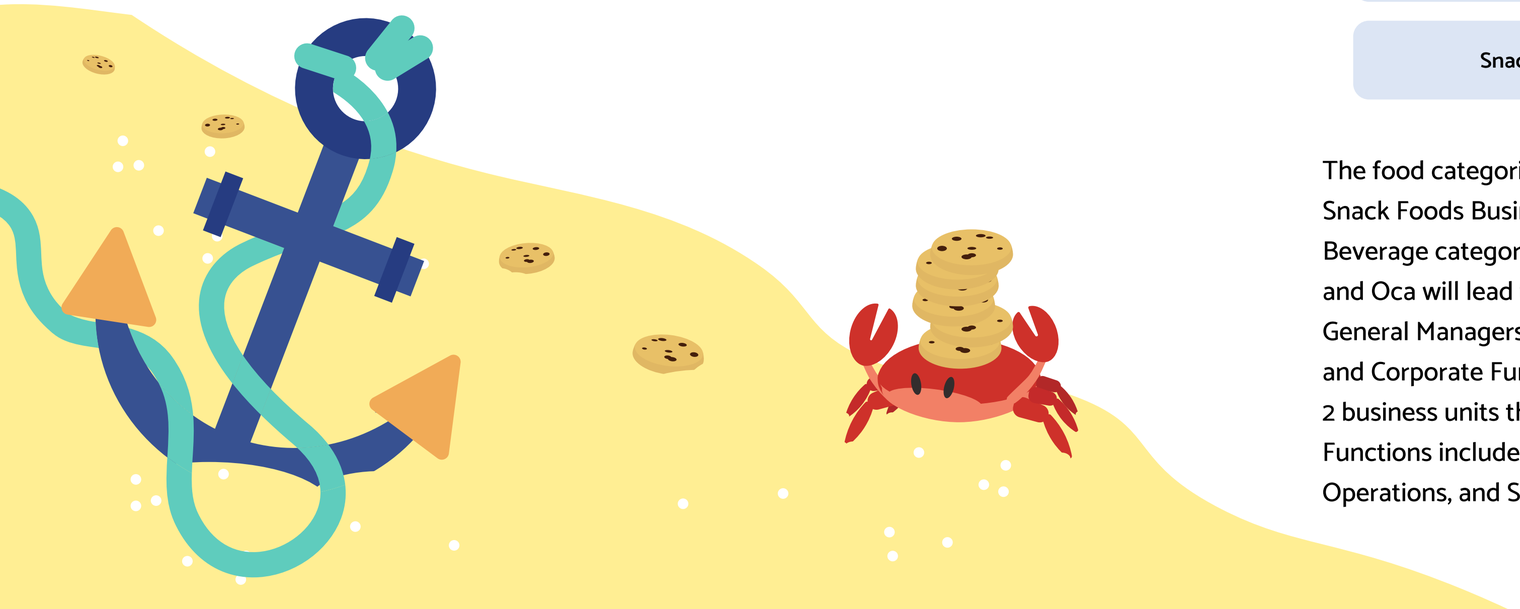
URC takes pride in these latest developments, which reflect our commitment to delighting consumers with good food choices. We are confident in the product pipeline we have mapped out for the coming years, equipped for domestic and regional expansion. The company uses these wins as motivation to solidify our goal of bringing our products closer to more consumers, from community-based retailers to major grocers nationwide.

Upscaling the Business

Restructuring for Growth

Through its Agile transformation and restructuring process, URC established a more streamlined organizational framework where employees are given the opportunity to showcase their skills and capabilities. The shift allowed us to witness team members step up and excel both in their existing roles and within their cross-functional teams. Simultaneously, we were able to systematically assign roles to key leaders who can lead URC toward continuous growth and advancement.

To ensure that our profitable growth is sustained, BCF PH has clustered similar categories to build more synergies in our commercial strategies, further optimizing our cost structure and organization. This also allows our business segments to increase their productivity by implementing a high-level tribe map that enables our people to achieve desired business outcomes efficiently. As a result, a new organizational structure was formed headed by new Managing Directors.



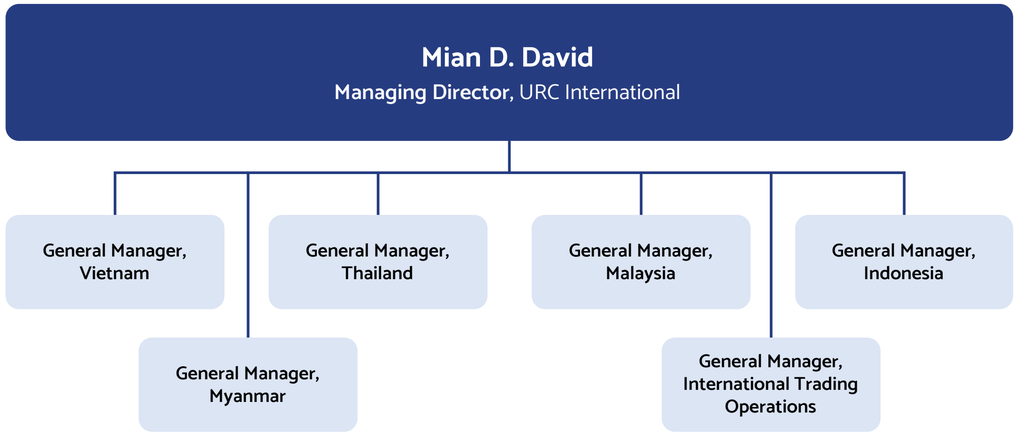
Shanie S. Kawpeng Managing Director, Snack Foods Business	Oscar I. Villamora Managing Director, Beverages Business	Marcia Y. Gokongwei Managing Director, Operations and Corporate Functions (BCFG PH)
Bakery	Powdered Beverage	Finance
Confectionery	RTD Beverage (includes Durbi and Vitasoy)	Human Resources
Noodles		Integrated Supply Chain
Pasta		Marketing Services and Operations
Snacks		Sales

The food categories such as Bakery, Confectionery, Noodles, Pasta, and Snacks are now under the Snack Foods Business Unit, led by Shanie S. Kawpeng. Powdered Beverage and Ready-To-Drink (RTD) Beverage categories are now under the Beverages Business Unit, led by Oscar “Oca” I. Villamora. Shanie and Oca will lead their respective Business Unit Integrated Leadership Team (BUILT) composed of JV General Managers, Category Tribe Leads, ISC Platform Leads, and BU Chapter Leads. The Operations and Corporate Functions Group headed by Marcia Y. Gokongwei shall provide critical enablement to the 2 business units through operational excellence and capability building. Operations and Corporate Functions include Finance, Human Resources, Integrated Supply Chain, Marketing Services and Operations, and Sales.

Upscaling the Business

Restructuring for Growth

To further leverage the scale of the entire international business and drive product innovation and entry into new categories, Mian D. David is appointed as Managing Director for URC International (URCI), while concurrently serving as the Chief Marketing Officer for total URC. Now that these businesses are under one leadership, each business unit is expected to capitalize on regional capabilities for URC to grow faster.



We also appointed Francisco M. Del Mundo as Chief Investments, Strategy, and Corporate Services Officer (CISCO) to spearhead the expansion of our footprint through business development and external opportunities. We have integrated multiple functions, namely Corporate Strategy & Investor Relations, Business Development & Special Projects, Treasury, Legal, Information Technology, and Corporate Development & External Affairs, around one leadership to streamline financial oversight over investments and strategies.

What it means for URC

Our team is proud that URC comprises individuals whose commitment allows the company to explore a more expansive business landscape while continuing to meet customer needs in an ever-evolving industry. The reorganization ensures that we continue our growth, strengthen our talent bench through purposeful growth assignments, and deepen our agility, customer focus, and results-oriented mindset.

As the company continuously implements and refines its organizational structure, we will maximize this transformation to reinforce existing wins and forge new milestones in the future–further strengthening URC as an organization.

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.

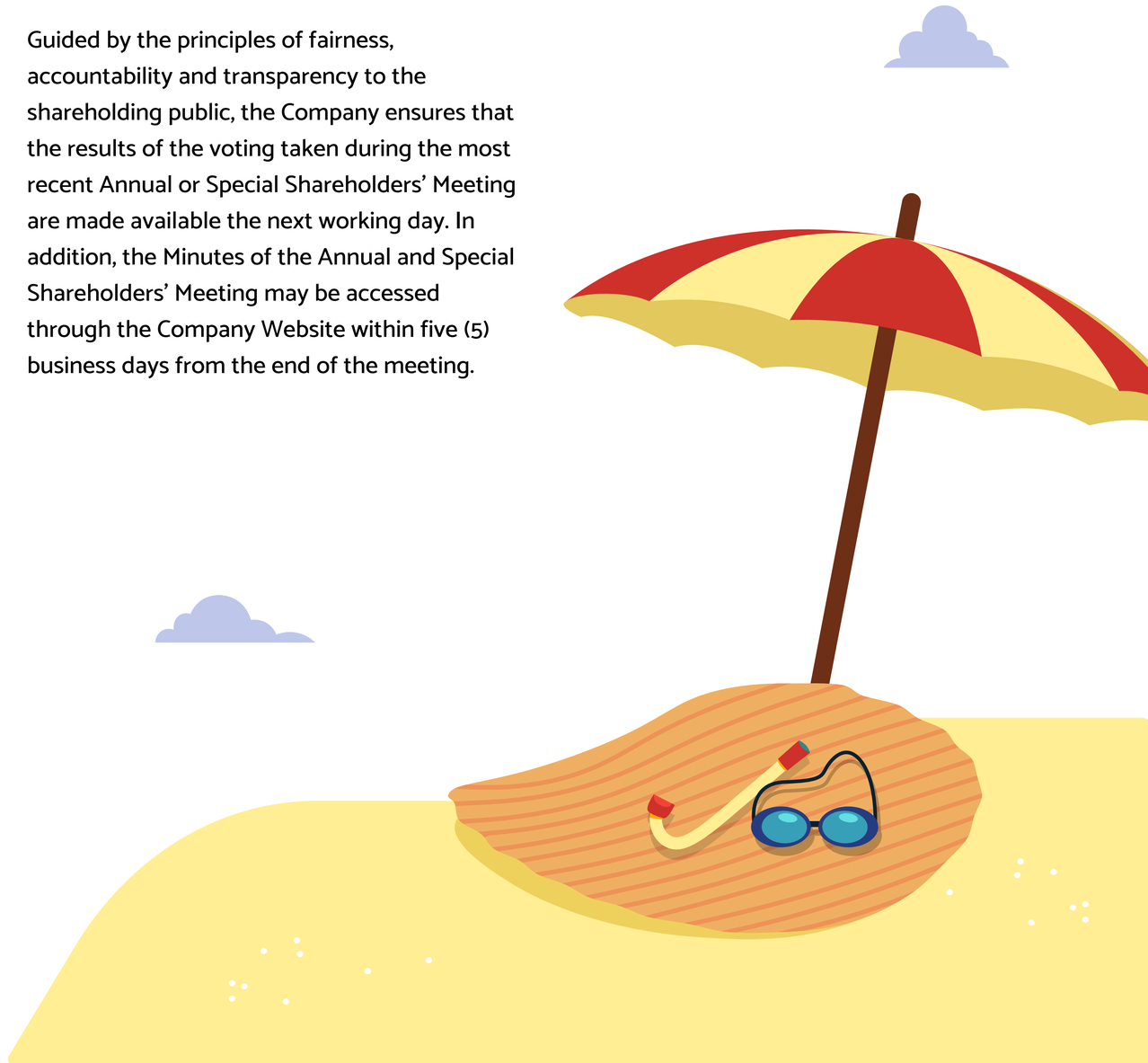
The Company continuously strives to strengthen and improve its corporate governance practices by adopting best practices that includes building a competent board, aligning strategies with goals, managing risk effectively, adhering to high standards of ethics and integrity, and promoting accountability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

1. Right to vote on all matters that require their consent or approval
2. Right to inspect corporate books and records
3. Right to information
4. Right to dividends
5. 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 results of the voting 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; and
- Reward and compensation.

1. 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 learning processes and develop employees' intellectual and personal growth 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. URC's brand of people development "inspires personal mastery, encourages servant leadership and collaboration, and ensures operational excellence."

2. 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 trainings to embed them in the Company's culture.

Duty to Other Stakeholders

New employees are oriented regarding policies and procedures related to Business Conduct and Ethics and similar policies. All employees are given periodic reminders. Furthermore, 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. It is enforced to allow employees and other stakeholders to freely communicate their concerns about illegal or unethical practices without fear of retaliation. It also allows them to have direct access to an independent member of the Board or 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/her/their 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, an accepted gift with an 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.
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 submitted using the following contact details: a. URvoice: For Employees: https://jgsummit.service-now.com/employee?id=urvoice&type_id=3c9929badb830950b04ad4bdd39619f5 For Non-Employees: https://jgsummit.service-now.com/employee?id=urvoice&type_id=8e0b217edb830950b04ad4bdd3961902 b. Email Address - feedback@urc.com.ph c. URC Customer Care - https://www.urc.com.ph/contact-us 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 will report in good faith from retaliation, harassment and even informal pressures. The Company will take the necessary and appropriate action 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.

Duty to Other Stakeholders

The anti-corruption policies and programs are made available online for easy access to the employees within the organization, which they can use for 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.

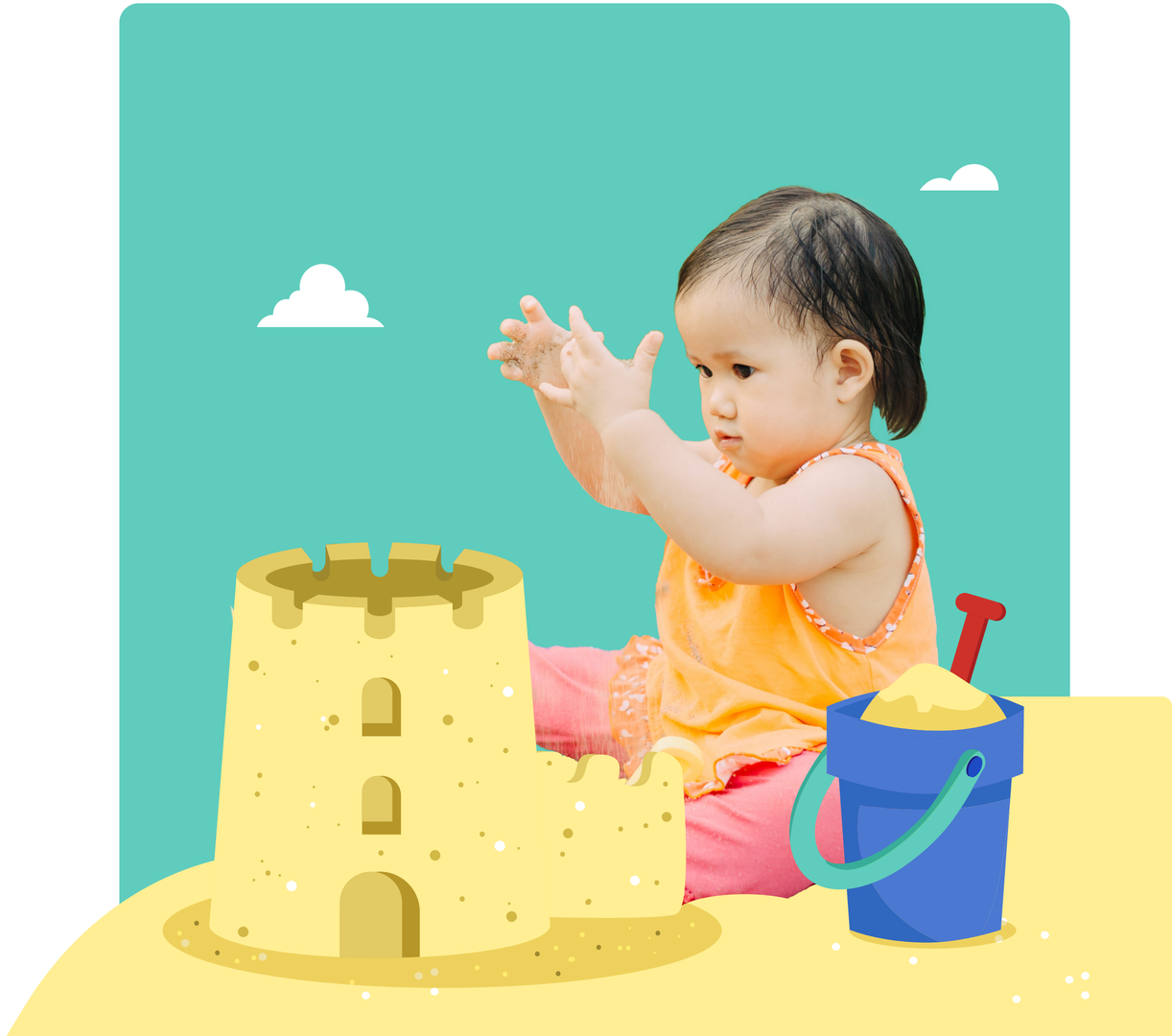
Last August 2022, URC launched URvoice, a digital platform where employees and stakeholders can freely and securely share their observations and concerns on adherence to company purpose, values and policies including Anti-Corruption.

The Company ensures that Employees reporting via URvoice are protected from harassment, retaliation or punishment.

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 May 20, 2022. 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's I-ACGR may be accessed through the Company website by clicking this link, https://www.urc.com.ph/corporate-governance/annual-corporate-governance-reports?ref=menu

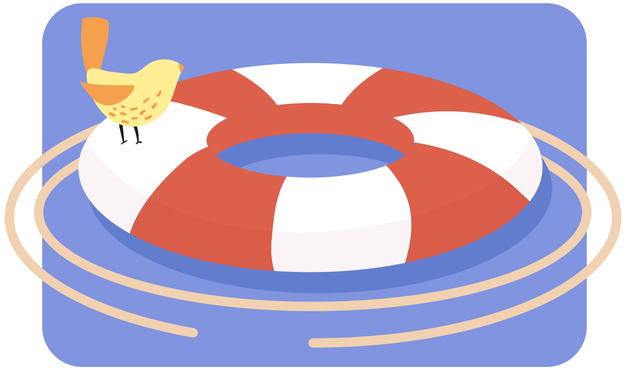


The Board of Directors

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 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 the 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 Company's business and affairs. It ensures that all its actions are within the scope of power and authority prescribed in the Articles of Incorporation, By-Laws, and existing laws, rules and regulations. To uphold high standards for the Company, Shareholders, and other Stakeholders, the Board conducts itself with honesty and integrity in performing 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 standards 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;

The Board of Directors

- 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.

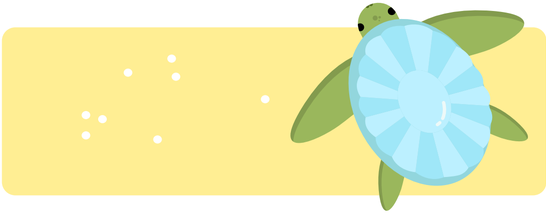
Balanced Board Composition

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

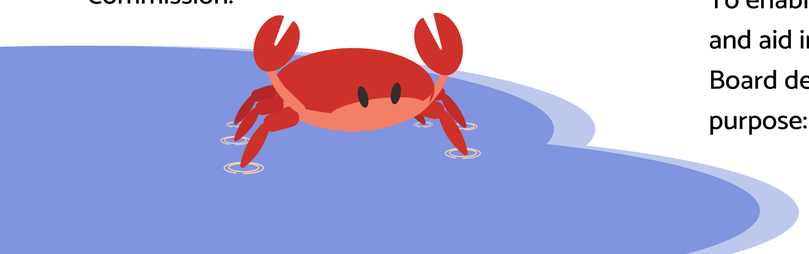
The Company ensures that directors are able to perform their functions effectively in this rapidly changing environment to cope with heightened regulatory policies, foreign and local demands, and the growing complexity of the business. Orientation programs are conducted for first-time directors to ensure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

The Board of Directors

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 an advisement letter on the Directors' record of attendance in Board meetings to the Commission.



Attendance of Directors

January 1, 2022 to December 31, 2022

Board Members	Position	Date of Election	No. of Board Meetings Attended/Held	Attendance Percentage
Lance Y. Gokongwei	Chairman	May 11, 2022	4/4	100%
James L. Go	Member	May 11, 2022	4/4	100%
Irwin C. Lee	Member	May 11, 2022	4/4	100%
Patrick Henry C. Go	Member	May 11, 2022	4/4	100%
Johnson Robert G. Go, Jr.	Member	May 11, 2022	4/4	100%
Cesar V. Purisima	Independent Director	May 11, 2022	4/4	100%
Rizalina G. Mantaring	Independent Director	May 11, 2022	4/4	100%
Christine Marie B. Angco	Independent Director	May 11, 2022	4/4	100%
Antonio Jose U. Periquet, Jr.	Independent Director	May 11, 2022	4/4	100%

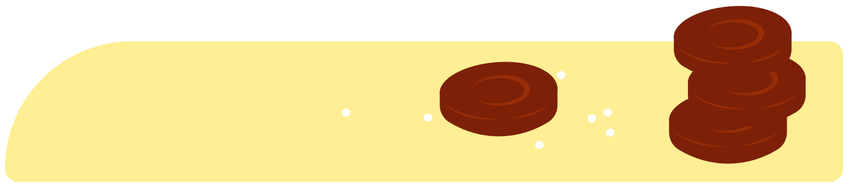
The Board Committees

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: (a) Audit Committee, (b) Corporate Governance and Sustainability 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.

Audit Committee Members	Position	Date of Election	No. of Committee Meetings Attended/Held	Attendance Percentage
Cesar V. Purisima	Chair	May 11, 2022	4/4	100%
Antonio Jose U. Periquet, Jr.	Member	May 11, 2022	4/4	100%
Rizalina G. Mantaring	Member	May 11, 2022	4/4	100%
James L. Go	Advisory Member	May 11, 2022	4/4	100%



The Board of Directors

B. Corporate Governance and Sustainability Committee

The Corporate Governance and Sustainability 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 that must be consistent with the Company's culture, strategies and the business environment.

Corporate Governance & Sustainability Committee Members	Position	Date of Election	No. of Committee Meetings Attended/Held	Attendance Percentage
Antonio Jose U. Periquet, Jr.	Chair	May 11, 2022	2/2	100%
Christine Marie B. Angco	Member	May 11, 2022	2/2	100%
Cesar V. Purisima	Member	May 11, 2022	2/2	100%

C. Board Risk Oversight Committee

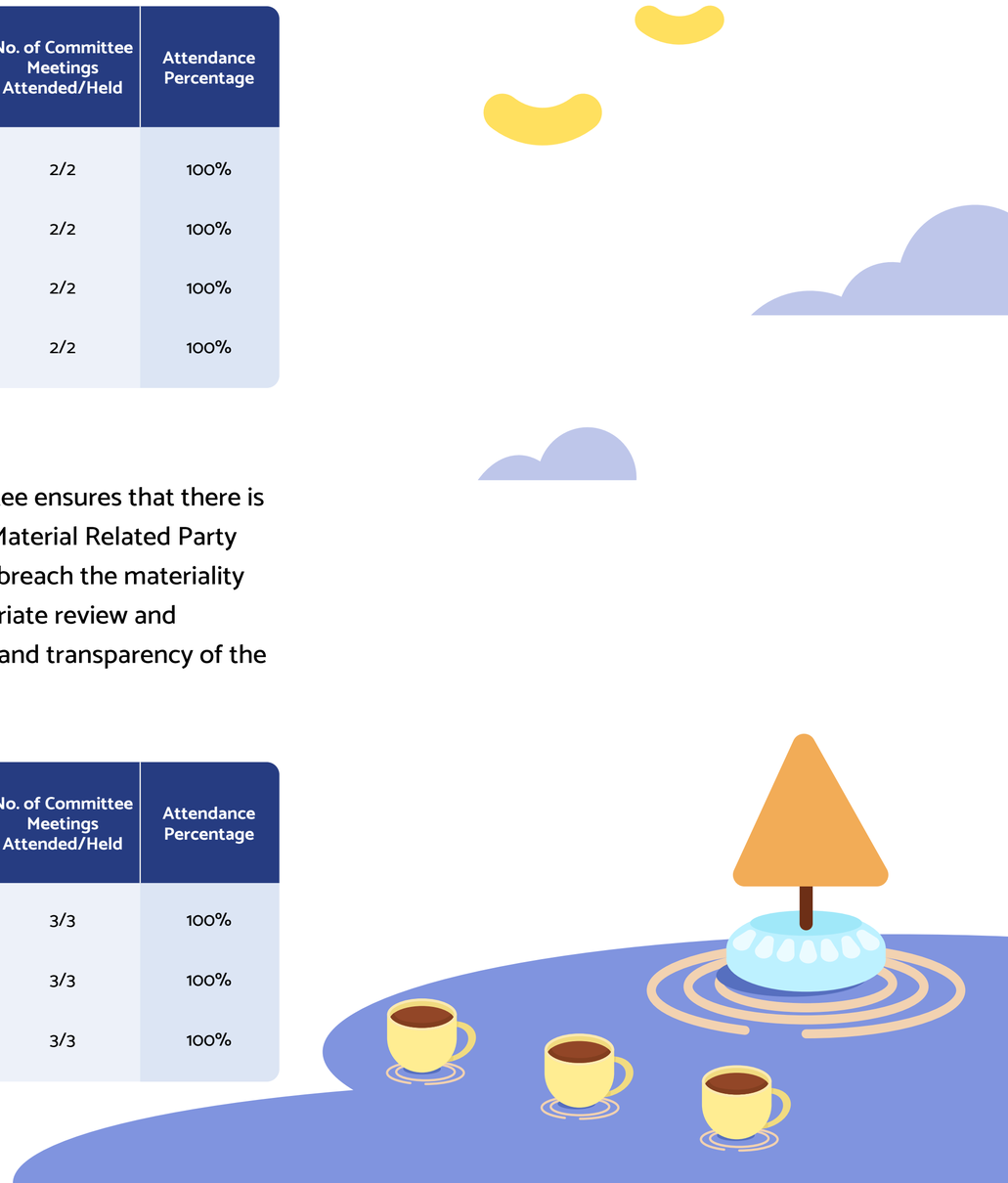
The Board Risk Oversight Committee oversees the establishment of the ERM framework that effectively identifies, monitors, assesses and manages key business risks and also assesses the effectiveness of risk management strategies. The BROC is responsible for defining the Company's level of risk tolerance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

Board Risk Oversight Committee Members	Position	Date of Election	No. of Committee Meetings Attended/Held	Attendance Percentage
Rizalina G. Mantaring	Chair	May 11, 2022	2/2	100%
Cesar V. Purisima	Member	May 11, 2022	2/2	100%
Christine Marie B. Angco	Member	May 11, 2022	2/2	100%
Irwin C. Lee	Member	May 11, 2022	2/2	100%

D. Related Party Transaction Committee

The Related Party Transaction (RPT) Committee ensures that there is a group-wide policy and a 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.

Related Party Transactions Committee Members	Position	Date of Election	No. of Committee Meetings Attended/Held	Attendance Percentage
Christine Marie B. Angco	Chair	May 11, 2022	3/3	100%
Antonio Jose U. Periquet, Jr.	Member	May 11, 2022	3/3	100%
Rizalina G. Mantaring	Member	May 11, 2022	3/3	100%



The Board of Directors

The Corporate Secretary

The Corporate Secretary assists the Board and the Board Committees in conducting their meetings, including preparing 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.

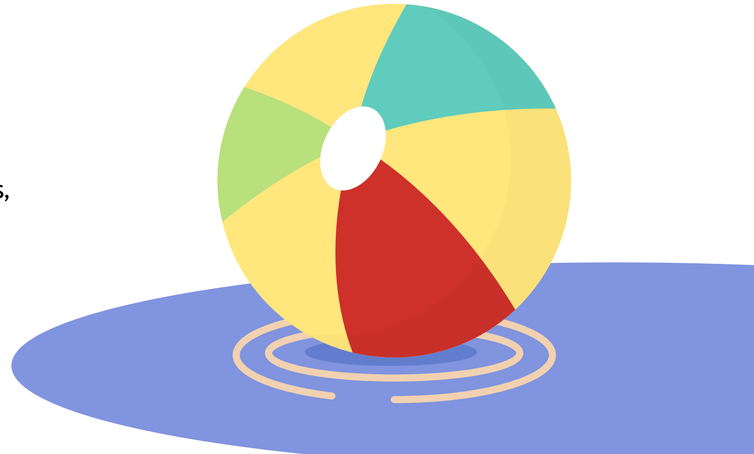
The Corporate Secretary keeps herself abreast on relevant laws, regulations, all governance issuances, relevant industry developments, and operations of the Company and advises the Board and the Chairman on all relevant issues as they arise. She works fairly and objectively with the Board, Management and Shareholders. She 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 Corporate Secretary of URC. She is also the Senior Vice President, General Counsel and Corporate Secretary of JG Summit Holdings, Inc. She is also the Corporate Secretary of JG Summit Olefins Corporation and the Assistant Corporate Secretary of Gokongwei Brothers Foundation, Inc. She is a member of the British School Manila Board of Governors and a Trustee of the Solar Village Foundation. Prior to joining JG Summit Holdings, Inc. in March 2017, Atty. Fernandez-Estavillo was the head of the Legal and Regulatory Affairs Group, the Corporate Secretary, and a 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 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 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. She also ensures the integrity and accuracy of all documentary submissions to the regulators; identifies possible areas of compliance issues and works toward its resolution. She assists the Board and the Corporate Governance and Sustainability Committee in performing their governance functions, including their duties to oversee the formulation, review, and implementation of the Corporate Governance structure and policies of the Company.

Rhodora T. Lao is the Corporate Controller and Chief Compliance and Risk Officer of URC and was the Deputy Chief Finance Officer for the Branded Consumer Foods Group of URC. She was formerly the Director for Strategic Initiatives and Group Controller for Coca-Cola Asia Pacific. She also held various finance roles in Avon APAC, Wyeth Philippines, International Distillers Philippines and Nestle Philippines. She obtained her Bachelor of Science degree in Business and Accountancy from the University of the Philippines where she graduated Cum Laude.



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 keys 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 an 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.

Results of the Risk Assessment Process are summarized in a Dashboard that highlights the risks that require urgent actions and mitigation plans. The dashboard helps the Management to monitor, manage, and decide a risk strategy and needed action plan.

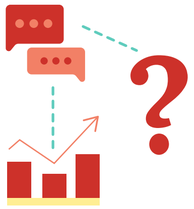
Internal Controls

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 fulfill their duties and responsibilities properly, Management provides them 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 perform his duties and responsibilities properly. The Directors have independent access to Management and to the Corporate Secretary.

The Directors, either individually or as a Board, and in performing 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 available on 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;

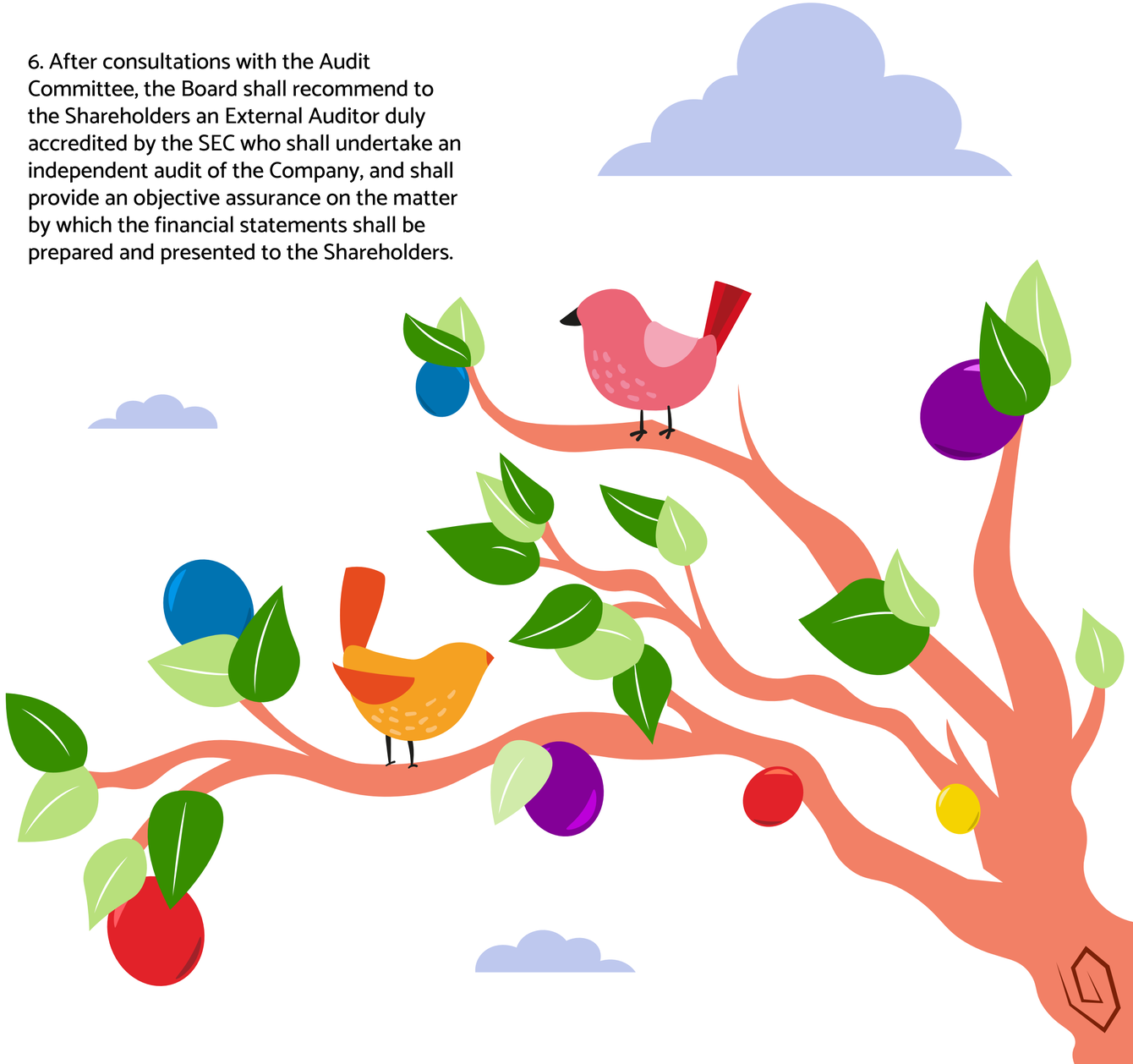
2. An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the Company for the benefit of all Shareholders and other Stakeholders;

3. Based on 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 Committee and 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

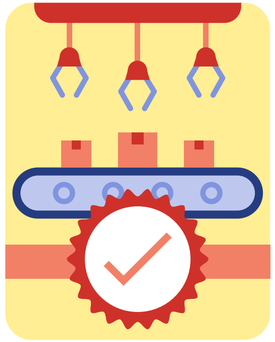
6. After consultations with the Audit Committee, the Board shall recommend to the Shareholders an External Auditor duly accredited by the SEC who shall undertake an independent audit of the Company, and shall provide an objective assurance on the matter by which the financial statements shall be prepared 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 the management are adequate and functioning in a manner that provides a reasonable level of confidence that:

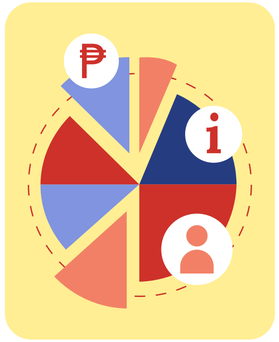
Employees' actions are compliant with policies, standards, procedures, and applicable laws and regulations;



Quality and continuous improvement are fostered in the control processes;

Programs, plans, and objectives are achieved;

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



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

Significant key risks are appropriately identified and managed; and

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.	Php13,468,800	Php290,125

Ownership structure

Holding 5% shareholding or more (as of December 31, 2022)

Shareholder	Number of Shares	Percent	Beneficial Owner
JG Summit Holdings, Inc.	1,215,223,061	55.78%	Same as record owner
PCD Nominee Corporation (Non-Filipino)	521,667,582	23.94%	PCD Participants & their clients
PCD Nominee Corporation (Filipino)	429,042,724	19.69%	PCD Participants & their clients

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

A. Elected Directors for the calendar year 2022

Name of Director	Number of Shares	% to Total Outstanding Shares
James L. Go	1,148,001	0.05%
Lance Y. Gokongwei	913,235	0.04%
Patrick Henry C. Go	45,540	0%
Johnson Robert G. Go, Jr.	1	0%
Irwin C. Lee	400,001	0.02%
Cesar V. Purisima	1	0%
Rizalina G. Mantaring	7,401	0%
Christine Marie B. Angco	1	0%
Antonio Jose U. Periquet, Jr.	500,000	0.02%

B. Elected Officers for the calendar year 2022

Name of Officer	Position/Designation	Number of Shares	% to Total Outstanding Shares
James L. Go	Chairman Emeritus	1,148,001	0.05%
Lance Y. Gokongwei	Chairman	913,235	0.04%
Irwin C. Lee	President and Chief Executive Officer	400,001	0.02%
Patrick Henry C. Go	Executive Vice President	45,540	0%
Anna Milagros D. David	Chief Marketing Officer	49,630	0%
Francisco M. Del Mundo	Chief Investments, Strategy and Corporate Services Officer	0	0%
David J. Lim, Jr.	Chief Supply Chain and Sustainability Officer	0	0%
Evelyn C. Ng	Chief Financial Officer	10,400	0%
Elisa O. Abalajon	Chief Human Resources Officer and Agile Transformation Lead	0	0%
Krishna Mohan Suri	Chief Research and Development Officer	0	0%
Socorro M.L. Banting	Vice President	0	0%
Karen Therese C. Salgado	Chief Information Officer	0	0%
Rhodora T. Lao	Corporate Controller and Chief Compliance and Risk Officer	0	0%
Maria Celia H. Fernandez-Estavillo	Corporate Secretary	0	0%
Andrea Claire G. Alcancia	Assistant Corporate Secretary	0	0%
Charles Bernard A. Tañega	Treasurer	0	0%
Elvin Michael L. Cruz	Corporate Legal Counsel	0	0%
Jose Miguel T. Manalang	Director, Strategy and Investor Relations	3,000	0%

Dividends

On March 4, 2022, the Board of Directors of Universal Robina Corporation ("URC") approved the declaration of the following cash dividends from the unrestricted retained earnings of URC as of April 3, 2022:

a) Regular Cash Dividend of One Peso and Fifty Centavos (P1.50) per share and paid on April 29, 2022; and

b) Special Cash Dividend of One Peso and Ninety-Five Centavos (P1.95) per share and paid on April 29, 2022.

Dividend Policy

URC, as a matter of policy, will maintain an annual cash dividend payout ratio of 50% of the consolidated core net income from the preceding year. This is subject to the requirements of applicable laws and regulations and the absence of circumstances, which may restrict the payment of such dividends.

The Board of Directors shall determine the cash dividend rate and may, at any time, modify such dividend rate.

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/

BOD and Executive Officers

Board of Directors

James L. Go

Director, Chairman Emeritus

Lance Y. Gokongwei

Director, Chairman

Irwin C. Lee

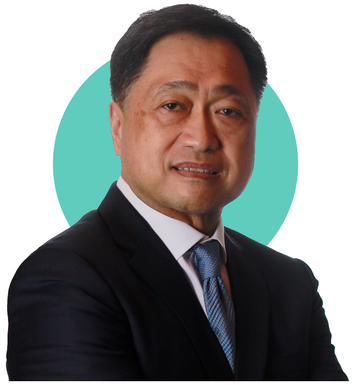
Director, President and Chief Executive Officer

Patrick Henry C. Go

Director, Executive Vice President

Johnson Robert G. Go, Jr.

Director



Cesar V. Purisima

Independent Director

Rizalina G. Mantaring

Independent Director

Christine Marie B. Angco

Independent Director

Antonio Jose U. Periquet, Jr.

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

Evelyn Chua-Ng
Chief Financial Officer

Francisco M. Del Mundo
Chief Investments, Strategy, and Corporate Services Officer

David J. Lim, Jr.
Chief Supply Chain and Sustainability Officer

Elisa O. Abalajon
Chief Human Resources Officer and Agile Transformation Lead

Krishna Mohan Suri
Chief Research and Development Officer

Karen Therese C. Salgado
Chief Information Officer

Socorro M.L. Banting
Vice President

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

Maria Celia H. Fernandez-Estavillo
Corporate Secretary

Andrea Claire G. Alcancia
Assistant Corporate Secretary

Charles Bernard A. Tañega
Treasurer

Elvin Michael L. Cruz
Corporate Legal Counsel

Jose Miguel T. Manalang
Director, Strategy and Investor Relations

Leadership Team

Shanie Ann S. Kawpeng
Managing Director, Snack Foods, BCFG Philippines

Oscar I. Villamora
Managing Director, Beverages, BCFG Philippines

Marcia Y. Gokongwei
Managing Director, Operations & Corporate Functions, BCFG Philippines

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

Anna Milagros D. David
Managing Director, URC International

Rodney Wong
Vice President and General Manager, URM Malaysia

Jean Pierre S. Gamboa
Vice President and General Manager, Vietnam

Tanant Suwanraks
Vice President and General Manager, Thailand, Laos and Cambodia

Keerati Chulplang
General Manager, Myanmar

Taufiqurrahman Basthami ST
General Manager, Indonesia

Maria Sarah P. Albert
General Manager, International Trading Operations (ITO)

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

Eva Lusiana
General Manager, Danone URC

Carlo Angelo M. Licuanan
General Manager, Vitasoy URC

Ramon C. Agustines
General Manager, Packaging

Corporate Directory

Philippines

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(C5 Road) Ugong Norte, Quezon City

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https://www.urc.com.ph/

Agro-Industrial Group

16 Santiago St., Bagong Ilog, Pasig City

T: +63 2 8671-8194

Flour Division

9th Floor, Zeta Tower, Bridgetowne, E. Rodriguez Jr. Avenue
(C5 Road) Ugong Norte, Quezon City

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+63 2 8672-1574
+63 2 8672-1587

Sugar and Renewables Group

6th Floor, Tera Tower, Bridgetowne, E. Rodriguez Jr. Avenue
(C5 Road) Ugong Norte, Quezon City

Investor Relations

6th Floor, Tera Tower, Bridgetowne, E. Rodriguez Jr. Avenue
(C5 Road) Ugong Norte, Quezon City

T: +63 2 8516-9888
IR@urc.com.ph

Independent Public Accountants

Sycip Gorres Velayo & Co
Certified Public Accountants

SGV Building 6760 Ayala Avenue Makati City

Stock Transfer and Dividend Paying Agent

BDO Unibank, Inc.
Trust and Investment Group

14th Floor, BDO Towers Valero, 8741 Paseo De Roxas,
Makati City

International

China

URC China Commercial Co., Ltd.

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URC Hong Kong Co. Ltd.

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Kwun Tong, Kowloon, Hong Kong

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T: +852 2717-1997
F: +852 2772-7052

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PT URC Indonesia Head Office / Factory

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Financial Statements

Universal Robina Corporation
and Subsidiaries

Consolidated Financial Statements
As of December 31, 2022 and 2021
and for the years ended December 31, 2022, 2021, and 2020

and

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Universal Robina Corporation

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, 2022 and 2021, 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, 2022 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, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2022 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.

Finalization of Purchase Price Allocation on acquisition of Munchy's

In 2021, the Group acquired 100% ownership interest in Crunchy Foods, Inc., which owns Munchy Food Industries and its 100%-owned subsidiary Munchworld Marketing for a total consideration of
₱24.6 billion. PFRS requires that when an entity acquires interest in a subsidiary, the fair values of the net assets of the subsidiary must be determined at acquisition date, including the identification and recognition of intangible assets. In 2021, the purchase price allocation was determined on a provisional basis. PFRS provides for a measurement period of one year from the date of acquisition wherein the acquirer may adjust provisional amounts.

The finalization of the purchase price allocation in 2022 is significant to our audit because it required significant management judgment and estimation in the identification and measurement of goodwill and other intangible assets particularly, on the forecasted revenue used, discount rates, and estimated royalty rates, and in the determination of the fair values of other nonfinancial assets and liabilities. The goodwill and other intangible assets with indefinite useful lives recognized on the acquisition amounted to ₱17.5 billion and ₱4.0 billion, respectively. The significant estimates used and disclosures in relation to the finalization of the purchase price allocation are included in Notes 3 and 14 to the consolidated financial statements.

Audit Response
We obtained an understanding of the valuation methodologies and key inputs in the purchase price allocation. We involved our internal specialists in the review of the valuation methodologies and key assumptions. We assessed the reasonableness of revenue growth and terminal growth rate (%) by comparing these to the historical performance of Munchy's, industry/market outlook and other relevant external data. For royalty rates applied in the forecasted revenue, the Group used the average benchmark royalty rates of comparable transactions. We checked the appropriateness of entities used as comparables to determine the average benchmark royalty rates. We assessed the reasonableness of discount rates used to value certain assets by comparing these to published reference rates, and assessing whether the underlying parameters used represent current market assumptions of risks specific to the assets being valued. We reviewed the fair values the property, plant and equipment by making references to comparable properties and whether the adjustments made to arrive at the concluded value properly considered differences in characteristics such as location and size. We also assessed the reasonableness of the management's adjustment on the replacement costs for the physical and economic obsolescence of depreciable assets. We also assessed and validated the adequacy and appropriateness of the related disclosures in the consolidated financial statements.

Recoverability of Goodwill and Intangible Assets with indefinite useful lives

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. As of December 31, 2022, the Group's goodwill attributable to the acquisition of Munchy's, and other entities amounted to ₱19.4 billion. The Group's intangible assets with indefinite useful lives consist of brands and trademarks, trade secrets and product formulation totaling ₱4.7 billion. 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. 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.

The Group's disclosures about goodwill and other intangible assets with indefinite lives are included in Notes 3 and 14 to the consolidated financial statements.

Audit response
We evaluated 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, capital structures, industries, and market information. In all cases as applicable, we considered the impact associated with current economic conditions. 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, 2022 (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, 2022, 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 casts 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.
Partner
CPA Certificate No. 109950
Tax Identification No. 241-031-088
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 109950-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-114-2022, January 20, 2022, valid until January 19, 2025
PTR No. 9369777, January 3, 2023, Makati City

March 28, 2023

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2022	2021 (As Restated – Note 14)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 7)	**₱13,251,218,657**	₱16,957,684,321
Financial assets at fair value through profit or loss (Note 8)	**834,807,019**	513,705,225
Receivables (Note 9)	**21,955,634,905**	16,766,426,332
Inventories (Note 10)	**38,064,661,840**	28,446,987,863
Biological assets (Note 13)	**205,303,346**	132,144,916
Other current assets (Note 11)	**5,843,068,721**	4,517,854,573
	80,154,694,488	67,334,803,230
Noncurrent Assets		
Property, plant and equipment (Note 12)	**60,117,371,432**	56,383,043,210
Right-of-use assets (Note 34)	**2,001,572,293**	2,215,167,047
Biological assets (Note 13)	**205,740,429**	166,105,594
Goodwill (Note 14)	**19,363,084,093**	18,751,709,896
Intangible assets (Note 14)	**4,864,394,301**	4,628,618,661
Investments in joint ventures (Note 15)	**138,060,136**	55,228,221
Deferred tax assets (Note 29)	**450,002,299**	447,528,495
Other noncurrent assets (Note 16)	**2,658,709,936**	3,464,267,621
	89,798,934,919	86,111,668,745
TOTAL ASSETS	**₱169,953,629,407**	₱153,446,471,975

(Forward)

	December 31	
	2022	2021 (As Restated – Note 14)
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other accrued liabilities (Note 18)	**₱25,480,972,213**	₱22,578,884,570
Short-term debts (Notes 17 and 19)	**11,762,287,539**	7,808,029,451
Trust receipts payable (Notes 10 and 19)	**11,457,712,536**	8,106,662,079
Income tax payable	**426,388,653**	288,842,084
Lease liabilities - current portion (Note 34)	**273,499,481**	245,682,038
	49,400,860,422	39,028,100,222
Noncurrent Liabilities		
Deferred tax liabilities (Note 29)	**2,161,335,900**	2,032,345,574
Lease liabilities - net of current portion (Note 34)	**2,001,355,296**	2,235,085,558
Net pension liability (Note 28)	**419,736,694**	383,206,789
	4,582,427,890	4,650,637,921
	53,983,288,312	43,678,738,143
Equity		
Equity attributable to equity holders of the parent		
Paid-up capital (Note 19)	**₱23,422,134,732**	₱23,422,134,732
Retained earnings (Note 19)	**95,304,192,226**	88,907,647,831
Other comprehensive income (Note 20)	**5,333,718,849**	3,266,429,260
Equity reserve (Note 19)	**(5,062,245,488)**	(5,075,466,405)
Treasury shares (Note 19)	**(3,652,109,120)**	(1,099,761,235)
	115,345,691,199	109,420,984,183
Equity attributable to non-controlling interest (Note 19)	**624,649,896**	346,749,649
	115,970,341,095	109,767,733,832
TOTAL LIABILITIES AND EQUITY	**₱169,953,629,407**	₱153,446,471,975

See accompanying Notes to Consolidated Financial Statements.

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2022	2021	2020
CONTINUING OPERATIONS			
SALE OF GOODS AND SERVICES (Notes 21 and 33)	**₱149,903,643,832**	₱116,954,788,444	₱113,161,785,302
COST OF SALES (Note 21)	**110,686,464,075**	83,489,653,157	78,573,438,418
GROSS PROFIT	**39,217,179,757**	33,465,135,287	34,588,346,884
Selling and distribution costs (Note 22)	**18,608,820,271**	16,082,615,159	16,159,980,873
General and administrative expenses (Note 23)	**5,384,755,135**	4,666,125,109	4,531,919,017
OPERATING INCOME	**15,223,604,351**	12,716,395,019	13,896,446,994
Finance costs (Note 27)	**(806,175,065)**	(573,284,799)	(661,728,977)
Net foreign exchange gain (losses)	**383,483,794**	346,265,153	(504,164,262)
Equity in net losses of joint ventures (Note 15)	**(378,967,690)**	(91,077,671)	(61,973,952)
Provision for credit and impairment losses (Notes 9, 10 and 12)	**(327,038,490)**	(572,219,061)	(32,583,003)
Finance revenue (Note 26)	**295,018,267**	255,372,110	323,640,769
Market valuation gain on financial assets and liabilities at fair value through profit or loss - net (Note 8)	**70,404,256**	87,194,548	136,239,105
Other income (losses) - net (Notes 12, 16, and 18)	**3,011,156,673**	2,375,334,123	(618,541,378)
INCOME BEFORE TAX FROM CONTINUING OPERATIONS	**17,471,486,096**	14,543,979,422	12,477,335,296
PROVISION FOR INCOME TAX (Note 29)	**3,000,198,031**	1,578,671,226	1,973,205,320
NET INCOME FROM CONTINUING OPERATIONS	**₱14,471,288,065**	₱12,965,308,196	₱10,504,129,976
DISCONTINUED OPERATIONS			
NET INCOME AFTER TAX FROM DISCONTINUED OPERATIONS (Note 30)	–	11,280,571,602	1,120,472,734
NET INCOME	**₱14,471,288,065**	₱24,245,879,798	₱11,624,602,710
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the parent (Note 31)	**₱13,956,141,883**	₱23,323,672,422	₱10,746,720,491
Non-controlling interests (Notes 15 and 19)	**515,146,182**	922,207,376	877,882,219
	₱14,471,288,065	₱24,245,879,798	₱11,624,602,710
EARNINGS PER SHARE (Note 31)			
Basic/diluted, for income attributable to equity holders of the parent	**₱6.39**	₱10.58	₱4.88

See accompanying Notes to Consolidated Financial Statements.

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2022	2021	2020
NET INCOME	**₱14,471,288,065**	₱24,245,879,798	₱11,624,602,710
OTHER COMPREHENSIVE INCOME (LOSS)			
Items to be reclassified to profit or loss in subsequent periods, net of tax:			
Cumulative translation adjustments (Note 20)	**1,929,092,653**	1,294,472,221	(1,566,642,568)
Gain (loss) on cash flow hedge (Note 20)	**–**	31,878,965	(31,878,965)
	1,929,092,653	1,326,351,186	(1,598,521,533)
Items not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gain (loss) on defined benefit plans (Notes 20 and 28)	**230,091,870**	644,591,283	(203,848,275)
Income tax effect	**(57,522,968)**	(207,839,764)	61,154,482
Unrealized gain (loss) on financial assets at fair value through other comprehensive income (Notes 16 and 20)	**24,850,000**	5,830,000	(890,000)
	197,418,902	442,581,519	(143,583,793)
OTHER COMPREHENSIVE INCOME (LOSS)	**2,126,511,555**	1,768,932,705	(1,742,105,326)
TOTAL COMPREHENSIVE INCOME	**₱16,597,799,620**	₱26,014,812,503	₱9,882,497,384
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity holders of the parent	**₱16,023,431,472**	₱24,856,084,867	₱9,251,349,055
Non-controlling interests	**574,368,148**	1,158,727,636	631,148,329
	₱16,597,799,620	₱26,014,812,503	₱9,882,497,384

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 19)			**Retained Earnings** (Note 19)			**Other Comprehensive Income (Loss)** (Note 20)									
	Capital Stock	Additional Paid-in Capital	Total Paid-up Capital	Unappropriated Retained Earnings	Appropriated Retained Earnings	Total Retained Earnings	Cumulative Translation Adjustments (Note 20)	Net Unrealized Gain (Loss) on Financial Assets at FVOCI (Note 16)	Unrealized Gain (Loss) on Cash Flow Hedge	Remeasurement Gain (Loss) on Defined Benefit Plans	Total Other Comprehensive Income (Loss)	Equity Reserve (Note 19)	Treasury Shares (Note 19)	Total	Equity Attributable to Non-controlling Interest (Notes 15 and 19)	Total Equity
Balances as at January 1, 2022	**₱2,230,160,190**	**₱21,191,974,542**	**₱23,422,134,732**	**₱88,907,647,831**	**₱–**	**₱88,907,647,831**	**₱3,417,686,647**	**₱59,510,000**	**₱–**	**(₱210,767,387)**	**₱3,266,429,260**	**(₱5,075,466,405)**	**(₱1,099,761,235)**	**₱109,420,984,183**	**₱346,749,649**	**₱109,767,733,832**
Net income for the year	**–**	**–**	**–**	**13,956,141,883**	**–**	**13,956,141,883**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**13,956,141,883**	**515,146,182**	**14,471,288,065**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**1,872,914,779**	**24,850,000**	**–**	**169,524,810**	**2,067,289,589**	**–**	**–**	**2,067,289,589**	**59,221,966**	**2,126,511,555**
Total comprehensive income	**–**	**–**	**–**	**13,956,141,883**	**–**	**13,956,141,883**	**1,872,914,779**	**24,850,000**	**–**	**169,524,810**	**2,067,289,589**	**–**	**–**	**16,023,431,472**	**574,368,148**	**16,597,799,620**
Cash dividends (Note 19)	**–**	**–**	**–**	**(7,559,597,488)**	**–**	**(7,559,597,488)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(7,559,597,488)**	**(295,470,000)**	**(7,855,067,488)**
Acquisition of new subsidiary (Note 19)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**13,220,917**	**–**	**13,220,917**	**–**	**13,220,917**
Derecognition of noncontrolling interest	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(997,901)**	**(997,901)**
Purchase of treasury shares (Note 19)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,552,347,885)**	**(2,552,347,885)**	**–**	**(2,552,347,885)**
Balances as at December 31, 2022	**₱2,230,160,190**	**₱21,191,974,542**	**₱23,422,134,732**	**₱95,304,192,226**	**₱–**	**₱95,304,192,226**	**₱5,290,601,426**	**₱84,360,000**	**₱–**	**(₱41,242,577)**	**₱5,333,718,849**	**(₱5,062,245,488)**	**(₱3,652,109,120)**	**₱115,345,691,199**	**₱624,649,896**	**₱115,970,341,095**
Balances as at January 1, 2021	₱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
Net income for the year	–	–	–	23,323,672,422	–	23,323,672,422	–	–	–	–	–	–	–	23,323,672,422	922,207,376	24,245,879,798
Other comprehensive income	–	–	–	–	–	–	1,072,840,824	5,830,000	19,127,379	434,614,242	1,532,412,445	–	–	1,532,412,445	236,520,260	1,768,932,705
Total comprehensive income	–	–	–	23,323,672,422	–	23,323,672,422	1,072,840,824	5,830,000	19,127,379	434,614,242	1,532,412,445	–	–	24,856,084,867	1,158,727,636	26,014,812,503
Cash dividends (Note 19)	–	–	–	(7,273,734,164)	–	(7,273,734,164)	–	–	–	–	–	–	–	(7,273,734,164)	(433,650,000)	(7,707,384,164)
Acquisition of new subsidiary (Note 15)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	341,291,632	341,291,632
Derecognition of noncontrolling interest (Note 30)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(6,244,876,706)	(6,244,876,706)
Reclass of equity reserves (Note 19)	–	–	–	2,409,642,149	–	2,409,642,149	–	–	–	–	–	(2,409,642,149)	–	–	–	–
Purchase of treasury shares (Note 19)	–	–	–	–	–	–	–	–	–	–	–	–	(420,271,367)	(420,271,367)	–	(420,271,367)
Balances as at December 31, 2021	₱2,230,160,190	₱21,191,974,542	₱23,422,134,732	₱88,907,647,831	₱–	₱88,907,647,831	₱3,417,686,647	₱59,510,000	₱–	(₱210,767,387)	₱3,266,429,260	(₱5,075,466,405)	(₱1,099,761,235)	₱109,420,984,183	₱346,749,649	₱109,767,733,832
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 19)	–	–	–	(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 19)	–	–	–	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

See accompanying Notes to Consolidated Financial Statements.

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax from continuing operations	**₱17,471,486,096**	₱14,543,979,422	₱12,477,335,295
Income before income tax from discontinued operations (Note 30)	**–**	11,599,742,265	1,278,949,112
Income before income tax	**17,471,486,096**	26,143,721,687	13,756,284,407
Adjustments for:			
Depreciation and amortization (Notes 24 and 30)	**6,288,252,700**	6,964,546,747	7,364,956,117
Loss (gain) on sale/disposals of property, plant and equipment and investment property (Notes 12 and 16)	**(3,281,365,960)**	(3,183,838,706)	3,151,000
Finance costs (Notes 27 and 30)	**806,175,065**	1,313,541,255	1,440,491,530
Net foreign exchange losses (gains) (Note 30)	**(383,483,794)**	(357,418,904)	486,271,868
Equity in net losses of joint ventures (Notes 15 and 30)	**378,967,690**	91,077,671	30,387,041
Provision for credit and impairment losses (Notes 9, 10 and 12)	**327,038,490**	572,219,061	32,583,003
Finance revenue (Notes 26 and 30)	**(295,018,267)**	(272,412,394)	(342,722,549)
Pension expense (Note 28)	**241,735,564**	313,644,955	221,475,059
Market valuation gain on financial assets at fair value through profit or loss - net (Note 8)	**(70,404,256)**	(87,194,548)	(136,239,105)
Gain arising from changes in fair value less estimated costs to sell of biological assets (Note 13)	**(311,493)**	(2,550,156)	(37,039,948)
Gain on sale of business (Note 30)	**–**	(10,100,438,582)	–
Unamortized debt issue cost recognized as expense on pre- termination of long-term debts	**–**	92,120,744	–
Loss on sale of financial assets at fair value through OCI	**–**	580,000	–
Operating income before working capital changes	**21,483,071,835**	21,487,598,830	22,819,598,423
Decrease (increase) in:			
Receivables	**(2,605,431,253)**	(471,993,520)	(1,608,936,413)
Inventories	**(10,122,658,594)**	(4,118,047,111)	(2,046,782,286)
Biological assets	**(228,333,481)**	(149,317,080)	653,186,037
Other current assets	**(1,866,648,789)**	(1,255,115,410)	(98,416,313)
Increase (decrease) in:			
Accounts payable and other accrued liabilities	**4,184,752,123**	342,129,083	3,557,926,082
Trust receipts payable	**3,300,488,410**	546,700,633	(1,257,836,274)
Net cash generated from operations	**14,145,240,251**	16,381,955,425	22,018,739,256
Income taxes paid	**(2,399,394,053)**	(1,847,176,445)	(2,253,123,509)
Interest paid	**(565,663,230)**	(925,492,541)	(884,404,162)
Contributions to retirement plan (Note 28)	**(200,415)**	(344,863,044)	(252,232,263)
Interest received	**170,897,069**	202,061,065	276,644,858
Net cash provided by operating activities	**11,350,879,622**	13,466,484,460	18,905,624,180

(Forward)

	Years Ended December 31		
	2022	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property, plant and equipment (Note 12)	**(₱9,134,912,018)**	(₱13,199,692,100)	(₱11,136,695,250)
Subsidiary, net of cash acquired (Note 14)	**(486,014,976)**	(22,565,594,339)	–
Financial assets at fair value through profit or loss	**(162,665,091)**	(77,103,380)	–
Investments in joint ventures (Note 15)	**(80,879,150)**	(100,000,000)	–
Intangible assets	**(3,101,422)**	–	
Proceeds from sale/disposal of:			
Property, plant and equipment and investment property (Notes 12 and 16)	**1,827,682,799**	1,984,600,073	41,083,408
Business, net of cash disposed (Note 30)	**–**	22,292,159,390	–
Financial assets at fair value through OCI	**–**	50,000	–
Financial assets at fair value through profit or loss	**–**	–	25,750
Decrease (increase) in other noncurrent assets	**(80,447,447)**	3,710,795	(321,475,301)
Dividends received (Note 8)	**80,757,174**	32,302,870	64,605,739
Net cash used in investing activities	**(8,039,580,131)**	(11,629,566,691)	(11,352,455,654)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of/from:			
Short-term debts (Notes 17 and 35)	**(15,740,000,000)**	(4,002,001,432)	(3,202,003,095)
Principal portion of lease liabilities (Note 34)	**(500,349,782)**	(814,968,947)	(830,570,104)
Availments of short-term debts (Notes 17 and 35)	**19,630,000,000**	9,200,000,000	2,125,000,000
Purchase of treasury shares (Note 19)	**(2,552,347,885)**	(420,271,367)	–
Cash dividends paid (Note 19)	**(7,855,067,488)**	(7,707,384,164)	(7,286,109,884)
Increase in other noncurrent liabilities	**–**	–	21,646,161
Net cash used in financing activities	**(7,017,765,155)**	(3,744,625,910)	(9,172,036,922)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(3,706,465,664)**	(1,907,708,141)	(1,618,868,396)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**16,957,684,321**	18,865,392,462	20,484,260,858
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱13,251,218,657**	₱16,957,684,321	₱18,865,392,462

See accompanying 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 two (2) business segments: branded consumer foods and agro-industrial and commodity foods.

Branded consumer foods (BCF) segment, including packaging division, manufactures and distributes a diverse mix of salty snacks, chocolates, candies, biscuits, packaged cakes, beverages and instant noodles. 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 agro-industrial and commodity food segment operates three divisions: (1) agro-industrial group (AIG) 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; (2) flour division engages in flour milling and pasta manufacturing; and (3) sugar and renewable division (SURE) engages in sugar milling and refining, and renewable energy development.

The operations of certain subsidiaries are registered with the Board of Investments (BOI) as preferred pioneer and non-pioneer 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 33).

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), 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 -
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 -
Crunchy Foods Sdn. Bhd (Malaysia)	- do -	- do -
(Forward)		
Munchy Food Industries Sdn. Bhd	- do -	- do -

Subsidiaries	Country of Incorporation	Functional Currency
Munchworld Marketing Sdn Bhd	- do -	- do -
URC Foods (Singapore) Pte. Ltd.	Singapore	Singapore Dollar
Advanson International Pte. Ltd. (Advanson)	- do -	- do -
Pan Pacific Investments Co. Ltd. (PPICL)	- do -	- do -
URC Equity Ventures Pte. Ltd.	- do -	- do -
URC (Thailand) Co., Ltd.	Thailand	Thai Baht
Siam Pattanasin Co., Ltd.	- do -	- do -
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 -

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, 2022 and 2021.

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

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

On December 23, 2019, Intersnack, a European enterprise engaged in the savory snacks market with an extensive product portfolio, bought 40% of Oceania businesses (Snack Brands Australia and Griffin's Food Limited), which resulted in the reduction of URC's ownership interest in Oceania from 100% to 60% (see Note 19). Further, on October 29, 2021, URC sold its remaining 60% ownership interest to Intersnack (see Note 30).

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
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.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

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.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

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.

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*.

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.

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.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following PFRSs and Philippine Accounting Standards (PAS) and Philippine Interpretations beginning January 1, 2022. Unless otherwise indicated, the adoption of the new and amended standards and interpretations did not have any impact on the consolidated financial statements of the Group.

- 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 from 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.

- Amendments to PAS 16, *Property, 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.

- 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.

- *Annual Improvements to PFRSs 2018-2020 Cycle*

  - Amendments to PFRS 1, *First-time Adoption of Philippines 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 in the parent's consolidated financial statements, based on the parent's date of transition to PFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

  - 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.

  - 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.

Significant Accounting Policies

Current versus Noncurrent Classification
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 level 1value 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.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

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

Financial Instruments
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, *Revenue from Contracts with Customers*.

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, 2022 and 2021 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, receivables and security deposits.

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 ownership of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of ownership 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 of the asset. 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 (SICR) 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, due from related parties and other receivables, ECLs are recognized in two stages. For credit exposures for which there has not been a SICR 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 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 SICR 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 60 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 SICR 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 SICR 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 SICR 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, 2022 and 2021.

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 liabilities (excluding advances from customers, advances from third parties, statutory and taxes payables), short-term debts and trust receipts payable.

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.

Inventories
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 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.

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 16).

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 (or from) investment property only when there is a change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

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.

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/Trade secrets	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

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.

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 12), right-of-use assets (see Note 34), investment properties (see Note 16), investments in joint ventures (see Note 15), goodwill and intangible assets (see Note 14).

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.

Discontinued Operations
A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or
- is a subsidiary acquired exclusively with a view to resale.

The disposal group is excluded from the results of continuing operations and is presented as a single amount as 'Net income after tax from discontinued operations' in the consolidated statement of income.

Additional disclosures are provided in Note 30. All other notes to the consolidated financial statements include amounts of disposal group, unless otherwise mentioned.

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
Revenue from sale of goods is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. 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, 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 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 over time as the related services are being 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.

Income Taxes
Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the 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 of 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
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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 fixtures	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 the Board of Directors (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, 2023

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*
  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

  - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and

- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed.

- Amendments to PAS 8, *Definition of Accounting Estimates*
  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

  An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted.

- Amendments to PAS 12, *Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction*
  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

  The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

  An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

Effective beginning on or after January 1, 2024

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

  The amendments clarify:
  - That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
  - 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, 2024 and must be applied retrospectively.

- Amendments to PFRS 16*, Lease Liability in a Sale and Leaseback*
  The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

Effective beginning on or after January 1, 2025

- 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

  On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with omparative figures required. Early application is permitted.

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 and Sustainability Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the 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 sale of goods at a point in time, when the goods are sold and delivered and for tolling activities, overtime as services are being 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. *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.

c. *Discontinued operations*
The Group determined that the sale of the Oceania businesses will qualify for presentation as discontinued operations in 2021 since it represents a separate line of business for which the operations and cash flows can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group (Note 30).

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 of 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 ₱15.2 billion and ₱12.9 billion as at December 31, 2022 and 2021, respectively (see Note 9).

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 SICR, 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 60 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 2022 and 2021.

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, 2022 and 2021, the Group's biological assets carried at fair values less estimated costs to sell amounted to ₱411.0 million and ₱298.3 million, respectively (see Note 13). For the years ended December 31, 2022, 2021 and 2020, the Group recognized gain arising from changes in the fair value less costs to sell of biological assets amounting to ₱0.3 million, ₱2.6 million, and ₱37.0 million, respectively (see Note 13). 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, 2022 and 2021, the balance of the Group's goodwill and intangible assets with indefinite useful lives and accumulated impairment losses follow:

	2022	2021
Goodwill (Note 14)	**₱19,363,084,093**	₱18,751,709,896
Intangible assets (Note 14)	**4,770,556,696**	4,628,618,661

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 year ended December 31, 2022 and 2021, the Group recognized impairment losses on its property, plant and equipment amounting to ₱323.0 million and ₱432.6 million, respectively. For the year ended December 31, 2020, no impairment loss was recognized (see Note 12).

For the years ended December 31, 2022, 2021 and 2020, the Group did not recognize any impairment losses on its right-of-use assets (see Note 34), investment properties (see Note 16), goodwill and its other intangible assets (see Note 14).

As of December 31, 2022 and 2021, the balances of the Group's nonfinancial assets with finite useful lives, excluding biological assets, net of accumulated depreciation, amortization and impairment losses follow:

	2022	2021
Property, plant and equipment (Note 12)	**₱37,601,271,282**	₱36,737,006,100
Right-of-use assets (Note 34)	**2,001,572,293**	2,215,167,047
Intangible assets (Note 14)	**93,837,606**	–
Investment properties (Note 16)	**1,958,173**	26,750,788

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 12). 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 28). 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, 2022 and 2021, the balance of the Group's present value of defined benefit obligations and other benefits is shown in Note 28 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, 2022 and 2021, the Group recognized net deferred tax assets amounting to ₱450.0 million and ₱447.5 million, respectively (see Note 29), as the Group believes sufficient taxable income will allow these deferred tax assets to be utilized.

Net deferred tax liabilities amounted to ₱2.2 billion and ₱2.0 billion as of December 31, 2022 and 2021, respectively (see Note 29).

The recognized and unrecognized deferred tax assets for the Group are disclosed in Note 29.

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.

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 risk-free rates 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. Estimation of useful life of intangible assets
The Group determines the EUL of its intangible assets based on the period over which the assets are expected to be available for use. The Group reviews annually the EUL of these intangible assets based on factors that include asset utilization, internal technical evaluation, and anticipated use of the assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the EUL of intangible assets would increase the recorded amortization expense.

With more than 30 product brands listed under its umbrella, Munchy's is considered to be a well-known brand in Malaysia. Trademarks pertain to signs, designs, or expressions that identify products related to Munchy's brand which set them apart from others. Munchy's has improved the technology, manufacturing procedures, and design of its production lines. All of these are regarded as trade secrets. Management determined the useful life of these intangible assets to be indefinite since there is no foreseeable limit to the period over which the brands, trademarks, and trade secrets is likely to generate net cash inflows to Munchy's.

The said assessment is based on the track record of stability for the biscuit manufacturing industry and the Munchy's brand. Added to this is the commitment of management to continue to invest for the long term, to extend the period over which the intangible asset is expected to continue to provide economic benefits.

The carrying values of intangible assets are disclosed in Note 14 of the consolidated financial statements.

k. 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.

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 of 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 Board Risk and Oversight Committee (BROC) to spearhead the managing and monitoring of risks.

BROC
The purpose of the Board Risk Oversight Committee is to oversee the establishment of an Enterprise Risk Management (ERM) framework that will effectively identify, monitor, assess and manage key business risks. The risk management framework shall guide the Board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies. The Committee shall be responsible for defining the Group'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.

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, reviewing, evaluating and ensuring the compliance by the Group, its Officers and Directors with the provisions and requirements of the Corporate Governance Manual and the relevant laws, the Code of Corporate Governance, rules, regulations and all governance issuances of regulatory agencies; and
- Assisting 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 Group, and to assist in the conduct of self-assessment of the performance and effectiveness of the Board, the Board Committees and individual Board members in carrying out their functions as set out in the Corporate Governance Manual and the respective charters of the Board Committees.

Enterprise Resource Management (ERM) Framework
The ERM framework revolves around the following activities:

1. Risk Identification. This involves the identification of key business drivers that influence the operability and performance of the business units. Each business driver is assigned strategic and operational objectives that are owned by risk champions and risk owners. Each risk champion and owner conduct their risk identification process using different tools such as risk factor analysis, megatrends analysis, and systems dynamics analysis.
2. Risk Assessment. Each identified risk is assessed to determine if they pose significant impact to the business unit's ability to implement strategy and deliver business objectives. This process involves grouping similar risks into categories such as Reputational Risk, Strategic Risk, Financial Risk,

Compliance Risk, Operations Risk, and Emerging Risk. For each risk category, a risk assessment scale provides an objective criterion to evaluate the impact to the business - insignificant, minor, moderate, major, or extreme impact. The impact severity of the risk is rated based on their nature, regardless of the organization's circumstances and capability to manage them.

3. Risk Prioritization. This process enables the organization to focus the implementation of risk responses into certain high and medium severity risks based on the organization's risk profile.
4. Risk Response, Monitoring, and Evaluation. Appropriate risk responses are put in place for each priority risk, both at the level of the risk champions and risk owners and at the enterprise and Group level. Risk champions continually monitor and evaluate the effectiveness of the risk responses. Material residual risks are assessed for improvement of risk response and identification of recovery measures.
5. Risk Reporting. At the Group level, top risks are reviewed, updated and reported to the Board Risk Oversight Committee twice a year.

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. Generally, trade receivables are written off when deemed unrecoverable. 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, 2022 and 2021, except for the Group's trade receivables as of December 31, 2022 and 2021 with carrying value of ₱15.2 billion and ₱12.9 billion, respectively, and collateral with fair value amounting to ₱2.6 billion and ₱2.7 billion as of December 31, 2022 and 2021, respectively, resulting to net exposure of ₱12.6 billion and ₱10.2 billion, respectively.

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

b. Risk concentrations of the maximum exposure to credit risk

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

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

i. Concentration by geographical location

The Group's credit risk exposures as of December 31, 2022 and 2021 before taking into account any collateral held or other credit enhancements are categorized by geographic location follow:

	2022			
	Philippines	**Asia**	**Others**	**Total**
Cash and cash equivalents* (Note 7)	**₱5,418,032,169**	**₱7,784,642,538**	**₱–**	**₱13,202,674,707**
Receivables (Note 9):			–	
Trade receivables	**11,379,724,485**	**3,805,971,525**		**15,185,696,010**
Due from related parties	**1,821,450,615**	–	–	**1,821,450,615**
Interest receivable	**3,132,333**	**19,712,162**	–	**22,844,495**
Non-trade and other receivables	**4,901,302,462**	**24,341,323**	–	**4,925,643,785**
	₱23,523,642,064	**₱11,634,667,548**	**₱–**	**₱35,158,309,612**

** Excludes cash on hand*

	2021			
	Philippines	Asia	Others	Total
Cash and cash equivalents*(Note 7)	₱6,676,982,136	₱10,213,588,237	₱–	₱16,890,570,373
Receivables (Note 9):			–	
Trade receivables	9,346,447,301	3,530,064,659	1,024,576	12,877,536,536
Due from related parties	783,827,454	61,663,764	–	845,491,218
Interest receivable	40,737,258	478,423	–	41,215,681
Non-trade and other receivables	2,898,126,207	104,056,690	–	3,002,182,897
	₱19,746,120,356	₱13,909,851,773	₱1,024,576	₱33,656,996,705

** 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, 2022 and 2021 before taking into account any collateral held or other credit enhancements.

	2022					
	Manufacturing/ Retail	**Financial Intermediaries**	**Petrochemicals**	**Tele-Communication**	**Others***	**Total**
Cash and cash equivalents** (Note 7)	**₱–**	**₱13,202,674,707**	**₱–**	**₱–**	**₱–**	**₱13,202,674,707**
Receivables (Note 9):						
Trade receivables	**14,710,826,856**	**–**	**–**	**–**	**474,869,155**	**15,185,696,011**
Due from related parties	**217,801,094**	**38,835,562**	**–**	**–**	**1,564,813,959**	**1,821,450,615**
Interest receivable	**–**	**22,844,495**	**–**	**–**		**22,844,495**
Non-trade and other receivables	**4,483,260,676**	**13,268,229**	**185,783,422**	**7,497,686**	**235,833,772**	**4,925,643,785**
	₱19,411,888,626	**₱13,277,622,993**	**₱185,783,422**	**₱7,497,686**	**₱2,275,516,886**	**₱35,158,309,613**

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

	2021					
	Manufacturing/ Retail	Financial Intermediaries	Petrochemicals	Tele-Communication	Others*	Total
Cash and cash equivalents** (Note 7)	₱–	₱16,890,570,373	₱–	₱–	₱–	₱16,890,570,373
Receivables (Note 9):						
Trade receivables	12,520,301,799	–	–	–	357,234,737	12,877,536,536
Due from related parties	52,682,966	19,494,107	–	–	773,314,145	845,491,218
Interest receivable	–	41,215,681	–	–	–	41,215,681
Non-trade and other receivables	1,875,438,234	502,840,682	122,978,675	–	500,925,306	3,002,182,897
	₱14,448,422,999	₱17,454,120,843	₱122,978,675	₱–	₱1,631,474,188	₱33,656,996,705

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

iii. Credit risk under general approach and simplified approach

	2022			
	General Approach			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified Approach**
Cash and cash equivalents* (Note 7)	**₱13,202,674,707**	**₱–**	**₱–**	**₱–**
Receivables (Note 9):				
Trade receivables	**–**	**–**	**–**	**15,255,487,784**
Due from related parties	**1,821,450,615**	**–**	**–**	**–**
Interest receivable	**22,844,495**	**–**	**–**	**–**
Non-trade and other receivables	**4,212,035,430**	**713,608,355**	**157,169,779**	**–**
Total financial assets at amortized cost	**₱19,259,005,247**	**₱713,608,355**	**₱157,169,779**	**₱15,255,487,784**

Excludes cash on hand

	2021			
	General Approach			
	Stage 1	Stage 2	Stage 3	Simplified Approach
Cash and cash equivalents* (Note 7)	₱16,890,570,373	₱–	₱–	₱–
Receivables (Note 9):				
Trade receivables	–	–	–	13,045,714.957
Due from related parties	845,491,218	–	–	–
Interest receivable	41,215,681	–	–	–
Non-trade and other receivables	2,152,127,582	850,055,315	208,970,376	–
Total financial assets at amortized cost	₱19,929,404,854	₱850,055,315	₱208,970,376	₱13,045,714.957

**Excludes cash on hand*

iv. Aging analysis

Set out below is the information about the credit risk exposure on the Group's receivables:

	2022					
	Past Due but Not Impaired					
	Current	**Less than 30 Days**	**30 to 60 Days**	**60 to 90 Days**	**Over 90 Days**	**Total**
Gross carrying amount of trade receivables	**₱11,605,224,165**	**₱2,923,346,044**	**₱105,863,673**	**₱146,920,922**	**₱474,132,980**	**₱15,255,487,784**
Expected credit losses	**₱–**	**₱–**	**₱–**	**₱–**	**₱69,791,773**	**₱69,791,773**

	2021					
	Past Due but Not Impaired					
	Current	Less than 30 Days	30 to 60 Days	60 to 90 Days	Over 90 Days	Total
Gross carrying amount of trade receivables	₱10,284,293,935	₱2,137,568,404	₱72,232,646	₱198,433,105	₱353,186,867	₱13,045,714,957
Expected credit losses	₱–	₱–	₱–	₱–	₱168,171,421	₱168,171,421

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, 2022 and 2021 based on the remaining undiscounted contractual cash flows.

	2022					
	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 payables, accrued expenses and other payables*	₱9,526,364,834	₱14,652,549,424	₱710,771,205	₱25,880,412	₱59,581,745	₱24,975,147,620
Due to related parties	204,199,106	–	–	–	–	204,199,106
Short-term debts**	–	11,796,258,215	–	–	–	11,796,258,215
Trust receipts payable**	–	11,485,977,034	–	–	–	11,485,977,034
Lease liabilities**	–	134,902,584	288,468,536	1,152,560,695	1,809,101,854	3,385,033,669
	₱9,730,563,940	₱38,069,687,257	₱999,239,741	₱1,178,441,107	₱1,868,683,599	₱51,846,615,644

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

	2021					
	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 payables, accrued expenses and other payables*	₱8,244,996,271	₱13,044,725,714	₱823,401,841	₱–	₱–	₱22,113,123,826
Due to related parties	202,541,860	–	–	–	–	202,541,860
Short-term debts**	–	7,813,804,441	–	–	–	7,813,804,441
Trust receipts payable**	–	8,115,264,493	–	–	–	8,115,264,493
Lease liabilities**	–	98,591,593	374,716,523	1,441,900,057	2,110,381,626	4,025,589,799
	₱8,447,538,131	₱29,072,386,241	₱1,198,118,364	₱1,441,900,057	₱2,110,381,626	₱42,270,324,419

**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, 2022, 2021, and 2020, approximately 21.5%, 19.0%, and 18.8% of the Group's total sales, respectively, are denominated in currencies other than the functional currency. In addition, 2.6% and 3.0% of the Group's debts are denominated in various currencies as of December 31, 2022 and 2021, 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 ₱3.1 million and ₱57.8 million on income before income tax, and equity for the years ended December 31, 2022 and 2021, 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, 2022 and 2021 are not significant.

The exchange rates used to restate the US dollar-denominated financial assets and liabilities were ₱55.76 to US$1.00 and ₱51.00 to US$1.00 as of December 31, 2022 and 2021, 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:

	2022		2021	
Changes in PSEi	**20.55%**	**-20.55%**	18.59%	-18.59%
Change in trading gain (loss) at equity portfolio	**₱54,017,188**	**(₱54,017,188)**	₱64,004,462	(₱64,004,462)
As a percentage of the Parent Company's trading gain for the year	**-130.34%**	**130.34%**	(136.23%)	136.23%

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 ₱1.1 million and ₱0.8 million on equity for the years ended December 31, 2022 and 2021. 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.

As of December 31, 2022 and 2021, the Group has no interest rate risk exposure since there are no outstanding interest rate-sensitive assets and liabilities.

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 2022, 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.

Fair Value Measurement Hierarchy for Assets and Liabilities

	December 31, 2022				
	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	**₱834,807,019**	**₱834,807,019**	**₱–**	**₱–**	**₱834,807,019**
Financial assets at FVOCI					
Quoted equity securities (Note 16)	**105,450,000**	–	**105,450,000**	–	**105,450,000**
Deposits (Note 16)	**923,159,218**	–	–	**923,159,218**	**923,159,218**
	₱1,863,416,237	**₱834,807,019**	**₱105,450,000**	**₱923,159,218**	**₱1,863,416,237**
Non-financial assets					
Biological assets (Note 13)	**₱411,043,775**	**₱–**	**₱26,191,503**	**₱384,852,272**	**₱411,043,775**
Assets for which fair values are disclosed					
Investment properties (Note 16)	**₱1,958,173**	**₱–**	**₱–**	**₱47,823,000**	**₱47,823,000**

	December 31, 2021				
	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	₱513,705,225	₱513,705,225	₱–	₱–	₱513,705,225
Financial assets at FVOCI					
Quoted equity securities (Note 16)	157,703,381	–	157,703,381	–	157,703,381
Deposits (Note 16)	653,063,190	–	–	653,063,190	653,063,190
	₱1,324,471,796	₱513,705,225	₱157,703,381	₱653,063,190	₱1,324,471,796
Non-financial assets					
Biological assets (Note 13)	₱298,250,510	₱–	₱16,364,135	₱281,886,375	₱298,250,510
Assets for which fair values are disclosed					
Investment properties (Note 16)	₱26,750,788	₱–	₱–	₱324,572,000	₱324,572,000

For the years ended December 31, 2022 and 2021, 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 deposits 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

Adjusted commercial farmgate prices	Fair value based on commercial farmgate prices, adjusted by considering the age, breed and genetic merit
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.
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 three (3) 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 and commodity food products segment operates three divisions: (1) agro-industrial group (AIG) engages in hog and poultry farming, manufacturing and distribution of animal feeds, glucose and soya products, and production and distribution of animal health products with peak season during summer and before Christmas season; (2) flour division engages in flour milling and pasta manufacturing with peak season before and during the Christmas season; and (3) sugar and renewable division (SURE) engages in sugar milling and refining, and renewable energy with peak season during its crop season, which normally starts in November and ends in April.
- 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, 2022, 2021, and 2020.

The Group's business segment information follows (amounts in thousands):

	As of and for the year ended December 31, 2022				
	Branded Consumer Food	Agro-Industrial and Commodity Food	Corporate Business	Eliminations	Total
Sale of Goods and Services					
Third party	**₱107,767,325**	**₱42,136,319**	**₱–**	**₱–**	**₱149,903,644**
Inter-segment	**24,696,963**	**11,851,292**	**–**	**(36,548,255)**	**–**
	₱132,464,288	**₱53,987,611**	**₱–**	**(₱36,548,255)**	**₱149,903,644**
Result					
Earnings before interest, income taxes and depreciation/amortization (EBITDA)	**₱15,311,132**	**₱8,892,328**	**(₱2,691,603)**	**₱–**	**₱21,511,857**
Depreciation and amortization (Note 24)	**(4,196,537)**	**(1,762,844)**	**(328,872)**	**–**	**(6,288,253)**
Earnings before interest and income tax (EBIT)	**₱11,114,595**	**₱7,129,484**	**(₱3,020,475)**	**₱–**	**₱15,223,604**
Finance revenue (Note 26)	**₱199,948**	**₱982**	**₱94,088**	**₱–**	**295,018**
Finance costs (Note 27)	**(₱194,551)**	**(₱267,862)**	**(₱343,762)**	**₱–**	**(806,175)**
Equity in net loss of joint ventures (Note 15)	**₱1,350**	**₱–**	**(₱380,317)**	**–**	**₱–**	**(378,967)**
Market valuation gain on financial assets and liabilities at FVTPL (Note 8)	**₱–**	**₱–**	**₱70,404**	**₱–**	**70,404**
Provision for credit and impairment losses (Notes 9 and 12)	**(₱33,845)**	**(₱293,193)**	**₱–**	**₱–**	**(327,038)**
Other expenses*					**3,394,640**
Income before income tax					**17,471,486**
Provision for income tax (Note 29)					**(3,000,198)**
Net income					**₱14,471,288**
Other Information					
Total assets	**₱113,352,380**	**₱51,272,556**	**₱5,328,693**	**₱–**	**₱169,953,629**
Total liabilities	**₱27,082,074**	**₱14,900,584**	**₱12,000,630**	**₱–**	**₱53,983,288**
Capital expenditures	**₱5,389,404**	**₱3,489,206**	**₱256,302**	**₱–**	**₱9,134,912**
Non-cash expenses other than depreciation and amortization:					
Impairment losses on:					
Receivables (Note 9)	**(₱4,054)**	**₱–**	**₱–**	**₱–**	**(₱4,054)**
Property, plant and equipment (Note 12)	**(29,791)**	**(293,193)**	**–**	**–**	**(322,984)**
	(₱33,845)	**(₱293,193)**	**₱–**	**₱–**	**(₱327,038)**

**Includes net foreign exchange losses and other revenues (expenses)*

	As of and for the year ended December 31, 2021				
	Branded Consumer Food	Agro-Industrial and Commodity Food	Corporate Business	Eliminations	Total
Sale of Goods and Services					
Third party	₱83,522,784	₱33,432,004	₱–	₱–	₱116,954,788
Inter-segment	17,959,755	9,149,538	–	(27,109,293)	–
	₱101,482,539	₱42,581,542	₱–	(₱27,109,293)	₱116,954,788
Result					
Earnings before interest, income taxes and depreciation/amortization (EBITDA)	₱13,187,380	₱7,220,822	(₱1,928,931)	₱–	₱18,479,271
Depreciation and amortization (Note 24)	(3,789,211)	(1,704,790)	(268,875)	–	(5,762,876)
Earnings before interest and income tax (EBIT)	₱9,398,169	₱5,516,032	(₱2,197,806)	₱–	₱12,716,395
Finance revenue (Note 26)	₱197,998	₱1,808	₱55,566	₱–	255,372
Finance costs (Note 27)	(₱205,306)	(₱178,969)	(₱189,010)	₱–	(573,285)
Equity in net loss of joint ventures (Note 15)	₱–	₱–	(₱91,078)	₱–	(91,078)
Market valuation gain on financial assets and liabilities at FVTPL (Note 8)	₱–	₱–	₱87,195	₱–	87,195
Provision for credit and impairment losses (Notes 9, 10 and 12)	(₱549,736)	(₱22,483)	₱–	₱–	(572,219)
Other revenue*					2,721,599
Income before income tax					14,543,979
Provision for income tax (Note 29)					(1,578,671)
Net income from continuing operations					₱12,965,308
Net income from discontinued operations					11,280,572
Net income					₱24,245,880
Other Information					
Total assets	₱104,116,200	₱43,147,695	₱6,182,577	₱–	₱153,446,472
Total liabilities	₱ 25,048,014	₱10,811,157	₱7,819,567	₱–	₱43,678,738
Capital expenditures	₱7,776,376	₱4,997,180	₱426,136	₱–	₱13,199,692
Non-cash expenses other than depreciation and amortization:					
Impairment losses on:					
Receivables (Note 9)	(₱30,420)	₱–	₱–	₱–	(₱30,420)
Inventories (Note 10)	(87,540)	(21,628)	–	–	(109,168)
Property, plant and equipment (Note 12)	(431,776)	(855)	–	–	(432,631)
	(₱549,736)	(₱22,483)	₱–	₱–	(₱572,219)

**Includes net foreign exchange losses and other revenues (expenses)*

	As of and for the year ended December 31, 2020				
	Branded Consumer Food	Agro-Industrial and Commodity Food	Corporate Business	Eliminations	Total
Sale of Goods and Services					
Third party	₱83,587,980	₱29,573,805	₱–	₱–	₱113,161,785
Inter-segment	18,689,374	7,768,549	–	(26,457,923)	–
	₱102,277,354	₱37,342,354	₱–	(₱26,457,923)	₱113,161,785
Result					
Earnings before interest, income taxes and depreciation/amortization (EBITDA)	₱14,506,931	₱7,358,159	(₱1,811,446)	₱–	₱20,053,644
Depreciation and amortization (Note 24)	(4,297,985)	(1,620,548)	(238,664)	–	(6,157,197)
Earnings before interest and income tax (EBIT)	₱10,208,946	₱5,737,611	(₱2,050,110)	₱–	13,896,447
Finance revenue (Note 26)	₱207,981	₱1,675	₱113,984	₱–	323,640
Finance costs (Note 27)	(₱242,533)	(₱308,401)	(₱110,795)	₱–	(661,729)
Equity in net loss of joint ventures (Note 15)	(₱31,587)	₱–	(₱30,387)	₱–	(61,974)
Market valuation gain on financial assets and liabilities at FVTPL (Note 8)	₱124,602	₱–	₱11,637	₱–	136,239
Provision for credit and impairment losses (Note 9)	(₱32,583)	₱–	₱–	₱–	(32,583)
Other expenses*					(1,122,705)
Income before income tax					12,477,335
Provision for income tax (Note 29)					(1,973,205)
Net income from continuing operations					₱10,504,130
Net income from discontinued operations (Note 30)					1,120,473
Net income					₱11,624,603
Other Information					
Total assets	₱131,259,159	₱37,683,964	₱7,251,807	₱–	₱176,194,930
Total liabilities	₱65,823,953	₱9,801,091	₱2,785,724	₱–	₱78,410,768
Capital expenditures**	₱5,095,885	₱5,984,829	₱113,289	₱–	₱11,194,003
Non-cash expenses other than depreciation and amortization:					
Credit and impairment losses on receivables (Note 9)	(₱32,583)	₱–	₱–	₱–	(₱32,583)

**Includes net foreign exchange losses and other revenues (expenses)*
***Includes La Carlota and Roxol acquisition*

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 and Hong Kong. As of December 31, 2021, the Group has discontinued its operations in 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:

	2022	2021	2020
		(In Thousands)	
Domestic	**₱117,606,850**	₱94,784,394	₱91,931,417
Foreign	**32,296,794**	22,170,394	21,230,368
	₱149,903,644	₱116,954,788	₱113,161,785

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:

	2022	2021
	(In Thousands)	
Domestic	**₱52,934,837**	₱49,845,015
Foreign	**36,308,646**	34,871,770
	₱89,243,483	₱84,716,785

7. Cash and Cash Equivalents

This account consists of:

	2022	2021
Cash on hand	**₱48,543,950**	₱67,113,948
Cash in banks (Note 32)	**8,897,029,367**	9,802,213,040
Short-term investments (Note 32)	**4,305,645,340**	7,088,357,333
	₱13,251,218,657	₱16,957,684,321

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 0.35% to 7.30%, 0.03% to 5.30%, and from 0.04% to 6.50% for foreign currency-denominated money market placements for the years ended December 31, 2022, 2021, and 2020, respectively. Peso-denominated money market placements, on the other hand, earn interest ranging from 3.40% to 4.60%, 0.50% to 0.74%, and from 0.12% to 0.60% for the years ended December 31, 2022, 2021, and 2020, respectively.

Interest earned on cash and cash equivalents amounted to ₱214.3 million, ₱240.1 million, and ₱278.1 million for the years ended December 31, 2022, 2021, and 2020, respectively (see Notes 26 and 30).

8. Financial Assets at Fair Value Through Profit or Loss

This account consists of investments held-for-trading amounting to ₱834.8 million and ₱513.7 million as of December 31, 2022 and 2021, respectively. Investments held-for-trading consist of quoted equity securities issued by certain domestic and foreign entities.

Market valuation gain on financial assets at fair value though profit or loss amounted to ₱70.4 million, ₱87.2 million and ₱136.2 million for the years ended December 31, 2022, 2021, and 2020, respectively.

The Group received dividends from its quoted equity securities amounting to ₱80.8 million, ₱32.3 million and ₱64.6 million for the years ended December 31, 2022, 2021, and 2020, respectively (see Note 26).

9. Receivables

This account consists of:

	2022	2021
Trade receivables (Note 32)	**₱15,255,487,783**	₱13,045,714,957
Non-trade receivables (Notes 5, 32 and 35)	**4,498,419,672**	1,944,264,924
Due from related parties (Note 32)	**1,821,450,615**	845,491,218
Interest receivable (Note 32)	**22,844,495**	41,215,681
Others	**584,393,892**	1,266,888,349
	22,182,596,457	17,143,575,129
Less: allowance for credit losses	**226,961,552**	377,148,797
	₱21,955,634,905	₱16,766,426,332

Non-trade and other receivables are noninterest-bearing and are due and demandable. This includes receivable from an affiliate amounting to ₱2.4 billion as of December 31, 2022 (See Notes 16 and 32).

Others include claims for insurance amounting to ₱115.4 million and ₱523.9 million as of December 31, 2022 and 2021, respectively.

Allowance for Expected Credit Losses (ECLs) on Receivables
Changes in allowance for impairment losses on receivables follow:

	2022			
	Individual Assessment		**Collective Assessment**	
	Trade Receivables	**Other Receivables**	**Trade Receivables**	**Total**
Balances at beginning of the period	**₱149,037,894**	**₱208,970,376**	**₱19,140,527**	**₱377,148,797**
Provision for credit losses	**4,053,837**	**–**	**–**	**4,053,837**
Write-off/others	**(102,440,485)**	**(51,800,597)**	**–**	**(154,241,082)**
Balances at end of the period	**₱50,651,246**	**₱157,169,779**	**₱19,140,527**	**₱226,961,552**

	2021			
	Individual Assessment		Collective Assessment	
	Trade Receivables	Other Receivables	Trade Receivables	Total
Balances at beginning of the period	₱154,108,593	₱208,970,376	₱19,140,527	₱382,219,496
Provision for credit losses	30,419,962	–	–	30,419,962
Write-off/others	(35,490,661)	–	–	(35,490,661)
Balances at end of the period	₱149,037,894	₱208,970,376	₱19,140,527	₱377,148,797

Allowance for ECLs on other receivables includes credit losses on nontrade receivables, advances to officers and employees and other receivables. Allowance for ECLs on advances to officers and employees amounted to ₱19.6 million as of December 31, 2022 and 2021. Allowance for credit losses on nontrade and other receivables amounted to ₱137.5 million and ₱189.3 million as of December 31, 2022 and 2021, respectively.

10. **Inventories**

This account consists of inventories as follows:

	2022	2021
At cost:		
Goods in-process	**₱2,596,807,505**	₱1,524,658,017
Finished goods	**8,565,466,907**	6,530,968,891
	11,162,274,412	8,055,626,908
At NRV:		
Raw materials	**19,641,664,542**	12,882,786,195
Spare parts and supplies	**4,652,204,726**	5,589,122,551
Containers and packaging materials	**2,608,518,160**	1,919,452,209
	26,902,387,428	20,391,360,955
	₱38,064,661,840	₱28,446,987,863

The cost of raw materials, spare parts and supplies, and containers and packaging materials amounted to ₱27.2 billion and ₱20.8 billion as at December 31, 2022 and 2021, respectively.

Under the terms of the agreements covering interest-bearing liabilities under trust receipts totaling ₱11.5 billion and ₱8.1 billion as of December 31, 2022 and 2021, respectively, certain inventories which approximate the trust receipts payable have been released to the Group under trust receipt agreements with the banks. The Group is accountable to these banks for the trusteed merchandise. Interest expense from trust receipts payable amounted to ₱266.1 million, ₱176.3 million and
₱304.2 million for the years ended December 31, 2022, 2021, and 2020, respectively (see Note 27).

Inventory obsolescence included in 'Cost of sales' amounted to ₱808.3 million, ₱798.9 million, and ₱782.3 million for the years ended December 31, 2022, 2021, and 2020, respectively.

The Group wrote down in full the cost of inventories amounting to nil and ₱109.2 million for the year ended December 31, 2022 and 2021, respectively.

11. **Other Current Assets**

This account consists of:

	2022	2021
Advances to suppliers	**₱3,658,040,852**	₱1,598,974,514
Input value-added tax (VAT)	**1,591,655,015**	1,602,847,744
Prepaid taxes	**359,545,691**	254,104,724
Prepaid insurance	**94,617,315**	160,231,482
Prepaid rent	**74,284,606**	51,417,673
Other prepaid expenses	**64,925,242**	850,278,436
	₱5,843,068,721	₱4,517,854,573

Advances to suppliers are generally applied to purchase of inventories and availment of services within the next financial year.

Prepaid rent pertains to short-term leases of the Group that are paid in advance. Prepaid rent, taxes, and insurance are normally utilized within the next financial year.

Others include prepayments of advertising, office supplies and income tax credits that can be applied in the following quarter against the corporate income tax due or can be claimed as tax refund (whichever as applicable).

12. Property, Plant and Equipment

The rollforward of this account follows:

	As of and for the year ended December 31, 2022				
	Land	Land Improvements	Buildings and Improvements	Machinery and Equipment	Sub-total
Cost					
Balance at beginning of year (As Restated)	**₱6,861,222,506**	**₱2,321,603,730**	**₱19,718,971,502**	**₱80,475,325,824**	**₱109,377,123,562**
Additions	**1,102,498,947**	**92,263,812**	**940,275,928**	**3,380,048,599**	**5,515,087,286**
Additions from acquisition of subsidiaries (Note 14)	**237,190,722**	**–**	**–**	**–**	**237,190,722**
Disposals, reclassifications and other adjustments	**105,585,979**	**(45,837,040)**	**(202,336,288)**	**1,561,914,083**	**1,419,326,734**
Balance at end of year	**8,306,498,154**	**2,368,030,502**	**20,456,911,142**	**85,417,288,506**	**116,548,728,304**
Accumulated Depreciation and Amortization					
Balance at beginning of year	**–**	**903,593,766**	**9,751,331,034**	**56,603,346,770**	**67,258,271,570**
Depreciation and amortization (Note 24)	**–**	**77,982,797**	**923,429,818**	**4,234,312,391**	**5,235,725,006**
Disposals, reclassifications and other adjustments	**–**	**(64,510,695)**	**(229,006,171)**	**(258,643,843)**	**(552,160,709)**
Balance at end of year	**–**	**917,065,868**	**10,445,754,681**	**60,579,015,318**	**71,941,835,867**
Net Book Value	**₱8,306,498,154**	**₱1,450,964,634**	**₱10,011,156,461**	**₱24,838,273,188**	**₱44,606,892,437**

	As of and for the year ended December 31, 2022				
	Transportation Equipment	Furniture, Fixtures and Equipment	Construction In-progress	Equipment In-transit	Total
Cost					
Balance at beginning of year (As Restated)	**₱3,196,798,731**	**₱5,801,194,125**	**₱7,648,126,607**	**₱5,136,687,997**	**₱131,159,931,022**
Additions	**137,317,274**	**246,583,976**	**2,421,653,105**	**814,270,377**	**9,134,912,018**
Additions from acquisition of subsidiaries (Note 14)	**–**	**–**	**–**	**–**	**237,190,722**
Disposals, reclassifications and other adjustments	**(45,606,050)**	**(99,886,626)**	**123,867,793**	**(1,935,003,883)**	**(537,302,032)**
Balance at end of the year	**3,288,509,955**	**5,947,891,475**	**10,193,647,505**	**4,015,954,491**	**139,994,731,730**
Accumulated Depreciation and Amortization					
Balance at beginning of year	**2,619,590,654**	**4,899,025,588**	**–**	**–**	**74,776,887,812**
Depreciation and amortization (Note 24)	**154,290,180**	**352,504,768**	**–**	**–**	**5,742,519,954**
Disposals, reclassifications and other adjustments	**(88,807,095)**	**(1,079,664)**	**–**	**–**	**(642,047,468)**
Balance at end of year	**2,685,073,739**	**5,250,450,692**	**–**	**–**	**79,877,360,298**
Net Book Value	**₱603,436,216**	**₱697,440,783**	**₱10,193,647,505**	**₱4,015,954,491**	**₱60,117,371,432**

	As of and for the year ended December 31, 2021 (As Restated)				
	Land	Land Improvements	Buildings and Improvements	Machinery and Equipment	Sub-total
Cost					
Balance at beginning of year	₱5,447,922,338	₱2,400,409,527	₱20,733,572,114	₱82,836,608,411	₱111,418,512,390
Additions	2,728,248,821	122,019,277	2,281,550,438	6,240,374,432	11,372,192,968
Additions from acquisition of subsidiaries (Note 14)	258,276,754	–	920,267,076	3,013,517,374	4,192,061,204
Divestment of business (Note 30)	(1,512,902,494)	(104,249,083)	(4,099,446,242)	(10,457,586,250)	(16,174,184,069)
Disposals, reclassifications and other adjustments	(60,322,913)	(96,575,991)	(116,971,884)	(1,157,588,143)	(1,431,458,931)
Balance at end of year	6,861,222,506	2,321,603,730	19,718,971,502	80,475,325,824	109,377,123,562
Accumulated Depreciation and Amortization					
Balance at beginning of year	–	892,863,171	10,326,034,563	58,257,627,619	69,476,525,353
Depreciation and amortization (Note 24)	–	79,719,042	1,127,571,956	4,313,316,748	5,520,607,746
Additions from acquisition of subsidiaries (Note 14)	–	–	154,184,417	1,545,514,228	1,699,698,645
Divestment of business (Note 30)	–	(41,823,247)	(1,835,921,536)	(6,811,758,947)	(8,689,503,730)
Disposals, reclassifications and other adjustments	–	(27,165,200)	(20,538,366)	(701,352,878)	(749,056,444)
Balance at end of year	–	903,593,766	9,751,331,034	56,603,346,770	67,258,271,570
Net Book Value	₱6,861,222,506	₱1,418,009,964	₱9,967,640,468	₱23,871,979,054	₱42,118,851,992

	As of and for the year ended December 31, 2021 (As Restated)				
	Transportation Equipment	Furniture, Fixtures and Equipment	Construction In-progress	Equipment In-transit	Total
Cost					
Balance at beginning of year	₱2,883,773,873	₱5,999,183,439	₱10,708,482,533	₱4,915,650,424	₱135,925,602,659
Additions	368,947,697	446,414,898	710,257,950	301,878,587	13,199,692,100
Additions from acquisition of subsidiaries (Note 14)	39,884,960	129,606,040	8,978,069	–	4,370,530,273
Divestment of business (Note 30)	(673,055)	(733,629,064)	(3,296,678,447)	–	(20,205,164,635)
Disposals, reclassifications and other adjustments	(95,134,744)	(40,381,188)	(482,913,498)	(80,841,014)	(2,130,729,375)
Balance at end of the year	3,196,798,731	5,801,194,125	7,648,126,607	5,136,687,997	131,159,931,022
Accumulated Depreciation and Amortization					
Balance at beginning of year	2,482,612,560	4,976,851,703	–	–	76,935,989,616
Depreciation and amortization (Note 24)	161,680,481	466,426,459	–	–	6,148,714,686
Additions from acquisition of subsidiaries (Note 14)	30,570,565	91,656,426	–	–	1,821,925,636
Divestment of business (Note 30)	(467,535)	(610,046,890)	–	–	(9,300,018,155)
Disposals, reclassifications and other adjustments	(54,805,417)	(25,862,110)	–	–	(829,723,971)
Balance at end of year	2,619,590,654	4,899,025,588	–	–	74,776,887,812
Net Book Value	₱577,208,077	₱902,168,537	₱7,648,126,607	₱5,136,687,997	₱56,383,043,210

In May 2021, CFC Corporation executed a Memorandum of Agreement and Deed of Absolute Sale with a related party, selling its parcel of land costing ₱8.0 million at ₱3.1 billion selling price, net of ₱132.9 million unamortized discounts on long-term receivable (see Note 16). Gain on disposal attributable to sale amounted to ₱3.1 billion, which was recognized under 'Other income (losses) - net' in the consolidated statements of income.

In January 2021, the Parent Company executed a Memorandum of Agreement and Deed of Absolute Sale with a third party for the sale of its Tolong millsite with a selling price amounting to ₱1.2 billion. Gain on disposal attributable to sale amounted to ₱18.9 million, which was recognized under 'Other income (losses) - net' in the consolidated statements of income.

Borrowing Costs

For the years ended December 31, 2022, 2021, and 2020, 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, 2022	December 31, 2021	December 31, 2020
Cost of sales (Note 21)	**₱5,082,358,368**	₱4,701,076,968	₱5,065,316,620
Selling and distribution costs (Note 22)	**₱89,633,478**	95,725,887	103,303,438
General and administrative expenses (Note 23)	**₱570,528,108**	526,676,490	471,759,428
Discontinued operations (Note 30)	–	825,235,341	825,381,361
	₱5,742,519,954	₱6,148,714,686	₱6,465,760,847

Impairment Losses

The Group recognized impairment losses on property, plant and equipment amounting to ₱323.0 million, ₱432.6 million and nil in 2022, 2021 and 2020, respectively. The assets written-off pertain to (a) property and equipment in non-operational plants, (b) idle and discontinued production line and (c) office space leasehold improvements and furniture and fixtures.

Collateral

As of December 31, 2022 and 2021, the Group has no property and equipment that are pledged as collateral.

13. **Biological Assets**

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

	2022	2021
Current portion	**₱205,303,346**	₱132,144,916
Noncurrent portion	**205,740,429**	166,105,594
	₱411,043,775	₱298,250,510

These biological assets consist of:

	2022	2021
Swine livestock		
Commercial	**₱180,766,167**	₱62,326,102
Breeder	**94,745,595**	74,194,347
Poultry livestock		
Commercial	**24,537,179**	69,818,814
Breeder	**110,994,834**	91,911,247
	₱411,043,775	₱298,250,510

The rollforward analysis of this account follows:

	2022	2021
Balances at beginning of year	**₱298,250,510**	₱234,251,397
Additions	**744,579,361**	549,756,538
Disposals	**(632,097,589)**	(488,307,581)
Gain arising from changes in fair value less estimated costs to sell	**311,493**	2,550,156
Balances at end of year	**₱411,043,775**	₱298,250,510

The Group has 28,067 and 11,469 heads of swine livestock and 653,657 and 944,600 heads of poultry livestock as of December 31, 2022 and 2021, respectively.

14. Goodwill and Intangible Assets

The movement of the goodwill is as follows:

	2022	2021 (As Restated)
Cost		
Balance at beginning of year	**₱19,017,429,187**	₱31,460,215,108
Acquisition of subsidiaries	**–**	17,922,962,151
Disposals (Note 30)	**–**	(30,867,806,512)
Translation adjustment	**611,374,197**	502,058,440
Balance at end of year	**19,628,803,384**	19,017,429,187
Accumulated Impairment Losses		
Balance at beginning and end of year	**265,719,291**	265,719,291
Net Book Value	**₱19,363,084,093**	₱18,751,709,896

The composition of the Group's goodwill is as follows:

	2022	2021
Acquisition of Munchy's Group in December 2021	**₱18,574,838,869**	₱17,963,464,672
The excess of the acquisition cost over the fair values of the net assets acquired by UABCL in 2000	**775,835,598**	775,835,598
Acquisition of Balayan Sugar Mill in February 2016	**12,409,626**	12,409,626
	₱19,363,084,093	₱18,751,709,896

Acquisition of Munchy's Group

On December 15, 2021, the Group acquired from Crunchy Limited 100% of the shares of Crunchy Foods Sdn. Bhd. (Crunchy Foods), a non-listed company based in Malaysia. Crunchy Foods fully owns Munchy Food Industries Sdn Bhd (MFI) and its subsidiary Munchworld Marketing Sdn Bhd (MWM) (collectively, the Munchy's Group). They operate under the trade name Munchy's, which is one of the major biscuit brands in Malaysia. The Group acquired Crunchy Foods to gain market leadership in Malaysia in the biscuit segment, which is consistent with the Group's overall purpose. The Munchy's Group is also expected to create synergies with URC Malaysia.

The purchase consideration was determined to be RM2.07 billion (₱24.6 billion), which was paid in cash by URC Malaysia to Crunchy Limited in exchange for 683,964,000 ordinary shares (100% of the equity) of Crunchy Foods.

In 2021, the accounting for the business combination in the Group's consolidated financial statements was determined provisionally as the Group has to finalize the information with respect to the recognition of the fair value of identifiable assets and liabilities and deferred income tax assets and liabilities arising from the acquisition. In 2022, the group engaged the services of a third party valuer to conduct the final purchase price allocation.

The fair values of the identifiable assets and liabilities of Munchy's at the date of acquisition follow:

Purchase consideration transferred	₱24,586,990,326
Fair value of identifiable assets	
Cash and cash equivalents	1,733,890,581
Receivables	761,435,630
Inventories	519,197,768
Property, plant and equipment (Note 12)	2,351,368,164
Right-of-use assets	1,635,322
Intangible assets	4,037,528,232
Other current assets	94,893,546
Total assets	9,499,949,243

(Forward)

Fair value of identifiable liabilities	
Accounts payable and other accrued liabilities	₱1,204,873,861
Deferred tax liabilities	767,581,898
Lease liability	1,658,582
Noncurrent liabilities	400,250,807
Total liabilities	2,374,365,148
Total fair value of identifiable net assets	7,125,584,095
Goodwill	₱17,461,406,231

The goodwill of ₱17.5 billion comprise the value of expected synergies arising from the acquisition. Goodwill and the intangible assets are allocated entirely to the operations of the Munchy's brands. None of the goodwill is expected to be deductible for income tax purposes.

If the business combination had taken place on January 1, 2021, net sales and net income from the continuing operations of the Group would have been ₱121.9 billion and ₱13.3 billion, respectively.

The effects of the retrospective application of the accounting for business combination of Munchy's in the Group's consolidated statement of financial position as of December 31, 2021 follow:

	2021		
	As previously reported	Restatements	As restated
ASSETS			
Non-current Assets			
Property, plant and equipment	₱55,881,358,761	₱501,684,449	₱56,383,043,210
Goodwill	21,271,723,229	(2,520,013,333)	18,751,709,896
Intangible assets	1,820,637,714	2,807,980,947	4,628,618,661
LIABILITIES			
Non-current Liabilities			
Deferred tax liabilities	₱1,242,693,511	₱789,652,063	₱2,032,345,574

The composition and movements of intangible assets follow:

	As of and for the year ended December 31, 2022					
	Trademarks/ Brands	**Product Formulation**	**Software Costs**	**Customer Relationship**	**Trade Secrets**	**Total**
Cost						
Balances at beginning of period	**₱3,086,710,140**	**₱425,000,000**	**₱–**	**₱–**	**₱1,318,433,102**	**₱4,830,143,242**
Additions	**650,719**	**–**	**151,221,059**	**–**	**–**	**151,871,778**
Translation adjustments	**96,442,646**	**–**	**–**	**–**	**44,871,966**	**141,314,612**
	3,183,803,505	**425,000,000**	**151,221,059**	**–**	**1,363,305,068**	**5,123,329,632**
Accumulated Amortization and Impairment Losses						
Balances at beginning of period	**201,524,581**	**–**	**–**	**–**	**–**	**201,524,581**
Amortization during the period (Note 24)	**76,585**	**–**	**57,383,872**	**–**	**–**	**57,460,457**
Disposal/translation adjustments	**(49,289)**	**–**	**(418)**	**–**	**–**	**(49,707)**
	201,551,877	**–**	**57,383,454**	**–**	**–**	**258,935,331**
Net Book Value at End of Year	**₱2,982,251,628**	**₱425,000,000**	**₱93,837,605**	**–**	**₱1,363,305,068**	**₱4,864,394,301**

	As of and for the year ended December 31, 2021 (As Restated)					
	Trademarks/ Brands	Product Formulation	Software Costs	Customer Relationship	Trade Secrets	Total
Cost						
Balances at beginning of period	₱9,564,461,252	₱425,000,000	₱57,178,789	₱2,201,281,173	₱–	₱12,247,921,214
Additions	10,959,942	–	–	–	–	10,959,942
Additions from acquisition of subsidiaries	2,755,986,153	–	–	–	1,281,542,079	4,037,528,232
Disposal/translation adjustments	(9,244,697,207)	–	(57,178,789)	(2,201,281,173)	36,891,023	(11,466,266,146)
	3,086,710,140	425,000,000	–	–	1,318,433,102	4,830,143,242
Accumulated Amortization and Impairment Losses						
Balances at beginning of period	201,524,581	–	50,763,051	395,790,362	–	648,077,994
Amortization during the period (Note 24)	–	–	4,637,606	62,553,846	–	67,191,452
Disposal/translation adjustments	–	–	(55,400,657)	(458,344,208)	–	(513,744,865)
	201,524,581	–	–	–	–	201,524,581
Net Book Value at End of Year	₱2,885,185,559	₱425,000,000	₱–	₱–	₱1,318,433,102	₱4,628,618,661

Brands, trademarks and trade secrets were recognized as a result of acquisition of Munchys' Group in 2021. There were also trademarks and product formulation from the acquisition of General Milling Corporation in 2008.

The Group performed its annual impairment test on its goodwill and other intangible assets with indefinite useful lives as of December 31, 2022 and

2021. In 2022 and 2021, the recoverable amounts of goodwill and other intangible assets were determined based on value in use calculations.

Value in use calculations used cash flow projections from financial budgets approved by management covering a five-year period.

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. Terminal growth rates used in computing the projected future cash flows ranged from 4.20% to 5.00% and 3.90% to 6.10% as of December 31, 2022 and 2021, 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. The pre-tax discount rates applied to cash flow projections range from 9.30% to 10.54% and 8.57% to 12.58% for the years ended December 31, 2022 and 2021, respectively.

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.

15. **Investments in Joint Ventures**

The rollforward analysis of this account follows:

	2022	2021
Acquisition Cost		
Balance at beginning of year	**₱1,028,262,362**	₱1,203,555,432
Additional investments	**461,000,000**	100,000,000
Reclassification to Investment in Subsidiary due to gain of control	–	(275,293,070)
Balance at end of year	**1,489,262,362**	1,028,262,362
Accumulated Equity in Net Losses		
Balance at beginning of year	**(972,204,183)**	(812,041,712)
Equity in net losses from continuing operations	**(378,967,690)**	(91,077,671)
Reclassification to Investment in Subsidiary due to gain of control	–	(69,084,800)
Balance at end of year	**(1,351,171,873)**	(972,204,183)
Cumulative Translation Adjustments	**(30,353)**	(829,958)
Net Book Value at End of Year	**₱138,060,136**	₱55,228,221

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.

On May 19, 2022, the Parent Company made additional subscriptions to the unissued authorized capital stock of VURCI consisting of 46.1 million common shares for a total cost of ₱461.0 million, which includes, ₱80.9 million cash and receivables amounting to ₱380.1 million converted to equity.

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.

On April 19, 2021, the Parent Company made additional subscriptions to the unissued authorized capital stock of DURBI consisting of 5.0 million common shares for a total cost of ₱100.0 million.

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 savory snack products.

Proper Snack Foods Ltd.
On June 30, 2017, Griffin's Food Limited (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 statements of financial position.

In January 2021, the Shareholders' Agreement was amended that resulted to Griffin's gaining ultimate control of the Board with no change in equity interest, which is still at 50.1%. No consideration was paid for the transaction and PSFL net assets at the time of business combination amounted to US$4.6 million (₱226.0 million).

Goodwill and non-controlling interest arising from the business combination based on provisional values amounted to ₱461.6 million and ₱341.3 million, respectively. PSFL is derecognized as part of Oceania business sale in October 2021 (see Note 30).

As of December 31, 2022 and 2021, the Parent Company has the following percentage of ownership of shares in its joint ventures and its related equity in the net assets as summarized below:

	Place of Business	Percentage of Ownership
VURCI	Philippines	50.00
DURBI	-do-	50.00
CURM	Malaysia	50.00

Summarized financial information in respect of the Group's joint ventures as of December 31, 2022 and 2021 are presented below (in thousands).

	VURCI		DURBI		CURMI	
	2022	2021	**2022**	2021	**2022**	2021
Revenue	**₱288,035**	₱226,043	**₱400,743**	₱354,269	**₱436,018**	₱391,634
Costs and expenses	**304,788**	588,380	**427,786**	524,521	**28,980**	24,680
Net income (loss)	**(324,430)**	(362,337)	**(27,042)**	(170,252)	**565**	17,244
Current assets	**594,380**	₱326,103	**₱365,668**	₱412,793	**₱138,323**	₱129,069
Noncurrent assets	**569,971**	654,572	**6,029**	8,695	**29,403**	33,202
Current liabilities	**834,849**	638,369	**810,182**	837,376	**49,806**	45,362
Noncurrent liabilities	**16,105**	777,708	**14,394**	5,510	**–**	–
Equity	**₱313,397**	(₱435,402)	**(₱452,879)**	(₱421,398)	**₱117,920**	₱116,908
Group share in equity	**₱80,682**	₱–	**₱–**	₱–	**₱57,378**	₱55,228
Carrying amount of investment	**₱80,682**	₱–	**₱–**	₱–	**₱57,378**	₱55,228

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, 2022 and 2021.

As of December 31, 2022 and 2021, 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.

16. **Other Noncurrent Assets**

This account consists of:

	2022	2021
Deposits	**₱923,159,218**	₱653,063,190
Input VAT	**473,049,635**	717,122,717
Financial assets at FVOCI	**105,450,000**	157,703,381
Investment properties	**1,958,173**	26,750,788
Others	**1,155,092,910**	1,909,627,545
	₱2,658,709,936	₱3,464,267,621

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. The security deposits are recoverable from the lessors at the end of the lease terms, which range from 2 to 30 years.

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.

Financial Assets at FVOCI
As of December 31, 2022 and 2021, financial assets at FVOCI consists of equity securities with the following movements:

	2022	2021
Balance at beginning of year	**₱157,703,381**	₱75,400,000
Additions	**–**	77,103,381
Reclassification/disposal	**(77,103,381)**	(630,000)
Changes in fair value during the year (Note 20)	**24,850,000**	5,830,000
Balance at end of year	**₱105,450,000**	₱157,703,381

Fair value changes of financial assets at FVOCI are presented as components of 'Other comprehensive income' in Equity (see Note 20).

Investment Properties
The rollforward analysis of investment properties follows:

	2022	2021
Cost		
Balance at beginning and end of year	**₱94,554,666**	₱94,554,666
Disposals	**(87,966,646)**	–
Balance at end of year	**6,588,020**	94,554,666
Accumulated depreciation		
Balance at beginning of year	**67,803,878**	64,592,518
Disposals	**(66,385,391)**	–
Depreciation (Note 24)	**3,211,360**	3,211,360
Balance at end of year	**4,629,847**	67,803,878
Net book value at end of year	**₱1,958,173**	₱26,750,788

Investment properties consist of buildings and building improvements which are leased out to related and third parties (see Notes 32 and 34).

In December 2022, the Parent Company executed a Deed of Absolute Sale with a related party for the sale of investment properties at ₱3.3 billion selling price. Gain on disposal attributable to sale amounted to ₱3.3 billion, which was recognized under 'Other income (losses) - net' in the consolidated statements of income.

Total rental income earned from investment properties included under 'Other income (losses) - net' in the consolidated statements of income amounted to ₱84.4 million, ₱81.4 million, and ₱69.0 million for years ended December 31, 2022, 2021, and 2020, respectively.

Direct operating expenses (included under 'General and administrative expenses' in the consolidated statements of income) arising from investment properties amounted to ₱0.9 and million and ₱0.8 million for the years ended December 31, 2022, 2021, and 2020.

As of December 31, 2022 and 2021, the Group has no investment properties that are pledged as collateral.

Others
Others include noncurrent receivable from an affiliate amounting to ₱823.2 million and ₱1.6 billion as of December 31, 2022 and 2021, respectively and noncurrent advances to suppliers and deferred charges. Annual payments will be received until 2024.

17. **Short-term Debts**

This account consists of:

	2022	2021
Peso-denominated loan - unsecured with interest ranging from 5.10% to 5.70% and 2.00% for the years ended December 31, 2022 and 2021, respectively	**₱10,390,000,000**	₱6,500,000,000
Thai Baht-denominated loans - unsecured with interest ranging from 1.80% to 1.97% and from 1.30% to 1.62% for the years ended December 31, 2022 and 2021, respectively	**1,372,287,539**	1,308,029,451
	₱11,762,287,539	₱7,808,029,451

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 ₱23.5 million and ₱9.6 million as of December 31, 2022 and 2021, respectively. Interest expense from the short-term debts amounted to ₱324.2 million, ₱156.8 million and ₱82.8 million for the years ended December 31, 2022, 2021, and 2020, respectively (see Note 27).

18. Accounts Payable and Other Accrued Liabilities

This account consists of:

	2022	2021
Trade payables (Note 32)	**₱15,097,599,464**	₱15,290,751,756
Accrued expenses	**7,911,839,895**	5,787,267,776
Customers' deposits	**1,613,432,305**	803,599,260
Advances from stockholders (Note 32)	**298,274,368**	196,179,390
Due to related parties (Note 32)	**204,199,106**	202,541,860
Withholding taxes payable	**174,378,171**	200,653,033
VAT payable	**125,115,362**	45,230,445
Others	**56,133,542**	52,661,050
	₱25,480,972,213	₱22,578,884,570

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:

	2022	2021
Advertising and promotions	**₱4,186,309,791**	₱2,578,945,327
Contracted services	**584,962,038**	357,192,934
Personnel costs	**457,908,472**	327,561,717
Freight and handling costs	**340,281,970**	282,422,532
Rent	**280,995,742**	457,106,582
Utilities	**261,685,875**	288,787,556
Professional and legal fees	**172,601,985**	154,147,927
Interest	**42,270,323**	16,543,095
Others	**1,584,823,699**	1,324,560,106
	₱7,911,839,895	₱5,787,267,776

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 and supply chain optimization initiatives. The related expense recognized under 'Other income (losses) – net' in the 2022, 2021 and 2020 consolidated statements of income amounted to ₱43.2 million, ₱257.6 million and nil, respectively.

Others include accruals for taxes and licenses, commission, royalties, restructuring provision and other benefits.

19. Equity

The details of the Parent Company's common stock as of December 31 follow:

	2022	2021
Authorized shares	**2,998,000,000**	2,998,000,000
Par value per share	**₱1.00**	₱1.00
Issued shares:		
Balance at beginning and end of year	**2,230,160,190**	2,230,160,190
Outstanding shares	**2,178,507,618**	2,200,983,378

The paid-up capital of the Parent Company consists of the following as of December 31, 2022 and 2021:

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 financial debt-to-equity ratio which is total financial debt divided by total equity. 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 financial debt-to-equity ratio:

		2022	2021
(a)	Short-term debts (Note 17)	**₱11,762,287,539**	₱7,808,029,451
	Trust receipts payable (Note 10)	**11,457,712,536**	8,106,662,079
		₱23,220,000,075	₱15,914,691,530
(b)	Equity	**₱115,970,341,095**	₱109,767,733,832
(c)	Financial debt-to-equity ratio (a/b)	**0.20:1**	0.14:1

The Group's policy is to not exceed a financial debt-to-equity 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, 2022 and 2021.

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 ₱80.6 billion and ₱78.2 billion as of December 31, 2022 and 2021, 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

Year	Date of declaration	Dividend per share	Total dividends	Date of record	Date of payment
2022	**March 4, 2022**	**₱1.50**	**₱3.3 billion**	**April 03, 2022**	**April 29, 2022**
2022	**March 4, 2022**	**₱1.95**	**₱4.3 billion**	**April 03, 2022**	**April 29, 2022**
2021	April 29, 2021	₱1.50	₱3.3 billion	May 20, 2021	June 15, 2021
2021	July 30, 2021	₱1.80	₱4.0 billion	August 19, 2021	September 15, 2021
2020	March 10, 2020	₱1.50	₱3.3 billion	March 24, 2020	April 21, 2020
2020	March 10, 2020	₱1.65	₱3.6 billion	June 1, 2020	June 26, 2020

NURC

Year	Date of declaration	Dividend per share	Total dividends	Date of record	Date of payment
2022	**June 21, 2022**	**₱3.19**	**₱603.0 million**	**December 31, 2021**	**September 30, 2022**
2021	June 10, 2021	₱4.68	₱885.0 million	June 10, 2021	December 31, 2021
2020	June 09, 2020	₱3.70	₱700.0 million	December 31, 2019	September 30, 2020

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.

Treasury Shares
The Parent Company has outstanding treasury shares of 51.7 million shares (₱3.7 billion) and 29.2 million shares (₱1.1 billion) as of December 31, 2022 and 2021, respectively, restricting the Parent Company from declaring an equivalent amount from unappropriated retained earnings as dividends.

Equity Reserve
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 ₱5.6 billion presented under 'Equity reserve' in the consolidated statements of financial position.

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 December 2019, Intersnack bought 40% of the Group's equity interest in the Oceania businesses for a total consideration of ₱7.7 billion. 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 to NCI amounting to ₱2.4 billion was presented under 'Equity reserve' in the consolidated statements of financial position.

In October 2021, the Group sold its remaining 60.0% equity interest in Oceania businesses to Intersnack (see Note 30). As a result, the Group derecognized the assets and liabilities related to its Oceania businesses. The Group is of the view that the Equity Reserve can be reclassified to Retained Earnings to present more useful information about its equity. The Group evaluated the nature of the Equity Reserve, and if there are specific requirements on its derecognition. Management also considered nature of equity and the applicability of the requirements of PFRSs and definitions, recognition criteria and measurement concepts in the Framework.

On February 8, 2022, the Group requested for the Philippine SEC's opinion on the reclassification and subsequent treatment of the Equity Reserve. On February 22, 2022, the SEC confirmed that the reclassification of the Equity Reserve to Retained Earnings, does not counter any principles in PFRSs, and would allow for more understandable financial information for users. Accordingly, the Group reclassified Equity Reserve amounting to ₱2.4 billion to Retained Earnings.

In February 2022, URC Foods (Singapore) Pte. Ltd. acquired 23,805 common shares of PPICL from Hong Kong Peggy Foods Company Limited for ₱214.9 million. The acquisition of shares represented 100.00% interest in PPICL. The Group charged equity reserve from the acquisition amounting to about ₱13.2 million presented under 'Equity reserve' in the consolidated statements of financial position.

Non-controlling Interest

The equity interest held by non-controlling interest in NURC, a subsidiary with material non-controlling interest, is 49.0% as of December 31, 2022 and 2021.

The summarized financial information (before inter-company eliminations) of NURC, a subsidiary with material non-controlling interest follows (in thousands):

	2022	2021
Current assets	**₱3,087,614**	₱2,091,856
Noncurrent assets	**1,484,820**	1,464,487
Current liabilities	**2,821,929**	2,393,108
Noncurrent liabilities	**129,530**	16,138
Revenue	**9,891,350**	7,967,975
Costs and expenses	**8,488,123**	6,685,361
Net income	**1,070,666**	959,753

The accumulated non-controlling interest of material non-controlling interest as of December 2022 and 2021 amounted to ₱781.8 million and ₱552.7 million, respectively.

The profit allocated to non-controlling interest for the years ended December 31, 2022, 2021, and 2020, amounted to ₱515.1 million, ₱922.2 million, and ₱877.9 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)
November 8, 2021 to December 13, 2021	Acquisition of Parent Company's shares under the share buy-back program	–	–	–	–	(3,178,490)
January 17, 2022 to August 22, 2022	Acquisition of Parent Company's shares under the share buy-back program	–	–	–	–	(22,475,760)
						2,178,507,618

The table below provides information regarding the number of stockholders of the Parent Company:

	2022	2021	2020
Common shares	**996**	1,002	1,002

20. Components of Other Comprehensive Income

The breakdown and movement of other comprehensive income attributable to equity holders of the Parent Company follow:

	2022	2021	2020
Items to be reclassified to profit or loss in subsequent periods, net of tax:			
Cumulative translation adjustments*	**₱5,290,601,426**	₱3,417,686,647	₱2,344,845,823
Net unrealized loss on cash flow hedges:			
Balance at beginning of year	**–**	(19,127,379)	–
Change in fair value during the year	**–**	19,127,379	(19,127,379)
Balance at end of year	**–**	–	(19,127,379)
	5,290,601,426	3,417,686,647	2,325,718,444
Item not to be reclassified to profit or loss in subsequent periods:			
Net unrealized gain on financial assets at FVOCI			
Balance at beginning of year	**59,510,000**	53,680,000	54,570,000
Change in fair value during the year (Note 16)	**24,850,000**	5,830,000	(890,000)
Balance at end of year	**84,360,000**	59,510,000	53,680,000
Remeasurement losses on defined benefit plans, gross of tax:			
Balance at beginning of year	**(281,022,230)**	(921,973,756)	(719,833,392)
Remeasurement gain (loss) on defined benefit plans during the year (Note 28)	**226,033,080**	640,951,526	(202,140,364)
Balance at end of year	**(54,989,150)**	(281,022,230)	(921,973,756)
Income tax effect	**13,746,573**	70,254,843	276,592,127
Balance at end of year	**(41,242,577)**	(210,767,387)	(645,381,629)
	43,117,423	(151,257,387)	(591,701,629)
	₱5,333,718,849	₱3,266,429,260	₱1,734,016,815

**All movements in cumulative translation adjustments arise from translation of foreign operations. No foreign operations were disposed of in 2022.*

The breakdown and movement of other comprehensive income attributable to non-controlling interests follow:

	2022	2021	2020
Items to be reclassified to profit or loss in subsequent periods, net of tax:			
Cumulative translation adjustments	**₱56,177,875**	₱221,631,397	(₱232,786,766)
Net unrealized loss on cash flow hedges:			
Balance at beginning of year	–	(12,751,586)	–
Change in fair value during the year	–	12,751,586	(12,751,586)
Balance at end of year	–	–	(12,751,586)
	56,177,875	221,631,397	(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 year	**(₱8,211,070)**	(₱11,850,827)	(₱10,142,916)
Remeasurement loss (gain) on defined benefit plans during the year (Note 28)	**4,058,790**	3,639,757	(1,707,911)
Balance at end of year	**(4,152,280)**	(8,211,070)	(11,850,827)
Income tax effect	**1,245,684**	2,463,321	3,555,248
	(2,906,596)	(5,747,749)	(8,295,579)
	₱53,271,279	₱215,883,648	(₱253,833,931)

21. Sale of Goods and Services/Cost of Sales

Sale of goods and services include revenue from tolling services amounting to ₱2.9 billion, ₱1.8 billion, and ₱1.4 billion for the years ended December 31, 2022, 2021, and 2020, respectively.

Cost of sales account consists of:

	2022	2021	2020
Raw materials used	**₱84,065,603,708**	₱56,052,221,111	₱54,156,527,868
Direct labor	**5,620,993,801**	4,893,555,266	4,469,234,231
Overhead costs	**24,106,514,070**	21,190,780,475	19,295,208,563
Total manufacturing costs	**113,793,111,579**	82,136,556,852	77,920,970,662
Goods in-process	**(1,072,149,488)**	58,176,006	98,286,584
Cost of goods manufactured	**112,720,962,091**	82,194,732,858	78,019,257,246
Finished goods	**(2,034,498,016)**	1,294,920,299	554,181,172
	₱110,686,464,075	₱83,489,653,157	₱78,573,438,418

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:

	2022	2021	2020
Utilities	**₱9,408,867,224**	₱8,008,784,020	₱5,960,843,758
Depreciation and amortization (Note 24)	**5,321,911,921**	4,906,407,621	5,320,748,870
Repairs and maintenance	**3,363,144,332**	3,158,280,693	2,846,461,942
Personnel expenses (Note 25)	**2,994,780,805**	2,749,398,308	2,539,614,819
Security and other contracted services	**730,333,437**	774,033,037	709,639,323
Rental expense (Note 34)	**146,003,048**	110,406,717	101,293,575
Insurance	**126,706,180**	131,450,588	140,776,854
Research and development	**49,459,163**	90,452,181	87,019,320
Handling and delivery charges	**59,033,194**	45,708,852	44,386,508
Others	**1,906,274,766**	1,215,858,458	1,544,423,594
	₱24,106,514,070	₱21,190,780,475	₱19,295,208,563

Others include excise taxes amounting to ₱1.5 billion, ₱1.1 billion, and ₱1.0 billion for the years ended December 31, 2022, 2021, and 2020, respectively.

22. Selling and Distribution Costs

This account consists of:

	2022	2021	2020
Freight and other selling expenses	**₱8,802,249,988**	₱6,676,963,507	₱6,642,136,128
Advertising and promotions	**7,136,990,134**	7,027,100,301	7,269,713,153
Personnel expenses (Note 25)	**2,019,942,114**	1,779,396,237	1,651,462,445
Depreciation and amortization (Note 24)	**238,669,977**	227,587,008	262,173,793
Repairs and maintenance	**157,235,466**	131,120,649	119,823,871
Others	**253,732,592**	240,447,457	214,671,483
	₱18,608,820,271	₱16,082,615,159	₱16,159,980,873

Others include research and development, communication, travel and transportation, rent and concessionaire's fee.

23. General and Administrative Expenses

This account consists of:

	2022	2021	2020
Personnel expenses (Note 25)	**₱2,702,824,066**	₱2,238,063,374	₱2,310,628,521
Depreciation and amortization (Note 24)	**727,670,802**	628,881,017	574,272,972
Repairs and maintenance	**533,053,484**	533,162,399	416,371,338
Security and contractual services	**338,977,721**	337,130,022	331,670,989
Taxes, licenses and fees	**200,951,003**	220,362,252	177,488,870
Professional and legal fees	**151,973,328**	148,528,802	187,460,210
Travel and transportation	**125,059,380**	68,231,263	72,033,734
Communication	**92,320,278**	76,294,217	73,096,312
Rental expense (Note 34)	**87,901,734**	67,320,560	72,256,351
Utilities	**34,110,266**	32,360,452	40,222,472
Stationery and office supplies	**21,576,731**	20,107,363	18,476,492
Donations and contributions	**9,695,587**	6,834,074	4,441,594
Others	**358,640,755**	288,849,314	253,499,162
	₱5,384,755,135	₱4,666,125,109	₱4,531,919,017

Others include insurance, memberships, bank charges, and representation and entertainment related to general and administrative functions.

24. Depreciation and Amortization

The breakdown of consolidated depreciation and amortization follows:

	2022	2021	2020
Cost of sales (Notes 12, 21 and 34)	**₱5,321,911,921**	₱4,906,407,621	₱5,320,748,870
Selling and distribution costs (Notes 12, 22 and 34)	**238,669,977**	227,587,008	262,173,793
General and administrative expenses (Notes 12, 16, 23 and 34)	**727,670,802**	628,881,017	574,272,972
Discontinued operations (Notes 12, 14, 30 and 34)	–	1,201,671,101	1,207,760,482
	₱6,288,252,700	₱6,964,546,747	₱7,364,956,117

25. Personnel Expenses

This account consists of:

	2022	2021	2020
Salaries and wages	**₱5,531,771,986**	₱4,630,470,962	₱4,416,597,544
Other employee benefits	**1,944,039,435**	1,822,742,002	1,863,633,182
Pension expense (Note 28)	**241,735,564**	313,644,955	221,475,059
	₱7,717,546,985	₱6,766,857,919	₱6,501,705,785

The breakdown of personnel expenses follows:

	2022	2021	2020
Cost of sales (Note 21)	**₱2,994,780,805**	₱2,749,398,308	₱2,539,614,819
Selling and distribution costs (Note 22)	**2,019,942,114**	1,779,396,237	1,651,462,445
General and administrative expenses (Note 23)	**2,702,824,066**	2,238,063,374	2,310,628,521
	₱7,717,546,985	₱6,766,857,919	₱6,501,705,785

26. Finance Revenue

This account consists of:

	2022	2021	2020
Bank interest income (Note 7)	**₱214,261,093**	₱223,069,240	₱259,035,030
Dividend income (Note 8)	**80,757,174**	32,302,870	64,605,739
	₱295,018,267	₱255,372,110	₱323,640,769

27. Finance Costs

This account consists of finance costs arising from:

	2022	2021	2020
Short-term debts (Note 17)	**₱324,236,395**	₱156,785,297	₱82,791,315
Trust receipts (Note 10)	**266,115,272**	176,269,762	304,240,663
Interest expense on lease liabilities (Note 34)	**189,697,980**	203,442,993	216,814,477
Net interest on net pension liability (Note 28)	**25,086,626**	36,755,458	42,023,710
Others	**1,038,792**	31,289	15,858,812
	₱806,175,065	₱573,284,799	₱661,728,977

Others pertain to other financing charges. This includes unamortized debt issue costs recognized as expense on pretermination of NZD loan, amortization of asset retirement obligation for the year ended December 31, 2020.

28. 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, 2022 and 2021, the Group recognized net pension liability amounting to ₱419.7 million and ₱383.2 million, respectively, included under 'Other noncurrent liabilities' in the consolidated statements of financial position.

Changes in net defined benefit liability of funded funds and fair value of plan assets of the Group are as follows:

	2022											
		Net benefit cost in consolidated statements of income				Remeasurements in other comprehensive income						
	January 1, 2022	Current service cost (Note 25)	Finance cost (Note 27)	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	December 31, 2022
Present value of defined benefit obligation	**₱2,761,648,244**	**₱241,735,564**	**₱140,560,972**	**₱382,296,536**	**(₱219,741,409)**	**₱–**	**(₱99,942,442)**	**(₱13,406,415)**	**(₱166,684,014)**	**(₱280,032,871)**	**₱–**	**₱2,644,170,500**
Fair value of plan assets	**(2,378,441,455)**	**–**	**(115,474,346)**	**(115,474,346)**	**219,741,409**	**49,941,001**	**–**	**–**	**–**	**49,941,001**	**(200,415)**	**(2,224,433,806)**
	₱383,206,789	**₱241,735,564**	**₱25,086,626**	**₱266,822,190**	**₱–**	**₱49,941,001**	**(₱99,942,442)**	**(₱13,406,415)**	**(₱166,684,014)**	**(₱230,091,870)**	**(₱200,415)**	**₱419,736,694**

	2021											
		Net benefit cost in consolidated statements of income				Remeasurements in other comprehensive income						
	January 1, 2021	Current service cost (Note 25)	Finance cost (Note 27)	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	December 31, 2021
Present value of defined benefit obligation	₱3,108,752,713	₱313,644,955	₱122,809,474	₱436,454,429	(₱160,816,123)	₱–	₱245,678,402	₱11,393,994	(₱879,815,171)	(₱622,742,775)	₱–	₱2,761,648,244
Fair value of plan assets	(2,086,492,010)	–	(86,054,016)	(86,054,016)	160,816,123	(21,848,508)	–	–	–	(21,848,508)	(344,863,044)	(2,378,441,455)
	₱1,022,260,703	₱313,644,955	₱36,755,458	₱350,400,413	₱–	(₱21,848,508)	₱245,678,402	₱11,393,994	(₱879,815,171)	(₱644,591,283)	(₱344,863,044)	₱383,206,789

The fair value of net plan assets of the Group by class as at the end of the reporting period are as follows:

	2022	2021
Assets		
Cash and cash equivalents (Note 32)	**₱48,981,077**	₱8,029,108
Loans receivable	**240,570,000**	240,570,000
Financial assets at FVOCI	**65,616,796**	96,776,126
Held to collect	**253,596,206**	273,337,911
UITF investments	**1,573,367,141**	1,602,188,748
Interest receivable	**3,276,672**	3,789,279
Prepaid tax	**136**	–
Due from Universal Robina Corporation	–	10,696,570
Land	**143,201,000**	143,201,000
	2,328,609,028	2,378,588,742
Liabilities		
Accounts payable, accrued trust and management fees	**52,704**	147,287
Due to Universal Robina Corporation	**104,122,418**	–
	₱2,224,433,906	₱2,378,441,455

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	
	2022	2021	**2022**	2021
Discount rate	**7.27%**	5.09%	**7.28%**	5.08%
Salary increase	**5.50%**	4.00%	**5.50%**	4.00%

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:

		Parent Company		NURC	
	Increase (Decrease)	**2022**	2021	**2022**	2021
Discount rate	1.00%	**(₱207,298,546)**	(₱230,507,684)	**(₱5,456,570)**	(₱5,925,328)
	(1.00%)	**240,453,888**	269,614,527	**6,376,289**	6,930,471
Salary increase	1.00%	**₱242,329,425**	₱269,864,839	**₱6,426,865**	₱6,936,203
	(1.00%)	**(212,397,251)**	(234,831,852)	**(5,590,791)**	(6,036,004)

The Group expects to contribute ₱354.0 million in the pension fund in 2023.

Shown below is the maturity analysis of the Group's expected (undiscounted) benefit payments:

	2022	2021
Less than one year	**₱290,515,662**	₱210,902,007
More than one year to five years	**1,082,867,017**	1,097,560,577
More than five years to 10 years	**1,744,812,861**	1,513,546,156
More than 10 years to 15 years	**2,359,752,343**	1,895,016,653
More than 15 years to 20 years	**2,909,200,675**	2,114,945,942
More than 20 years	**8,292,797,208**	6,024,292,339

Shown below is the average duration of the defined benefit obligation at the end of the reporting period:

	2022	2021
	(Years)	
Parent Company	9	9
NURC	9	9

29. Income Taxes

Provision for income tax consists of:

	2022	2021	2020
Current	**₱2,947,016,428**	₱1,680,592,982	₱1,763,593,118
Deferred	**53,181,603**	(101,921,756)	209,612,202
	₱3,000,198,031	₱1,578,671,226	₱1,973,205,320

Components of the Group's net deferred tax assets and liabilities follow:

	Net deferred tax assets		**Net deferred tax liabilities**	
	2022	2021	**2022**	2021
Deferred tax assets on:				
Pension liabilities	**₱230,487,576**	₱214,689,867	**₱–**	₱–
Accrued expenses	**–**	–	**112,119,158**	99,827,769
Leases	**110,179,941**	99,236,150	–	–
Impairment losses on trade receivables and property and equipment	**123,423,925**	84,839,934	**3,164,094**	2,797,164
Inventory write-downs	**63,088,146**	82,734,842	**3,250,757**	2,087,558
CTA of foreign subsidiaries	**46,369,203**	42,413,828	**–**	–
NOLCO	**65,649,764**	39,270,200	**–**	–
Net unrealized foreign exchange losses	**–**	347,200	**–**	–
	639,198,555	563,532,021	**118,534,009**	104,712,491
Deferred tax liabilities on:				
Gain arising from changes in fair value less estimated point-of-sale costs of swine stocks	**1,574,093**	1,496,219	–	–
Accelerated depreciation	**–**	–	**189,894,873**	193,870,221
Intangibles	**–**	–	**1,030,428,235**	996,512,626
Undistributed income of subsidiaries	**105,104,179**	105,110,264	**1,059,546,801**	946,675,218
Accrued revenue	**48,557,395**	9,397,043	–	–
Net unrealized foreign exchange gain	**33,960,589**	–	–	–
	189,196,256	116,003,526	**2,279,869,909**	2,137,058,065
Net deferred tax assets (liabilities)	**₱450,002,299**	₱447,528,495	**(₱2,161,335,900)**	(₱2,032,345,574)

As of December 31, 2022 and 2021, the Group's subsidiaries did not recognize deferred tax assets amounting to ₱392.1 million and ₱313.6 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, 2022	December 31, 2021	December 31, 2020
Statutory income tax rate	**25.00%**	25.00%	30.00%
Increase (decrease) in tax rate resulting from:			
Net income of subsidiaries with different tax rate	**(9.17)**	(17.53)	(13.20)
Income subject to lower tax rate	**(0.93)**	(0.24)	(0.11)
Equity in net income of a joint venture	**0.54**	0.09	0.07
Change in value of financial assets at FVTPL	**(0.10)**	(0.08)	(0.03)
Income exempt from tax	**(0.06)**	(1.04)	(3.08)
Interest income subjected to final tax	**(0.04)**	(0.04)	(0.11)
Nondeductible interest expense	**0.03**	0.01	0.05
CREATE Act adjustment	**–**	(0.12)	–
Others	**1.90**	1.21	1.91
Effective income tax rate	**17.17%**	7.26%	15.50%

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.

Corporate Recovery and Tax Incentives for Enterprises or "CREATE" Act

The Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was signed into law on March 26, 2021. This aimed to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 of the CREATE Act introduced reforms to the corporate income tax and incentives systems. It took effect 15 days after its complete publication in the Official Gazette on April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact to the Group:

- Effective July 1, 2020, Regular Corporate Income Tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5.0 million and with total assets not exceeding ₱100.0 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%. Furthermore, effective July 1, 2020, interest expense allowed as a deductible expense is reduced by 20% from 33% of interest income subject to final tax.
- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.
- Applying the provisions of the CREATE Act, the Company is subject to lower RCIT rate of 25% effective July 1, 2020.

- Based on the provisions of Revenue Regulations (RR) No. 5-2021 dated April 8, 2021 issued by the BIR, the prorated corporate income tax rate of the Company for the year 2020 is 27.5%. Consequently in 2021, the Company reversed a portion of its 2020 income tax payable and provision for current income tax accounts amounting to ₱93.8 million. Also, it derecognized its deferred tax assets amounting to ₱84.0 million, provision for deferred income tax for ₱37.3 million, and other comprehensive income for ₱46.7 million.

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, 2022, 2021, and 2020, the Group did not claim the OSD in lieu of the itemized deductions.

Entertainment, Amusement and Recreation (EAR) Expenses
Current tax regulations define expenses to be classified as EAR expenses and set a limit for the amount that is deductible for tax purposes. EAR expenses are limited to 0.5% of net sales for sellers of goods or properties or 1.0% of net revenue for sellers of services. For sellers of both goods or properties and services, an apportionment formula is used in determining the ceiling on such expenses. The Group recognized EAR expenses (included under 'General and administrative expenses' in the consolidated statements of income) amounting to ₱41.5 million, ₱44.5 million, and ₱40.9 million for the years ended December 31, 2022, 2021, and 2020, respectively.

MCIT
An MCIT 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.

30. Discontinued Operations and Disposal of Businesses

Sale of Oceania businesses
In July 2019, Intersnack, agreed to buy 40% of Oceania businesses of URC, 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. 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. 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. As part of the agreement, Intersnack was also given an option to acquire an additional 9% equity share in Unisnack Holding Company Ltd. (UHC).

As a result of the sale, the equity interest of URC changed from 100.0% to 60.0%, and gave rise to 40% non-controlling interest in the consolidated financial statements. As the Group continued to exercise control over UHC, the partial disposal was accounted for as a transaction between owners in their capacity as owners, or an equity transaction, in accordance with the requirements of PFRS 3, *Business Combinations*. Accordingly, 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 statement of financial position.

On July 29, 2021, URC Oceania executed a share purchase agreement to sell its remaining 60% ownership interest in its Australia and New Zealand businesses (held under UHC) to Intersnack Group. The first tranche was the exercise of the call option from the 2019 transaction by Intersnack, which allowed it to acquire an additional 9% ownership interest (38,700 ordinary shares) in UHC at a pre-determined exercise price. This was immediately followed by the sale for cash of the remaining 51% ownership interest (219,300 ordinary shares) in UHC. The total cash received by URC Oceania from the 2021 disposal amounted to ₱24.0 billion.

The closing conditions were met, and the transaction was approved by the Australian Foreign Investment Review Board and New Zealand Overseas Investment Office on October 29, 2021. As a result of this transaction, the Group has relinquished control and ownership over UHC and its subsidiaries.

The derecognized assets and liabilities of UHC as of the date of deconsolidation follow:

Assets	
Cash and cash equivalents	₱1,638,743,847
Receivables	3,476,025,296
Inventories	2,115,987,811
Property, plant and equipment	10,905,146,480
Right-of-use assets (Note 34)	3,266,978,158
Goodwill	30,867,806,512
Intangible assets	11,984,311,273
Deferred tax assets	104,923,273
Other assets	123,738,222
	₱64,483,660,872

(Forward)

Liabilities	
Accounts payable and other accrued liabilities	₱4,415,922,993
Income tax payable	18,419,235
Lease liabilities	3,863,641,971
Deferred tax liabilities	3,134,514,373
Other liabilities	33,278,489,808
	44,710,988,380
Net Assets	₱19,772,672,492

Cumulative translation adjustments related to UHC amounting to ₱214.8 million were also reclassified to profit and loss.

PFRS 5 requires income and expenses from disposal groups to be presented separately from continuing operations, down to the level of profit after taxes. The resulting profit or loss (after taxes) is reported separately in the consolidated statements of income. Accordingly, the consolidated statements of income for the years ended December 31, 2020 and 2019 have been restated to present the results of operations of UHC as 'Net income after tax from discontinued operations'.

The results of operations of UHC in the consolidated statements of income are presented below:

	2021	2020
Sale of goods and services	₱18,837,246,465	₱19,978,296,082
Cost of sales	12,856,083,612	13,508,444,120
Gross profit	5,981,162,853	6,469,851,962
Selling and distribution costs	2,862,499,842	3,175,852,507
General and administrative expenses	1,077,497,034	1,143,290,085
Operating income	2,041,165,977	2,150,709,370
Finance revenue	17,040,284	19,081,780
Finance costs	(740,256,456)	(778,762,553)
Foreign exchange gain - net	11,153,751	17,892,394
Equity in net income of joint venture	–	31,586,911

(Forward)

	2021	2020
Other income (expense) - net	₱170,200,127	(₱161,558,790)
Income before income tax	1,499,303,683	1,278,949,112
Provision for income tax	319,170,663	158,476,378
Net income	1,180,133,020	1,120,472,734
Gain on deconsolidation	10,100,438,582	–
Net income from discontinued operations	₱11,280,571,602	₱1,120,472,734

	2021	2020
Attributable to Parent Company	₱10,808,518,394	₱672,283,640
Attributable to non-controlling interest	472,053,208	448,189,094
	₱11,280,571,602	₱1,120,472,734

Other comprehensive income (losses) from discontinued operations consists of the following:

	2021	2020
Attributable to Parent Company	(₱214,775,311)	₱514,552,426
Attributable to non-controlling interest	11,044,781	(31,878,966)
	(₱203,730,530)	₱482,673,460

The related cash flows arising from Oceania businesses activities for the ten months ended October 31, 2021 follow:

Net cash provided by operating activities	₱1,816,495,886
Net cash provided by investing activities	21,701,828,072
Net cash used in financing activities	(373,118,903)
Net cash flows from discontinued operations	₱23,145,205,055

The aggregate consideration received consists of:

Cash (net of transaction costs)	₱23,930,903,237
Non-controlling interest	6,244,876,706
Equity items	(302,668,869)
	₱29,873,111,074

Total gain on deconsolidation amounted to ₱10.1 billion, which is the difference between the consideration received and the carrying value of the Group's investment in UHC. The net cash outflow arising from the deconsolidation of cash and cash equivalents of UHC amounted to ₱1.6 billion.

31. Earnings Per Share

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

	2022	2021	2020
Net income attributable to equity holders of the parent	**₱13,956,141,883**	₱23,323,672,422	₱10,746,720,491
Weighted average number of common shares	**2,185,417,208**	2,203,752,076	2,204,161,868
Basic/dilutive EPS	**₱6.39**	₱10.58	₱4.88

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, 2022, 2021, and 2020.

32. 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, 2022						
Related Party	**Category/ Transaction**	**Amount/ Volume**	**Cash and Cash Equivalents** (Note 7)	**Lease Liability** (Note 34)	**Trade Receivable (Payable) - net** (Notes 9 and 18)	**Non-trade Receivable (Payable) - net** (Notes 9 and 18)	**Terms**	**Conditions**
Ultimate Parent Company	Rental expense	**₱134,023,567**	**₱–**	**(₱637,984,654)**	**₱–**	**(₱1,695,832)**	On demand	Unsecured
	Management services	**188,151,605**	–	–	–	**(12,293,950)**	On demand	Unsecured
	Advances	**520,713,170**	–	–	–	**583,283,379**	On demand	Unsecured
Entities under common control		–	–	–	–	–		
Due from related parties	Sale of property	**3,303,354,600**	–	–	–	**2,383,354,600**	Payable until 2023	Unsecured; no impairment
	Sale of goods	**1,288,787,045**	–	–	**166,329,194**	–	On demand; non-interest bearing	Unsecured; no impairment
	Rental income	**44,670,092**	–	–	–	**40,752,773**	On demand; non-interest bearing	Unsecured; no impairment
	Management services	**331,276,803**	–	–	**(44,102,715)**	**771,071,003**	On demand; non-interest bearing	Unsecured; no impairment
	Advances	**102,523,371**	–	–	–	**655,700,729**	On demand; non-interest bearing	Unsecured; no impairment
Due to related parties	Rental expense	**352,821,049**	–	**(1,288,505,152)**	–	**(90,688,462)**	On demand	Unsecured
	Purchases	**1,266,873,883**	–	–	**(6,526,298)**	**(56,894,020)**	On demand	Unsecured
	Electricity and utilities	**144,926,143**	–	–	–	**(24,128,321)**	On demand	Unsecured
	Contracted services	**155,690,895**	–	–	–	**(79,039,936)**	On demand	Unsecured
Cash and cash equivalents	Cash in bank	**(893,393,503)**	**3,271,837,529**	–	–	–	Interest-bearing at prevailing market rate; due and demandable	Unsecured; no impairment
	Short-term investments	**(882,151,142)**	**817,395,711**	–	–	–	Interest-bearing at prevailing market rate; due from 30 to 70 days; with interest of 3.4% to 4.6%	Unsecured; no impairment
	Interest income	**18,092,887**	–	–	**4,456,210**	–	Due from 30 to 70 days	Unsecured
Subsidiaries								
Due from related parties	Sales	**3,209,443,761**	–	–	**472,516,808**	–	On demand; non-interest bearing	Unsecured; no impairment
	Rental income	**28,396,810**	–	–	–	**5,891,647**	On demand; non-interest bearing	Unsecured; no impairment
	Dividend income	**4,178,119,363**	–	–	–	–		
Due to related parties	Purchases	**18,641,411,355**	–	–	**(3,066,378,316)**	–	On demand	Unsecured
	Rent expense	**17,589,486**	–	–	**(25,044,537)**	–	On demand	Unsecured
Joint Venture								
Due from related parties	Sale of goods	**62,161,426**	–	–	**52,052,816**	–	On demand; non-interest bearing	Unsecured; no impairment
	Rental income	**11,208,733**	–	–	–	**739,234,216**	On demand; non-interest bearing	Unsecured; no impairment
Due to related parties	Purchases	**738,296,411**	–	–	**(192,058,291)**	–	1 to 30 days; non-interest bearing	Unsecured

		December 31, 2021							
Related Party	Category/ Transaction	Amount/ Volume	Cash and Cash Equivalents (Note 7)	Short-term debt (Note 17)	Lease Liability (Note 34)	Trade Receivable (Payable) - net (Notes 9 and 18)	Non-trade Receivable (Payable) - net (Notes 9 and 18)	Terms	Conditions
Ultimate Parent Company	Rental expense	₱118,469,789	₱–	₱–	(₱706,413,557)	₱–	(₱9,341,133)	On demand	Unsecured
	Management services	47,994,974	–	–	–	–	(111,375,780)	On demand	Unsecured
Entities under common control									
Due from related parties	Sale of goods	1,379,110,949	–	–	–	113,588,779	–	On demand; non-interest bearing	Unsecured; no impairment
	Rental income	50,028,712	–	–	–	–	66,939,815	On demand; non-interest bearing	Unsecured; no impairment
	Management services	350,682,817	–	–	–	–	1,842,463,521	On demand; non-interest bearing	Unsecured; no impairment
	Advances	–	–	–	–	–	572,508,369	On demand; non-interest bearing	Unsecured; no impairment
Due to related parties	Rental expense	227,831,704	–	–	(1,491,469,151)	–	–	On demand	Unsecured
	Purchases	1,298,087,872	–	–	–	(117,955,615)	–	On demand	Unsecured
	Electricity and utilities	346,722,292	–	–	–	–	(77,533,427)	On demand	Unsecured
	Contracted services	163,608,143	–	–	–	–	(41,116,399)	On demand	Unsecured
Cash and cash equivalents	Cash in bank	3,191,256,651	4,165,231,032	–	–	–	–	Interest-bearing at prevailing market rate; due and demandable	Unsecured; no impairment
	Short-term investments	53,898,037	1,699,546,853	–	–	–	–	Interest-bearing at prevailing market rate; due from 21 to 56 days; with interest ranging from 0.1% to 0.2%	Unsecured; no impairment
	Interest income	4,299,202	–	–	–	866,393	–	Due from 21 to 56 days	Unsecured
Short-term debt	Short-term debt	200,000,000	–	–	–	–	–		
	Interest expense	2,776,111	–	–	–	–	–		
Subsidiaries									
Due from related parties	Sale of goods	2,646,671,031	–	–	–	520,965,116	–	On demand; non-interest bearing	Unsecured; no impairment
	Rental income	26,516,110	–	–	–	–	2,995,831	On demand; non-interest bearing	Unsecured; no impairment
	Dividend income	9,095,145,203	–	–	–	–	–		
Due to related parties	Purchases	14,185,149,708	–	–	–	(3,498,836,584)	–	On demand	Unsecured
Joint Venture									
Due from related parties	Sale of goods	40,898,498	–	–	–	29,193,435	–	On demand; non-interest bearing	Unsecured; no impairment
	Rental income	2,896,927	–	–	–	3,137,399	–	On demand; non-interest bearing	Unsecured; no impairment
Due to related parties	Purchases	938,156,041	–	–	–	(137,124,921)	–	1 to 30 days; non-interest bearing	Unsecured

		December 31, 2020							
Related Party	Category/ Transaction	Amount/ Volume	Cash and Cash Equivalents (Note 7)	Short-term debt (Note 17)	Lease Liability (Note 34)	Trade Receivable (Payable) - net (Notes 9 and 18)	Non-trade Receivable (Payable) - net (Notes 9 and 18)	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	Sale of goods	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
	Electricity and 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 90 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 90 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	Sale of goods	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	Sale of goods	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

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, 2022 and 2021, the Group has advances from stockholders amounting to ₱298.3 million and ₱196.2 million, respectively (see Note 18). 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, 2022 and 2021. Terms are unsecured, noninterest-bearing and payable on demand.

Compensation of Key Management Personnel
The compensation of the Group's key management personnel by benefit type follows:

	2022	2021	2020
Short-term employee benefits	**₱370,640,770**	₱359,557,483	₱250,161,746
Post-employment benefits	**136,134,954**	37,335,668	205,220,282
	₱506,775,724	₱396,893,151	₱455,382,028

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.

33. **Registration with the BOI**

Certain operations of the Parent Company are registered with the BOI as preferred pioneer and non-pioneer activities. As a registered enterprise, the Parent Company is subject to some requirements and is entitled to certain tax and non-tax incentives which are considered in the computation of the provision for income tax.

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 and Regulations. Only capital equipment, spare parts and accessories directly needed and exclusively used in its operation shall be entitled to zero duty; (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. This may be allowed in supervisory, technical or advisory positions for five (5) years from date of registration; (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 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.

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 date of registration; (b) importation of capital equipment, spare parts and accessories at zero (0) duty under EO No. 22 and its Implementing Rules and Regulations. 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. This may be allowed in supervisory, technical or advisory positions for five (5) years from date of registration; and (f) simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies.

The said expansion started commercial operation early of 2019.

Sugar Millsite – URSUMCO

On April 29, 2021, Sugar Millsite - URSUMCO 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 April 2021 (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 that the date of registration; (b) importation of capital equipment, spare parts and accessories at zero (0) duty under EO No. 85 and its Implementing Rules and Regulations. Only capital equipment, spare parts and accessories directly needed and exclusively use in its operation shall be entitled zero (0) duty; (c) 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; (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. This may be allowed in supervisory, technical or advisory positions for five (5) years from date of registration; (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 (10) years from date of registration; (h) access to Custom Bonded Manufacturing Warehouse (CBMW) subject to Custom rules and regulations; (i) tax and duty exemption on imported breeding stocks and genetic materials within ten (10) years from date of registration; and (j) tax credit on tax and duty portion of domestic breeding stocks and genetic materials within ten (10) years from date of registration.

The said expansion started commercial operation on April 1, 2021.

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 reckoned from the state at which the RE Plant generated the first kilowatt-hour of energy after commissioning or testing, or two (2) months from date of commissioning or testing, whichever is earlier, as certified by Department of Energy (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 the DOE certificate of registration; (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. The enterprise that applies for accelerated depreciation shall no longer be eligible to avail of the ITH; (h) the sale of fuel or power generated by the enterprise from renewable sources of energy such as biomass as well as its purchases of local supply of goods, properties, and services needed for the development, construction, and installation of its plant facilities, and the whole process of exploration and development of RE sources up to its conversion into power shall be subject to zero percent VAT pursuant to NIRC; (i) tax credit equivalent to 100% of the value of VAT and custom duties that would have been paid on the purchase of RE machinery, equipment, materials and parts had these items been imported shall be given to the enterprise that purchases machinery, equipment, materials and parts from a domestic manufacturer.

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 E.O. 226.

Per BOI letter dated October 22, 2014, the BOI registration as new producer of bioethanol (anhydrous) was transferred from E.O. 226 to R.A. 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, provided that it shall pass on the savings to the end users in the form of lower 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 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 fifty percent (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; within the first ten (10) years from the issuance of the BOI certificate of registration; (c) tax exemption of carbon credits; (d) special realty tax rates on equipment and machinery, (e) NOLCO during the first three years from the start of commercial operation shall be carried over as a deduction from the gross income as defined in the NIRC for the next seven (7) years immediately following the year of such loss; (f) after availment of the ITH, the enterprise shall pay a corporate tax of 10% on its taxable income as defined in the NIRC, provided that it shall pass on the savings to the end users in the form of lower power rates; (g) the plant, machinery, and equipment that are reasonably needed and actually used for the exploration, development, and utilization of RE resources may be depreciated using a rate not exceeding twice the rate which would have been used had the annual allowance been computed in accordance with the rules and regulations prescribed by the Department of Finance and the provisions of the NIRC. The enterprise that applies for accelerated depreciation shall no longer be eligible to avail of the ITH; (h) the sale of fuel or power generated by the enterprise from renewable sources of energy such as biomass as well as its purchases of local supply of goods, properties, and services needed for the development, construction, and installation of its plant facilities, and the whole process of

exploration and development of RE sources up to its conversion into power shall be subject to zero percent VAT pursuant to NIRC; (i) tax credit equivalent to 100% of the value of VAT and custom duties that would have been paid on the purchase of RE machinery, equipment, materials and parts had these items been imported shall be given to the enterprise that purchases machinery, equipment, materials and parts from a domestic manufacturer.

Robina Farms (RF) - Poultry
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 in no case 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 for export producers with CBMW exporting at least seventy percent (70%) of production; (c) additional deduction for labor expense 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, 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. This may be allowed in supervisory, technical or advisory positions for five (5) years from date of registration; (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 (10) years from date of registration; (h) access to CBMW subject to the 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.

Robina Farms (RF) - Hogs
Producer of processed meat products
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. The ITH bonus year shall not be applicable to expansion and modernization project; (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, 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. This may be allowed in supervisory, technical or advisory positions for five (5) years from date of registration; (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.

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, 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.

This may be allowed in supervisory, technical or advisory positions for five (5) years from date of registration; (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.

34. 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, 2022 and 2021, the Group has in its custody sugar owned by several quedan holders amounting to ₱3.9 billion (1,098,275 Lkg) and ₱1.4 billion (862,837 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, 2022 and 2021:

	As of and for the year ended December 31, 2022					
	Land and Land improvements	**Buildings and Improvements**	**Machinery and Equipment**	**Transportation Equipment**	**Furniture and Fixtures**	**Total**
Cost						
Balance at beginning of year, as restated	**₱1,058,715,816**	**₱2,248,946,430**	**₱30,891,009**	**₱1,100,448**	**₱–**	**₱3,339,653,703**
Additions	**–**	**441,393,255**	**–**	**–**	**292,032**	**441,685,287**
Derecognition	**–**	**(615,423,097)**	**(30,891,009)**	**(1,100,448)**	**–**	**(647,414,554)**
Other adjustments	**1,340,272**	**17,653,380**	**–**	**–**	**–**	**18,993,652**
Balance at end of year	**1,060,056,088**	**2,092,569,968**	**–**	**–**	**292,032**	**3,152,918,088**
Accumulated Depreciation						
Balance at beginning of year	**213,675,560**	**878,819,639**	**30,891,009**	**1,100,448**	**–**	**1,124,486,656**
Depreciation	**1,842,547**	**367,343,541**	**–**	**–**	**23,126**	**369,209,214**
Derecognition	**–**	**(333,932,655)**	**(30,891,009)**	**(1,100,448)**	**–**	**(365,924,112)**
Other adjustments	**333,681**	**23,239,132**	**–**	**–**	**1,224**	**23,574,037**
Balance at end of year	**215,851,788**	**935,469,657**	**–**	**–**	**24,350**	**1,151,345,795**
Net Book Value at End of Year	**₱844,204,300**	**₱1,157,100,311**	**₱–**	**₱–**	**₱267,682**	**₱2,001,572,293**

	As of and for the year ended December 31, 2021					
	Land and Land improvements	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Furniture and Fixtures	Total
Cost						
Balance at beginning of year, as restated	₱1,059,912,417	₱6,257,085,523	₱57,551,568	₱24,555,252	₱1,615,368	₱7,400,720,128
Additions	–	138,509,999	17,292,372	1,884,898	10,243,075	167,930,344
Divestment of business (Note 30)	–	(4,221,784,563)	(46,381,967)	(25,648,019)	(11,874,363)	(4,305,688,912)
Other adjustments	(1,196,601)	75,135,471	2,429,036	308,317	15,920	76,692,143
Balance at end of year	1,058,715,816	2,248,946,430	30,891,009	1,100,448	–	3,339,653,703
Accumulated Depreciation						
Balance at beginning of year	212,016,298	1,109,076,025	49,366,537	12,665,524	1,615,368	1,384,739,752
Depreciation	1,819,240	634,427,844	12,290,512	7,008,423	2,015,106	657,561,125
Divestment of business (Note 30)	–	(983,187,524)	(33,112,194)	(18,764,642)	(3,646,394)	(1,038,710,754)
Other adjustments	(159,978)	118,503,294	2,346,154	191,143	15,920	120,896,533
Balance at end of year	213,675,560	878,819,639	30,891,009	1,100,448	–	1,124,486,656
Net Book Value at End of Year	₱845,040,256	₱1,370,126,791	₱–	₱–	₱–	₱2,215,167,047

Depreciation
The breakdown of depreciation and amortization of ROU asset follows:

	2022	2021	2020
Cost of sales (Note 21)	**₱123,701,844**	₱117,462,530	₱145,054,774
Selling and distribution costs (Note 22)	**149,036,499**	131,861,122	158,870,355
General and administrative expenses (Note 23)	**96,470,871**	98,993,165	102,513,545
Discontinued operations (Note 30)	**–**	309,244,308	288,392,021
	₱369,209,214	₱657,561,125	₱694,830,695

Lease Liabilities
The rollforward analysis of the Group's lease liabilities as at December 31, 2022 and 2021 follow:

	2022	2021
As at January 1	**₱2,480,767,596**	₱6,678,556,563
Additions	**376,395,049**	393,623,329
Accretion from continued operations (Note 27)	**189,697,980**	203,442,993
Accretion from discontinued operations (Note 30)	**–**	134,272,943
Payments	**(500,349,782)**	(814,968,947)
Derecognition	**(273,046,732)**	(4,138,618,730)
Other adjustments	**1,390,666**	24,459,445
As at December 31	**₱2,274,854,777**	₱2,480,767,596

The maturity analysis of lease liabilities is disclosed in Note 4, *Financial Risk Management Objectives and Policies.*

Derecognitions arose from disposal of business (see Note 30) and lease terminations during the period.

Summarized below are the amounts recognized in the 2022 and 2021 consolidated statements of comprehensive income in relation to the Group's leases:

	2022	2021
Cost of Sales		
Cost of services - depreciation of ROU assets	**₱123,701,844**	₱117,462,530
Rent expense - short term leases	**146,003,048**	190,368,277
	269,388,704	307,830,807
Operating Expenses		
Selling and distribution costs:		
Depreciation of ROU assets	**₱149,036,499**	₱131,861,122
Rent expense - short term leases	**122,436,798**	367,951,289
General and administrative expenses:		
Depreciation of ROU assets	**96,470,87**	98,993,166
Rent expense - short term leases	**87,901,734**	74,375,388
	455,845,903	673,180,965
Finance Cost and Other Charges - Accretion of Lease Liabilities	**₱189,697,980**	₱337,715,936
Rent Income	**₱111,263,169**	₱58,792,660

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 ₱40.2 million, ₱70.6 million, and ₱72.1 million for the years ended December 31, 2022, 2021, and 2020, 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 ₱356.3 million, ₱329.4 million, and ₱526.3 million for the years ended December 31, 2022, 2021, and 2020, respectively.

Future minimum rentals payable under noncancellable operating leases follow:

	2022	2021	2020
Within one year	**₱423,371,120**	₱473,308,116	₱829,801,162
After one year but not more than five years	**1,152,560,695**	1,441,900,057	2,961,540,951
More than five years	**1,809,101,854**	2,110,381,626	6,069,158,735
	₱3,385,033,669	₱4,025,589,799	₱9,860,500,848

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.

35. Supplemental Disclosure to Cash Flow Statements

The Group's noncash activities are as follows:

	2022	2021	2020
Cumulative translation adjustment (Note 20)	**₱1,872,914,779**	₱507,763,509	(₱1,333,855,802)

The table below provides for the changes in liabilities arising from financing activities:

	January 1	Availment	Settlement	CTA/Others	December 31
2022	**₱7,808,029,451**	**₱19,630,000,000**	**(₱15,740,000,000)**	**₱64,258,088**	**₱11,762,287,539**
2021	₱34,006,341,332	₱9,200,000,000	(₱4,002,001,432)	(₱31,396,310,449)	₱7,808,029,451

As of December 31, 2022, part of the proceeds from disposal of property, plant and equipment and investment properties is recognized under current and noncurrent receivables from an affiliate (See notes 12 and 16).

36. **Approval for the Release of the Financial Statements**

The accompanying consolidated financial statements of the Group were authorized for issue by the Audit Committee and the BOD on March 28, 2023.