



SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **June 30, 2021**
2. SEC Identification Number **9170**
3. BIR Tax Identification No. **000-400-016-000**
4. Exact name of issuer as specified in its charter **Universal Robina Corporation**
5. **Quezon City, Philippines**  
Province, Country or other jurisdiction of incorporation or organization
6. Industry Classification Code: (SEC Use Only)
7. **8<sup>th</sup> Floor, Tera Tower, Bridgetowne, E. Rodriguez, Jr. Avenue  
(C5 Road), Ugong Norte, Quezon City** **1110**  
Address of principal office Postal Code
8. **(632) 8633-7631 to 40 / (632) 8516-9888**  
Issuer's telephone number, including area code
9. **Not Applicable**  
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

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

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

Yes [ / ]

No [ ]

12. Check whether the issuer:

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

Yes [ / ]

No [ ]

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

Yes [ / ]

No [ ]

## **PART I - FINANCIAL INFORMATION**

### **Item 1. Financial Statements**

The unaudited consolidated financial statements are filed as part of this Form 17-Q (pages 12 to 70).

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

#### ***Business Overview***

Universal Robina Corporation (URC or the Company) is one of the largest branded food product companies in the Philippines, with the distinction of being called the country's first "Philippine Multinational". URC has established a strong presence in ASEAN and has further expanded its reach to the Oceania region. URC was founded in 1954 when Mr. John Gokongwei, Jr. established Universal Corn Products, Inc., a cornstarch manufacturing plant in Pasig. The Company is involved in a wide range of food-related businesses, including the manufacture and distribution of branded consumer foods, production of hogs and poultry, manufacture of animal nutrition and health products, flour milling, and sugar milling and refining. URC has also ventured in the renewables business for sustainability through Distillery and Cogeneration divisions. In the Philippines, URC is a dominant player with leading market shares in Snacks, Candies and Chocolates, and is a significant player in Biscuits. URC is also the largest player in the Ready-to-Drink (RTD) Tea market and Cup Noodles and is a competitive 3<sup>rd</sup> player in the Coffee business. With six mills operating as of June 30, 2021, URC Sugar division remains to be the largest producer in the country based on capacity aided by the purchase of Roxas Holdings, Inc.'s sugar mill, ethanol plant and other investment properties in La Carlota City, Negros Occidental. The acquisition resulted to operational synergies between La Carlota and URC's existing operations in Sugar and continue the efforts to support the development of the sugar industry in the Philippines. The Company's financial condition remained solid in the said period despite the acquisition.

No material reclassifications, merger, consolidation, or purchase or sale of significant amount of assets (not ordinary) were made in the past three years (2018-2020) except those mentioned in the succeeding paragraphs. The Company's financial condition has remained solid in the said period.

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

Branded consumer foods (BCF) segment, including packaging division, is the Company's largest segment. Established in the 1960s, the Company's branded consumer foods segment manufactures and distributes a diverse mix of salty snacks, chocolates, candies, biscuits, packaged cakes, beverages and instant noodles. The manufacturing, distribution, sales, and marketing activities of BCF segment are carried out mainly through the Company's branded consumer foods division consisting of snack foods, beverage, and noodles, although the Company conducts some of its branded consumer foods operations through its majority-owned subsidiaries and joint venture companies. The Company established URC BOPP Packaging and URC Flexible Packaging divisions to engage in the manufacture of bi-axially oriented polypropylene (BOPP) films for packaging companies and flexible packaging materials to cater various URC branded products. Both manufacturing facilities are located in Simlong, Batangas and are ISO 9001:2008 certified for Quality Management Systems.

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

The Company's agro-industrial products segment operates three divisions: (1) Farms, (2) Animal Nutrition and Health; and (3) Foods, Drugs and Disinfectants.

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

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

The Company's revenues for the first half ended June 30, 2021 and 2020 by each of the principal business segments is as follows:

<i>In millions</i>	<b>Six months ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Branded Consumer Foods Group		
Domestic	<b>₱29,167</b>	₱31,381
International	<b>21,550</b>	19,012
	<b>50,717</b>	50,393
Packaging	<b>978</b>	521
Total BCFG	<b>51,695</b>	50,914
Agro-Industrial Group	<b>5,427</b>	6,388
Commodity Foods Group	<b>11,407</b>	10,105
<b>Total</b>	<b>₱68,529</b>	₱67,407

### ***Results of Operations***

#### *Six months ended June 30, 2021 versus June 30, 2020*

URC generated a consolidated sale of goods and services of ₱68.529 billion for the six months ended June 30, 2021, 1.7% higher than same period last year. Sale of goods and services performance by business segment follows:

- Sale of goods and services in URC's BCF segment, excluding packaging division, increased by ₱324 million or 0.6%, to ₱50.717 billion for the first half of 2021 from ₱50.393 billion registered in the same period last year. BCFG domestic operations posted a 7.1% decrease in net sales from ₱31.381 billion for the first half of 2020 to ₱29.167 billion for the first half of 2021 still driven by high base fueled by pantry stock up with Taal eruption and the start of pandemic shifting

household spending to pantry essentials. Economic environment also affected consumer behavior as seen in the continued category declines.

BCF international operations reported a 13.4% increase in net sales from ₱19.012 billion for the first half of 2020 to ₱21.550 billion for the first half of 2021, coming from strong sales momentum being carried into 2<sup>nd</sup> quarter with most markets growing versus last year, coupled with positive impact from forex translation. In constant US dollar (US\$) terms, sales increased by 8.9% with mix results from major markets. Vietnam significantly grew by 51.3% driven by resurgence in beverage sales particularly C2 while Thailand recovered with 10.7% sales growth. Oceania grew 1.0% coming from 2020 high base.

Sale of goods and services of BCFG, excluding packaging division, accounted for 74.0% of total URC consolidated sale of goods and services for the first half of 2021.

Sale of goods and services in URC's packaging division increased by 87.9% to ₱978 million for the first half of 2021 from ₱521 million recorded in the same period last year due to better prices and strong volumes.

- Sale of goods and services in URC's agro-industrial group (AIG) amounted to ₱5.427 billion for the first half of 2021, a decline of 15.0% from ₱6.388 billion recorded in the same period last year. Feeds business posted a 5.4% decline while Farms business decreased by 38.1% as result of downsized operations.
- Sale of goods and services in URC's commodity foods group (CFG) amounted to ₱11.407 billion for the first half of 2021, a 12.9% increase from ₱10.105 billion reported in the same period last year. Sugar and renewables business grew by 16.9% due to higher volumes of sugar and distillery with the integration of La Carlota operations. Flour business is at par versus same period last year.

URC's cost of sales consists primarily of raw and packaging materials, direct labor and manufacturing costs. Cost of sales increased by ₱1.018 billion or 2.2%, to ₱47.954 billion for the first half of 2021 from ₱46.936 billion recorded in the same period last year.

URC's gross profit for the first half of 2021 amounted to ₱20.575 billion, slightly up by ₱104 million or 0.5% from ₱20.472 billion reported in the same period last year. Gross profit margin decreased by 35 basis points from 30.4% for the first half of 2020 to 30.0% for the first half of 2021.

URC's selling and distribution costs, and general and administrative expenses consist primarily of compensation benefits, advertising and promotion costs, freight and other selling expenses, depreciation, repairs and maintenance expenses and other administrative expenses. Selling and distribution costs, and general and administrative expenses increased by ₱135 million or 1.1% to ₱12.370 billion for the first half of 2021 from ₱12.235 billion registered in the first half of 2020.

As a result of the above factors, operating income decreased by ₱31 million to ₱8.205 billion for the first half of 2021 from ₱8.236 billion reported for the first half of 2020.

Net foreign exchange losses amounted to ₱266 million for the first half of 2021 from ₱330 million in the same period last year mainly driven by devaluation of Philippine Peso and Myanmar Kyat vis-à-vis US dollar this year compared to appreciation of Philippines Peso and Myanmar Kyat vis-à-vis US dollar last year.

URC's finance costs consist mainly of interest expense and amortization of debt issue costs. Finance costs decreased by 25.4% to ₱607 million for the first half of 2021 from ₱813 million in the same period last year due to lower interest rates.

URC's finance revenue consists of interest income from investments in money market placements, savings and dollar deposits and dividend income from investment in equity securities. Finance revenue decreased by 32.5% to ₱124 million for the first half of 2021 from ₱183 million in the same period last year due to lower interest rates.

Impairment losses amounted to ₱479 million for the first half of 2021 from nil for the first half of 2020 due to recognition of provision for impairment losses on idle fixed assets and slow moving spare parts.

Equity in net losses of joint ventures amounted to ₱92 million for the first half of 2021 from ₱55 million in the same period last year due to take-up of net losses from DURBI.

Market valuation on financial instruments at fair value through profit or loss amounted to ₱32 million gain for the first half of 2021 against the ₱13 million loss for the first half of 2020 due to increase in market values of equity investments.

Other income (expense) - net account consists of gain (loss) on sale of fixed assets and investments, rental income, and miscellaneous income and expenses. Other income (expense) - net increased to ₱2.712 billion other income for the first half of 2021 from ₱78 million other expense for the first half of 2020 due to gain on sale of fixed assets this year.

The Company recognized provision for income tax of ₱1.128 billion for the first half of 2021, a 2.4% decrease from ₱1.155 billion for the first half of 2020 due to lower deferred taxes, offset by higher taxable income of the Parent Company and URC International.

URC's net income for the first half of 2021 amounted to ₱8.501 billion, higher by ₱2.526 billion or 42.3%, from ₱5.975 billion for the first half of 2020 mainly driven by lower finance costs and net foreign exchange losses and higher other income from sale of fixed assets.

URC's core earnings before tax (operating profit after equity earnings, net finance costs and other income - net) for the first half of 2021 amounted to ₱7.299 billion, a decline of 2.3% from ₱7.474 billion recorded in the same period last year.

Net income attributable to equity holders of the parent increased by ₱2.527 billion or 45.7% to ₱8.055 billion for the first half of 2021 from ₱5.528 billion for the first half of 2020 as a result of the factors discussed above.

Non-controlling interest (NCI) in net income of subsidiaries decreased from ₱448 million for the first half of 2020 to ₱447 million in the same period this year.

URC reported an EBITDA (operating income plus depreciation and amortization) of ₱12.039 billion for the first half of 2021, 1.0% higher than ₱11.925 billion posted for the first half of 2020.

### ***Financial Condition***

#### *June 30, 2021 versus December 31, 2020*

URC's financial position remains healthy with strong cash levels. The Company has a current ratio of 1.20:1 as of June 30, 2021, lower than the 1.22:1 as of December 31, 2020. Financial debt to equity ratio of 0.81:1 as of June 30, 2021 is within comfortable level.

Total assets amounted to ₱186.758 billion as of June 30, 2021, higher than ₱176.195 billion as of December 31, 2020. Book value per share increased to ₱44.02 as of June 30, 2021 from ₱41.86 as of December 31, 2020.

The Company's cash requirements have been sourced through cash flow from operations. The net cash flow provided by operating activities for the first half of 2021 amounted to ₱4.259 billion. Net cash used in investing activities amounted to ₱6.952 billion, which were substantially used for capital expenditures and property acquisitions. Net cash provided by financing activities amounted to ₱600 million due to net availment of short-term debt, offset by dividend payments.

As of June 30, 2021, the Company is not aware of any material off-balance sheet transactions, arrangements and obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons created during the reporting period that would have a significant impact on the Company's operations and/or financial condition.

### ***Financial Ratios***

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

	<b>June 30, 2021</b>	December 31, 2020
Liquidity:		
Current ratio	<b>1.20:1</b>	1.22:1
Solvency:		
Gearing ratio	<b>0.42:1</b>	0.42:1
Debt to equity ratio	<b>0.81</b>	0.80
Asset to equity ratio	<b>1.81</b>	1.80
		Six months ended June 30
	<b>2021</b>	2020
Profitability:		
Operating margin	<b>12.0%</b>	12.2%
Earnings per share	<b>₱3.65</b>	₱2.51
Core earnings per share	<b>₱3.31</b>	₱3.39
Leverage:		
Interest rate coverage ratio	<b>19.84:1</b>	14.66:1



The Group calculates the ratios as follows:

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

**Material Changes in the 2021 Financial Statements  
(Increase/Decrease of 5% or more versus 2020)**

Statements of Income - 1<sup>st</sup> Half ended June 30, 2021 versus 1<sup>st</sup> Half ended June 30, 2020

*25.4% decrease in finance costs*

Due to lower interest rates

*100.0% increase in impairment losses*

Due to provision for impairment losses on idle fixed assets and slow-moving spare parts

*19.2% decrease in net foreign exchange loss*

Due to devaluation of Philippines Peso and Myanmar Kyat vis-à-vis US dollar this year compared to appreciation of Philippines Peso and Myanmar Kyat vis-à-vis US dollar last year

*32.5% decrease in finance revenue*

Due to lower interest rates

*68.8% increase in equity in net losses of joint ventures*

Due to equity take-up in net losses of DURBI

*349.2% increase in market valuation gain (loss) on financial instruments at FVTPL*  
Due to increase in market value of equity investments

*3,562.3% increase in other income (expenses) - net*  
Due to gain on sale of fixed assets this year

Statements of Financial Position – June 30, 2021 versus December 31, 2020

*11.1% decrease in cash and cash equivalents*  
Due to capital expenditures and dividend payment, net of cash from operations and net availment of short-term debt

*7.6% increase in financial assets at fair value through profit or loss*  
Due to increase in market values of equity securities

*8.2% increase in receivables*  
Due to increase in nontrade receivables

*22.3% increase in inventories*  
Due to increase in raw materials and finished goods

*13.3% increase in biological assets*  
Due to increase in hogs and poultry population

*26.9% increase in other current assets*  
Due to increases in advances to suppliers and input taxes

*5.3% increase in property, plant and equipment*  
Due to capital expenditures and property acquisitions during the period, partially offset by depreciation

*7.3% decrease in right-of-use assets*  
Due to depreciation and cumulative translation adjustments

*86.2% decrease in investment in joint ventures*  
Due to consolidation of Proper Snack Foods Limited

*93.1% increase in other noncurrent assets*  
Due to increase in nontrade receivables

*15.2% increase in accounts payable and other accrued liabilities*  
Due to increase in trade payables

*154.7% increase in short-term debt*  
Due to loan availments during the period

*23.4% decrease in trust receipts payable*  
Due to repayments of trust receipts during the period

*69.1% decrease in income tax payable*  
Due to payments of current tax provision during the period

*12.0% increase in other noncurrent liabilities*

Due to increase in net pension liability

*5.0% decrease in lease liabilities*

Due to payments and amortization, net of additional contracts

*6.7% increase in retained earnings*

Due to higher net income, partially offset by dividends declared

*6.9% increase in equity attributable to non-controlling interests*

Due to consolidation of Proper Snack Foods Limited

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

<b>Universal Robina Corporation (Consolidated)</b>			
	<b>YTD June</b>		<b>Index</b>
	<b>2021</b>	<b>2020</b>	
Revenues	<b>68,529</b>	67,407	102
EBIT	<b>8,205</b>	8,236	100
EBITDA	<b>12,039</b>	11,925	101
Net Income	<b>8,501</b>	5,975	142
Total Assets	<b>186,758</b>	166,204	112

<b>URC International Co., Ltd. (Consolidated)</b>			
	<b>YTD June</b>		<b>Index</b>
	<b>2021</b>	<b>2020</b>	
Revenues	<b>21,550</b>	19,012	113
EBIT	<b>1,953</b>	1,837	106
EBITDA	<b>3,563</b>	3,367	106
Net Income	<b>798</b>	1,566	51
Total Assets	<b>98,546</b>	92,247	107

<b>Nissin – URC</b>			
	<b>YTD June</b>		<b>Index</b>
	<b>2021</b>	<b>2020</b>	
Revenues	<b>3,818</b>	3,755	102
EBIT	<b>717</b>	683	105
EBITDA	<b>821</b>	781	105
Net Income	<b>533</b>	479	111
Total Assets	<b>3,849</b>	3,993	96

**SIGNATURES**

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

**UNIVERSAL ROBINA CORPORATION**



IRWIN C. LEE  
President and Chief Executive Officer  
Date 7/28/2021



FRANCISCO M. DEL MUNDO  
Chief Financial Officer  
Date 7/28/2021

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

	<b>June 30, 2021</b>	December 31, 2020
	<b>(Unaudited)</b>	(Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 7)	<b>₱16,772,104</b>	₱18,865,392
Financial assets at fair value through profit or loss (Note 8)	<b>458,813</b>	426,511
Receivables (Note 9)	<b>17,950,505</b>	16,596,265
Inventories (Note 10)	<b>32,107,358</b>	26,254,331
Biological assets	<b>143,049</b>	99,919
Other current assets (Note 11)	<b>4,212,811</b>	3,320,420
Total Current Assets	<b>71,644,640</b>	65,562,838
<b>Noncurrent Assets</b>		
Property, plant and equipment (Note 12)	<b>62,133,359</b>	58,989,613
Right-of-use assets	<b>5,578,252</b>	6,015,980
Biological assets	<b>122,342</b>	134,332
Goodwill (Note 13)	<b>31,656,052</b>	31,194,496
Intangible assets (Note 13)	<b>11,568,402</b>	11,599,843
Investment in joint ventures (Note 14)	<b>53,277</b>	386,495
Deferred tax assets	<b>609,974</b>	555,135
Other noncurrent assets (Note 15)	<b>3,392,049</b>	1,756,198
Total Noncurrent Assets	<b>115,113,707</b>	110,632,092
	<b>₱186,758,347</b>	₱176,194,930
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and other accrued liabilities (Note 16)	<b>₱28,610,158</b>	₱24,831,837
Current portion of long-term debt (Note 18)	<b>17,703,477</b>	17,838,897
Short-term debt (Note 17)	<b>6,797,779</b>	2,668,790
Trust receipts payable (Note 10)	<b>5,712,790</b>	7,454,089
Income tax payable	<b>121,364</b>	392,320
Lease liabilities - current portion	<b>623,443</b>	481,896
Total Current Liabilities	<b>59,569,011</b>	53,667,829
<b>Noncurrent Liabilities</b>		
Long-term debt (Note 18)	<b>13,362,896</b>	13,498,654
Deferred tax liabilities	<b>3,778,184</b>	3,800,923
Lease liabilities - net of current portion	<b>5,730,442</b>	6,196,661
Other noncurrent liabilities (Note 19)	<b>1,396,029</b>	1,246,701
Total Noncurrent Liabilities	<b>24,267,551</b>	24,742,939
Total Liabilities	<b>83,836,562</b>	78,410,768

(Forward)

	<b>June 30, 2021</b>	December 31, 2020
	<b>(Unaudited)</b>	(Audited)
<b>Equity</b>		
Equity attributable to equity holders of the parent		
Paid-up capital (Note 20)	<b>₱23,422,135</b>	₱23,422,135
Retained earnings (Note 20)	<b>75,196,543</b>	70,448,067
Other comprehensive income	<b>1,743,449</b>	1,734,017
Equity reserve (Note 20)	<b>(2,665,824)</b>	(2,665,824)
Treasury shares (Note 20)	<b>(679,490)</b>	(679,490)
	<b>97,016,813</b>	92,258,905
Equity attributable to non-controlling interests	<b>5,904,972</b>	5,525,257
Total Equity	<b>102,921,785</b>	97,784,162
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱186,758,347</b>	₱176,194,930

*See accompanying Notes to Unaudited Consolidated Financial Statements.*

**UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES**

**UNAUDITED CONSOLIDATED STATEMENTS OF INCOME**

(In Thousand Pesos, Except Per Share Amount)

	Quarters Ended June 30		Six Months Ended June 30	
	2021	2020	2021	2020
<b>SALE OF GOODS AND SERVICES</b>	<b>₱33,917,282</b>	₱33,950,121	<b>₱68,529,403</b>	₱67,407,409
<b>COST OF SALES</b>	<b>23,883,993</b>	23,592,969	<b>47,954,059</b>	46,935,905
<b>GROSS PROFIT</b>	<b>10,033,289</b>	10,357,152	<b>20,575,344</b>	20,471,504
Selling and distribution costs	(4,671,124)	(4,632,346)	(9,450,220)	(9,391,478)
General and administrative expenses	(1,472,564)	(1,454,849)	(2,919,660)	(2,843,636)
<b>OPERATING INCOME</b>	<b>3,889,601</b>	4,269,957	<b>8,205,464</b>	8,236,390
Impairment losses	(479,456)	–	(479,456)	–
Finance costs	(299,903)	(405,598)	(606,752)	(813,172)
Foreign exchange gain (loss) – net	(114,193)	490,423	(266,188)	(329,616)
Equity in net losses of joint ventures	(93,919)	(7,385)	(92,227)	(54,632)
Finance revenue	80,369	74,934	123,668	183,252
Market valuation gain (loss) on financial instruments at fair value through profit or loss	36,183	(9,034)	32,302	(12,961)
Other income (expense) – net	2,738,204	(24,735)	2,712,353	(78,339)
<b>INCOME BEFORE INCOME TAX</b>	<b>5,756,886</b>	4,388,562	<b>9,629,164</b>	7,130,922
<b>PROVISION FOR INCOME TAX</b>	<b>473,453</b>	550,336	<b>1,127,783</b>	1,155,471
<b>NET INCOME</b>	<b>₱5,283,433</b>	₱3,838,226	<b>₱8,501,381</b>	₱5,975,451
<b>NET INCOME ATTRIBUTABLE TO:</b>				
Equity holders of the parent	<b>₱5,049,692</b>	₱3,541,209	<b>8,054,719</b>	5,527,679
Non-controlling interest	<b>233,741</b>	297,017	<b>446,662</b>	447,772
	<b>₱5,283,433</b>	₱3,838,226	<b>₱8,501,381</b>	₱5,975,451
<b>EARNINGS PER SHARE (Note 21)</b>				
Basic/diluted, for income attributable to equity holders of the parent	<b>₱2.29</b>	₱1.61	<b>₱3.65</b>	₱2.51

See accompanying Notes to Unaudited Consolidated Financial Statements.

**UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES**

**UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(In Thousand Pesos, Except Per Share Amount)

	<b>Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
<b>NET INCOME</b>	<b>₱8,501,381</b>	<b>₱5,975,451</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
<i>Items to be reclassified to profit or loss in subsequent periods</i>		
Cumulative translation adjustments	45,479	608,340
Unrealized gain on cash flow hedge	34,846	10,358
	<b>80,325</b>	<b>618,698</b>
<i>Items not to be reclassified to profit or loss in subsequent periods</i>		
Remeasurement losses on defined benefit plans	(64,975)	(1,085)
Income tax effect	19,493	325
	<b>(45,482)</b>	<b>(760)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱8,536,224</b>	<b>₱6,593,389</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		
<b>ATTRIBUTABLE TO:</b>		
Equity holders of the parent	₱8,064,151	₱5,788,910
Non-controlling interest	472,073	804,479
	<b>₱8,536,224</b>	<b>₱6,593,389</b>

*See accompanying Notes to Unaudited Consolidated Financial Statements.*



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

	<b>Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
<b>PAID-UP CAPITAL (Note 20)</b>		
Capital Stock		
Balance at beginning and end of period	<b>₱2,230,160</b>	₱2,230,160
Additional Paid-in Capital		
Balance at beginning and end of period	<b>21,191,975</b>	21,191,975
	<b>23,422,135</b>	23,422,135
<b>RETAINED EARNINGS (Note 20)</b>		
Appropriated		
Balance at beginning and end of period	–	2,000,000
Unappropriated		
Balance at beginning of year	<b>70,448,067</b>	64,644,457
Net income	<b>8,054,719</b>	5,527,679
Dividends declared	<b>(3,306,243)</b>	(6,943,110)
Balance at end of period	<b>75,196,543</b>	63,229,026
	<b>75,196,543</b>	65,229,026
<b>EQUITY RESERVE (Note 20)</b>		
Balance at beginning and end of period	<b>(2,665,824)</b>	(2,665,824)
<b>OTHER COMPREHENSIVE INCOME</b>		
Cumulative Translation Adjustment		
Balance at beginning of year	<b>2,344,846</b>	3,678,702
Adjustments	<b>34,007</b>	255,775
Balance at end of period	<b>2,378,853</b>	3,934,477
Net Unrealized Gain on Financial Assets at Fair Value Through Other Comprehensive Income		
Balance at beginning and end of period	<b>53,680</b>	54,570
Unrealized Gain on Cash Flow Hedge		
Balance at beginning of year	<b>(19,127)</b>	–
Adjustments	<b>20,907</b>	6,215
Balance at end of period	<b>1,780</b>	6,215
Remeasurement Losses on Defined Benefit Plans		
Balance at beginning of year	<b>(645,382)</b>	(503,883)
Adjustments	<b>(45,482)</b>	(760)
Balance at end of period	<b>(690,864)</b>	(504,643)
	<b>1,743,449</b>	3,490,619
<b>TREASURY SHARES (Note 20)</b>		
Balance at beginning and end of period	<b>(679,490)</b>	(679,490)

(Forward)

	<b>Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
<b>EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS</b>		
Balance at beginning of year	<b>₱5,525,257</b>	₱5,233,837
Net income	<b>446,662</b>	447,772
Other comprehensive income	<b>11,472</b>	352,564
Unrealized gain on cash flow hedge	<b>13,939</b>	4,143
Dividends declared	<b>(433,650)</b>	(343,000)
Acquisition of new subsidiary	<b>341,292</b>	–
Balance at end of period	<b>5,904,972</b>	5,695,316
	<b>₱102,921,785</b>	₱94,491,782

*See accompanying Notes to Unaudited Consolidated Financial Statements.*

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

	<b>Six Months Ended June 30</b>	
	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	<b>₱9,629,164</b>	₱7,130,922
Adjustments for:		
Depreciation and amortization	<b>3,833,982</b>	3,688,638
Gain on sale of property, plant and equipment	<b>(3,280,358)</b>	–
Finance cost	<b>552,669</b>	765,759
Provision for impairment losses	<b>479,456</b>	–
Net foreign exchange loss	<b>266,188</b>	329,616
Finance revenue	<b>(123,668)</b>	(183,252)
Equity in net losses of joint ventures	<b>92,227</b>	54,632
Amortization of debt issuance costs	<b>54,083</b>	47,413
Market valuation loss (gain) on financial asset at fair value through profit or loss	<b>(32,302)</b>	12,961
Gain arising from changes in fair value less estimated costs to sell of swine stocks	<b>(6,764)</b>	(88,550)
Operating income before changes in working capital	<b>11,464,677</b>	11,758,139
Decrease (increase) in:		
Receivables	<b>442,839</b>	(300,640)
Inventories	<b>(5,823,982)</b>	(799,995)
Biological assets	<b>(70,635)</b>	246,409
Other current assets	<b>(1,285,740)</b>	(168,163)
Increase (decrease) in:		
Accounts payable and other accrued liabilities	<b>2,542,791</b>	3,936,628
Trust receipts payable	<b>(1,768,022)</b>	(4,463,703)
Cash generated from operations	<b>5,501,928</b>	10,208,675
Income taxes paid	<b>(968,227)</b>	(533,362)
Interest paid	<b>(354,647)</b>	(527,407)
Interest received	<b>80,197</b>	160,542
Net cash provided by operating activities	<b>4,259,251</b>	9,308,448
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of:		
Property, plant and equipment	<b>(8,342,312)</b>	(3,062,005)
Investment in joint venture	<b>(100,000)</b>	–
Proceeds from:		
Sale of property, plant and equipment	<b>1,383,046</b>	10,130
Sale of financial asset at fair value through profit or loss	–	26
Dividends received	<b>32,303</b>	16,151
Decrease in other noncurrent assets	<b>74,682</b>	111,351
Net cash used in investing activities	<b>(6,952,281)</b>	(2,924,347)

(Forward)

	<b>Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net availment (repayment) of short-term debt	<b>₱4,200,938</b>	(₱855,000)
Cash dividends paid (see Note 20)	<b>(3,306,243)</b>	(6,943,110)
Decrease in lease liabilities	<b>(430,301)</b>	(424,651)
Increase in other noncurrent liabilities	<b>135,348</b>	56,273
Net cash provided by (used in) financing activities	<b>599,742</b>	(8,166,488)
<b>NET DECREASE IN CASH AND</b>		
<b>CASH EQUIVALENTS</b>	<b>(2,093,288)</b>	(1,782,387)
<b>CASH AND CASH EQUIVALENTS</b>		
<b>AT BEGINNING OF YEAR</b>	<b>18,865,392</b>	20,484,261
<b>CASH AND CASH EQUIVALENTS AT END OF</b>		
<b>PERIOD</b>	<b>₱16,772,104</b>	₱18,701,874

## **UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES**

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### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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#### **1. Corporate Information**

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

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

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

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

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.

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#### **2. Summary of Significant Accounting Policies**

##### Basis of Preparation

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

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

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

Subsidiaries	Country of Incorporation	Functional Currency
URC Asean Brands Co. Ltd. (UABCL)	British Virgin Islands	US Dollar
Hong Kong China Foods Co. Ltd. (HCFCL)	- do -	- do -
URC International Co. Ltd. (URCICL)	- do -	- do -
URC Oceania Co. Ltd. (URC Oceania)	- do -	- do -
Shanghai Peggy Foods Co., Ltd. (Shanghai Peggy)	China	Chinese Renminbi
URC China Commercial Co. Ltd. (URCCCL)	- do -	- do -
Xiamen Tongan Pacific Food Co., Ltd.	- do -	- do -
Guangzhou Peggy Foods Co., Ltd.	- do -	- do -
Shantou SEZ Shanfu Foods Co., Ltd.	- do -	- do -
Jiangsu Acesfood Industrial Co., Ltd.	- do -	- do -
Shantou Peggy Co. Ltd.	- do -	- do -
URC Hong Kong Company Limited	Hong Kong	Hong Kong Dollar
PT URC Indonesia	Indonesia	Indonesian Rupiah
URC Snack Foods (Malaysia) Sdn. Bhd. (URC Malaysia)	Malaysia	Malaysian Ringgit
Ricellent Sdn. Bhd.	- do -	- do -
URC Foods (Singapore) Pte. Ltd.	Singapore	Singapore Dollar
Advanson International Pte. Ltd. (Advanson)	- do -	- do -
URC (Thailand) Co., Ltd.	Thailand	Thai Baht
Siam Pattanasin Co., Ltd.	- do -	- do -
URC (Myanmar) Co. Ltd.	Myanmar	Myanmar Kyat
URC Vietnam Co., Ltd.	Vietnam	Vietnam Dong
URC Hanoi Company Limited	- do -	- do -
URC Central Co. Ltd.	- do -	- do -
URC New Zealand Holding Co. Ltd. (URC NZ HoldCo)	New Zealand	New Zealand Dollar
URC New Zealand Finance Co. Ltd. (URC NZ FinCo)	- do -	- do -
Griffin's Food Limited (Griffin's)	- do -	- do -
Proper Snack Foods Limited	- do -	- do -
URC Australia Holding Company Ltd. (URC AU HoldCo)	Australia	Australian Dollar
URC Australia Finance Company Ltd. (URC AU FinCo)	- do -	- do -
Consolidated Snacks Pty Ltd. (CSPL)	- do -	- do -
Yarra Valley Group Holding Pty Ltd. (Yarra Valley)	- do -	- do -
Snack Brands Australia Partnership (SBA)	- do -	- do -
Uni Snack Holding Company Ltd. (UHC)	- do -	- do -
Uni Snack Mid Company Ltd. (UMC)	- do -	- do -

#### Statement of Compliance

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

### Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and the following wholly and majority owned direct subsidiaries as of June 30, 2021 and 2020.

Subsidiaries	Place of Incorporation	Effective Percentages of Ownership	
		2021	2020
CFC Corporation	Philippines	100.00	100.00
Bio-Resource Power Generation Corporation and a Subsidiary (BRPGC)	- do -	100.00	100.00
Najalin Agri-Ventures, Inc. (NAVI)	- do -	95.82	-
URC Snack Ventures Inc. (USVI)	- do -	100.00	100.00
URC Beverage Ventures, Inc. (UBVI)	- do -	100.00	100.00
Nissin - URC (NURC)	- do -	51.00	51.00
URC Philippines, Ltd. (URCPL)	British Virgin Islands	100.00	100.00
URCICL and Subsidiaries*	- do -	100.00	100.00
Universal Robina (Cayman), Ltd. (URCL)	Cayman Islands	100.00	100.00
URCCCL and a Subsidiary	China	100.00	100.00

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

### *Change in Ownership Structure of URC AU HoldCo and URC NZ HoldCo (a subsidiary of URCICL)*

In July 2019, Intersnack, a European enterprise engaged in the savory snacks market with extensive product portfolio, agreed to buy 40% of Oceania (SBA and Griffin's New Zealand). 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.

In 2019, UHC and UMC were incorporated under URCICL.

### *Control*

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

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

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

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

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

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

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

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

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

*\*Dormant/non-operating subsidiaries*

#### Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the



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

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

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

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

#### Combinations of Entities Under Common Control

Where there are business combinations involving entities that are ultimately controlled by the same ultimate parent (i.e., Controlling Shareholders) before and after the business combination and that the control is not transitory ("business combinations under common control"), the Group accounts for such business combinations in accordance with the guidance provided by the Philippine Interpretations Committee Q&A No. 2011-02, PFRS 3.2 - *Common Control Business Combinations*. The purchase method of accounting is used, if the transaction was deemed to have substance from the perspective of the reporting entity. In determining whether the business combination has substance, factors such as the underlying purpose of the business combination and the involvement of parties other than the combining entities such as the non-controlling interest shall be considered. In cases where the transaction has no commercial substance, the business combination is accounted for using the pooling of interest 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 Interest 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 on the acquisition of a subsidiary is recognized as an asset at the date the control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously-held interest, if any, in the entity over the net fair value of the identifiable net assets recognized.

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

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

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

#### Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial years, except that the Group has adopted the following PFRSs and Philippine Accounting Standards (PAS) and Philippine Interpretations beginning January 1, 2021. The adoption of the new and amended standards and interpretations did not have any impact on the consolidated financial statements of the Group unless otherwise indicated.

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

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

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

The Group shall also disclose information about:

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

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

## **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 value measurement is unobservable

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

#### 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.

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 consist of financial assets at amortized cost, financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments), derivative assets and financial assets at FVTPL (equity instruments).

*Financial assets at amortized cost (debt instruments)*

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

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

*Financial assets designated at FVOCI (equity instruments)*

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

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

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

*Financial assets at FVTPL*

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

A financial asset is considered as held for trading if:

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

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

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

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

#### *Derecognition*

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

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

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

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

#### *Impairment of financial assets*

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVTPL. ECLs represent credit losses that reflect an unbiased and probability-weighted

amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime ECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument.

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

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

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

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

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

#### *Determining the stage for impairment*

At each reporting date, the Group assesses whether there has been an SICR for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and

supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analyses.

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

#### *Staging assessment*

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

- Stage 1 is comprised of all non-impaired financial instruments which have not experienced a significant increase in credit risk since initial recognition. Entities are required to recognize 12-month ECL for stage 1 financial instruments. In assessing whether credit risk has increased significantly, entities are required to compare the risk of a default occurring on the financial instrument as at the reporting date, with the risk of a default occurring on the financial instrument as at the date of initial recognition.
- Stage 2 is comprised of all non-impaired financial instruments which have experienced a significant increase in credit risk since initial recognition. Entities are required to recognize lifetime ECL for stage 2 financial instruments. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then entities shall revert to recognizing 12-month ECL.
- Financial instruments are classified as stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a financial instrument or a portfolio of financial instruments. The ECL model requires that lifetime ECL be recognized for financial assets that are in default. The Group considers a financial asset in default when contractual payments are 30-60 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows

#### b) Financial liabilities

##### *Initial recognition and measurement*

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

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

##### *Subsequent measurement*

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

##### *Financial liabilities at FVTPL*

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



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

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

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

The Group does not have financial liabilities at FVTPL as of June 30, 2021 and December 31, 2020.

#### *Financial liabilities at amortized cost*

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

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

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

#### *Derecognition*

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

#### c) Offsetting of financial instruments

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

#### 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:

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

Land is stated at cost less any impairment in value.

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

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

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

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

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

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

Construction-in-progress and equipment in transit are stated at cost, net of accumulated impairment losses, if any. This includes the cost of construction and other direct costs.

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

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

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

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

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

#### Investment Properties

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

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

The Group's investment properties consist solely of buildings and building improvements and are depreciated using the straight-line method over their EUL ranging from 10 to 30 years (see Note 12).

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

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

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

and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

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

#### Goodwill

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

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

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

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

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

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

#### Intangible Assets

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

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

The useful lives of intangible assets with a finite life are assessed at the individual asset level. Intangible assets with finite lives are amortized on a straight-line basis over the asset's EUL and assessed for impairment, whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each reporting date. Changes in the EUL or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by

changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite useful lives is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

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

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

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

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

#### Investment in Joint Ventures

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

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

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

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

### Impairment of Nonfinancial Assets

This accounting policy applies primarily to the Group's property, plant and equipment (see Note 12), right-of-use assets, investment properties (see Note 15), investments in joint ventures (see Note 14), goodwill and intangible assets (see Note 13).

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

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

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

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

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

#### *Property, plant and equipment, right-of-use assets, investment properties, intangible assets with definite useful lives, and investments in joint ventures*

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

#### *Goodwill and intangible assets with indefinite useful lives*

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

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

#### Revenue Recognition

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

#### *Sale of goods and services*

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

#### *Sale of sugar and molasses*

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

#### *Rendering of tolling services*

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

#### Revenue outside the scope of PFRS 15:

##### *Dividend income*

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

##### *Interest income*

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

#### Provisions

Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of a past event; (b) it is probable (i.e., more likely than not) that an outflow of resources



embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense under 'Finance cost' in the consolidated statement of income. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of income, net of any reimbursement.

#### Contingencies

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

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

#### Pension Costs

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

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

Defined benefit costs comprise the following:

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

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

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

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

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

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

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized

immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to consolidated statement of income in subsequent periods.

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

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

#### *Termination benefit*

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

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

#### *Employee leave entitlement*

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

#### 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 financial position to the extent of the recoverable amount.

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

### Borrowing Costs

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

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

### Leases

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

#### *The Group as a lessee*

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

#### *Right-of-use assets*

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

The depreciation period for each class of ROU assets follows:

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

#### *Lease liabilities*

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflected the Group exercising the option to terminate. Variable lease payments

that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

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

#### *Short-term leases*

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

#### *Group as a lessor*

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

#### *Rent income*

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

#### Cost and Expenses

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

#### Foreign Currency Translation/Transactions

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

#### *Transactions and balances*

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

*Group companies*

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

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

Common Stock

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

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

Retained Earnings

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

Other Comprehensive Income

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

Treasury Shares

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

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

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

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

### Equity Reserves

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

### Dividends on Common Stocks

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

### Earnings Per Share (EPS)

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

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

### Segment Reporting

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

### Events after Reporting Date

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

### Standards Issued but not yet Effective

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

#### *Effective beginning on or after January 1, 2022*

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

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

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

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

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

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

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

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

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

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

- *Annual Improvements to PFRSs 2018-2020 Cycle*

- Amendments to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards, Subsidiary as a first-time adopter*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

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

- Amendments to PFRS 9, *Financial Instruments, Fees in the ‘10 per cent’ test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the



borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

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

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

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

*Effective beginning on or after January 1, 2023*

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*  
The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

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

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

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17

provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

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

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

#### *Deferred effectivity*

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

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

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

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### **3. Significant Accounting Judgments and Estimates**

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

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

#### Judgments

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

##### *a. Revenue recognition on sale of goods and services*

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

variable consideration and assessing the constraint; and (d) recognition of revenue as the Group satisfies the performance obligation.

*i. Existence of a contract*

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

*ii. Identifying performance obligation*

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

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

*iii. Recognition of revenue as the Group satisfies the performance obligation*

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

*iv. Method to estimate variable consideration and assess constraint*

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

*v. Recognition of milling revenue under output sharing agreement and cane purchase agreement*

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

*b. Contingencies*

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

c. *Determining whether it is reasonably certain that a renewal and termination option will be exercised - The Group as a lessee*

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to renew the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

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

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

d. *Assessment of retention of control*

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

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

e. *Accounting for the call option*

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

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

f. *Assessment of elements of a business*

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

- (i) there were no outputs as of acquisition date;
- (ii) the inputs acquired do not include an organized workforce; and

- (iii) no substantive processes were acquired either as part of the terms of the agreements or through the intellectual capacity of any organized workforce.

### Estimates

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

*a. Assessment for ECL on trade receivables*

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

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

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

The Group has assessed that the ECL on trade receivables is not material because substantial amount of receivables are normally collected within one year.

*b. Assessment for ECL on Other Financial Assets at Amortized Cost*

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

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

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

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

The Group has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Group

only with reputable banks and companies with good credit standing and relatively low risk of defaults. Accordingly, no provision for ECL on other financial assets at amortized cost was recognized for the quarter ended June 30, 2021 and 2020.

*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.

*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.

*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; 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.

*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. 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. 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.

*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.

*i. Valuation of ROU assets and lease liabilities*

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

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

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

*j. COVID-19 Pandemic*

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

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

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

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

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

The Group's principal financial instruments, other than derivative financial instruments, comprise of 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 subsidiary is a counterparty to derivative contracts. These derivatives are entered into as a means of reducing or managing their respective foreign exchange and interest rate exposures.



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

#### Risk Management Structure

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

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

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

#### *AC*

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

The AC also aims to ensure that:

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

#### *Enterprise Risk Management Group (ERMG)*

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

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

#### *Corporate Governance Compliance Officer*

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

recommending penalties on such infringements for further review and approval of the BOD, among others.

*Day-to-day risk management functions*

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

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

*Enterprise Resource Management (ERM) Framework*

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

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

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

*Risk management support groups*

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

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

Risk Management Policies

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

*Credit risk*

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

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

*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.

*Market risk*

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

*Foreign currency risk*

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

The Group has transactional currency exposures. Such exposures arise from sales and purchases in currencies other than the entities' functional currency.

*Equity price risk*

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

*Interest rate risk*

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

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## 5. Fair Value Measurement

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

*Cash and cash equivalents, receivables (except amounts due from and due to related parties), accounts payable and other accrued liabilities, short-term debts and trust receipts payable*

Carrying amounts approximate their fair values due to the relatively short-term maturities of these instruments.

*Amounts due from and due to related parties*

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

*Financial assets at FVTPL, derivatives and financial assets at FVOCI*

Fair values of quoted equity securities are based on quoted prices published in markets.

*Biological assets*

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

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

#### *Investment properties*

Fair value of investment properties is based on market data (or direct sales comparison) approach. This approach relies on the comparison of recent sale transactions or offerings of similar properties which have occurred and/or offered with close proximity to the subject property.

The fair values of the Group's investment properties have been determined by appraisers in 2017, including independent external appraisers, on the basis of the recent sales of similar properties in the same areas as the investment properties and taking into account the economic conditions prevailing at the time of the valuations are made.

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

#### *Long-term debts*

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

#### Fair Value Measurement Hierarchy

The Group uses the following hierarchy in determining and disclosing the fair value of financial instruments by valuation technique:

- Quoted prices in active markets for identical assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

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## **6. Business Segment Information**

The Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group has four (4) reportable operating segments as follows:

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

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

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

The Group's business segment information follows:

	Sale of Goods and Services		Segment Result	
	For the six months ended June 30			
	2021	2020	2021	2020
Branded Consumer Foods Group	<b>₱51,695,528</b>	₱50,913,525	<b>₱6,119,478</b>	₱6,344,724
Agro-Industrial Group	<b>5,427,132</b>	6,388,049	<b>576,984</b>	533,647
Commodity Foods Group	<b>11,406,743</b>	10,105,835	<b>2,569,308</b>	2,421,429
Corporate Business	–	–	<b>(1,060,306)</b>	(1,063,410)
	<b>₱68,529,403</b>	₱67,407,409	<b>₱8,205,464</b>	₱8,236,390

  

	Total Assets		Total Liabilities	
	As of June 30			
	2021	2020	2021	2020
Branded Consumer Foods Group	<b>₱137,096,142</b>	₱125,622,383	<b>₱ 60,746,545</b>	₱57,386,923
Agro-Industrial Group	<b>7,643,117</b>	7,914,504	<b>2,915,620</b>	4,677,833
Commodity Foods Group	<b>36,303,188</b>	25,545,186	<b>9,514,780</b>	4,771,115
Corporate Business	<b>5,715,900</b>	7,122,100	<b>10,659,617</b>	4,876,521
	<b>₱186,758,347</b>	₱166,204,173	<b>₱83,836,562</b>	₱71,712,392

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

#### Segment Assets

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

#### Segment Liabilities

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

## 7. Cash and Cash Equivalents

	June 30, 2021	December 31, 2020
Cash on hand	P69,818	P60,527
Cash in banks	5,991,987	6,913,377
Short-term investments	10,710,299	11,891,488
	<b>P16,772,104</b>	<b>P18,865,392</b>

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 0.06% to 5.50% and 0.04% to 6.50% as at June 30, 2021 and December 31, 2020, respectively, for foreign currency-denominated money market placements. Peso-denominated money market placements, on the other hand, earn interest ranging from 0.16% to 0.44% and 0.12% to 0.60% as at June 30, 2021 and December 31, 2020, respectively.

## 8. Financial Assets at Fair Value Through Profit or Loss

This account consists of investment held-for-trading amounting to P458.8 million and P426.5 million as of June 30, 2021 and December 31, 2020, respectively. Investments held-for-trading consists of quoted equity securities issued by certain domestic entities.

Market valuation on financial assets at fair value through profit or loss amounted to P32.3 million gain and P13.0 million loss for the first half ended June 30, 2021 and 2020, respectively.

## 9. Receivables

	June 30, 2021	December 31, 2020
Trade receivables	P13,231,647	P13,889,899
Non-trade receivables	3,114,387	1,322,631
Due from related parties	964,830	904,339
Advances to officers and employees	122,362	166,840
Interest receivable	58,819	47,651
Others	829,339	647,124
	<b>18,321,384</b>	<b>16,978,484</b>
Less allowance for impairment losses	370,879	382,219
	<b>P17,950,505</b>	<b>P16,596,265</b>

The aging analysis of the Group's receivables follows:

	Neither past due nor impaired	Past due but not impaired		Past due and impaired	June 30, 2021
		Less than 90 days	Over 90 days		
Trade receivables	P10,955,715	P1,978,521	P135,502	P161,909	P13,231,647
Due from related parties	964,830	-	-	-	964,830
Advances to officers and employees	80,524	6,894	15,297	19,647	122,362
Interest receivable	58,556	263	-	-	58,819
Others	1,980,931	450,470	1,323,002	189,323	3,943,726
	<b>P14,040,556</b>	<b>P2,436,148</b>	<b>P1,473,801</b>	<b>P370,879</b>	<b>P18,321,384</b>

	Neither past due nor impaired	Past due but not impaired		Past due and impaired	December 31, 2020
		Less than 90 days	Over 90 days		
Trade receivables	₱11,497,989	₱2,076,452	₱142,209	₱173,249	₱13,889,899
Due from related parties	904,339	–	–	–	904,339
Advances to officers and employees	115,393	9,879	21,921	19,647	166,840
Interest receivable	47,438	213	–	–	47,651
Others	939,407	213,624	627,401	189,323	1,969,755
	<b>₱13,504,566</b>	<b>₱2,300,168</b>	<b>₱791,531</b>	<b>₱382,219</b>	<b>₱16,978,484</b>

## 10. Inventories

	<b>June 30, 2021</b>	December 31, 2020
Raw materials	<b>₱13,074,281</b>	₱9,897,606
Finished goods	<b>9,439,588</b>	7,424,416
Spare parts and supplies	<b>5,315,669</b>	5,201,920
Containers and packaging materials	<b>2,339,643</b>	2,147,555
Goods in-process	<b>1,938,177</b>	1,582,834
	<b>₱32,107,358</b>	₱26,254,331

Under the terms of the agreements covering liabilities under trust receipts totaling ₱5.7 billion and ₱7.5 billion as of June 30, 2021 and December 31, 2020, respectively, certain inventories which approximate the trust receipt payable, have been released to the Group under trust receipt agreement with the banks. The Group is accountable to these banks for the trusted merchandise.

## 11. Other Current Assets

	<b>June 30, 2021</b>	December 31, 2020
Advances to suppliers	<b>₱1,669,281</b>	₱1,093,626
Input value-added tax	<b>1,540,656</b>	1,046,627
Prepaid insurance	<b>301,030</b>	251,224
Prepaid taxes	<b>229,381</b>	236,533
Prepaid rent	<b>46,782</b>	47,274
Other prepaid expenses	<b>425,681</b>	645,136
	<b>₱4,212,811</b>	₱3,320,420

Other prepaid expenses include prepayments for advertising, office supplies and income tax credits.



## 12. Property, Plant and Equipment

	June 30, 2021	December 31, 2020
<b>Acquisition Costs</b>		
Land improvements	P2,414,870	P2,400,410
Buildings and improvements	21,835,589	20,733,572
Machinery and equipment	85,579,650	82,836,608
Transportation equipment	2,870,415	2,883,774
Furniture, fixtures and equipment	6,158,702	5,999,183
	<b>118,859,226</b>	<b>114,853,547</b>
<b>Accumulated Depreciation, Amortization and Impairment Losses</b>		
	<b>(78,937,885)</b>	<b>(76,935,990)</b>
<b>Net Book Value</b>	<b>39,921,341</b>	<b>37,917,557</b>
Land	6,442,557	5,447,922
Equipment in-transit	4,997,945	4,915,650
Construction-in-progress	10,771,516	10,708,484
	<b>P62,133,359</b>	<b>P58,989,613</b>

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 P8.0 million at P3.3 billion selling price. Gain on disposal attributable to sale amounted to P3.3 billion, which was recognized under 'Other expenses - net' in the 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 P1.2 billion. Gain on disposal attributable to sale amounted to P18.9 million, which was recognized under 'Other expenses - net' in the statements of income.

## 13. Goodwill and Intangible Assets

The Group's goodwill pertains to: (a) consolidation of PSFL in January 2021 (see Note 14), (b) the acquisition of CSPL in September 2016, (c) acquisition of Balayan Sugar Mill in February 2016, (d) acquisition of URC NZ HoldCo in November 2014 and (e) the excess of the acquisition cost over the fair values of the net assets acquired by UABCL in 2000.

Movements in intangible assets follow:

	June 30, 2021	December 31, 2020
<b>Cost</b>		
Balance at beginning of year	P12,247,921	P12,255,437
Disposal/others	(699)	(7,516)
Balance at end of period	<b>12,247,222</b>	<b>12,247,921</b>
<b>Accumulated Amortization and Impairment Losses</b>		
Balance at beginning of year	648,078	582,309
Amortization during the period	40,668	93,987
Disposal/others	(9,926)	(28,218)
Balance at end of period	<b>678,820</b>	<b>648,078</b>
<b>Net Book Value</b>	<b>P11,568,402</b>	<b>P11,599,843</b>

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

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

#### 14. Investment in Joint Ventures

	June 30, 2021	December 31, 2020
<b>Acquisition Cost</b>		
Balance at beginning of year	₱1,203,555	₱1,203,555
Additional Investment	100,000	–
Reclassification to investment in subsidiaries	(275,293)	–
<b>Balances at end of period</b>	<b>1,028,262</b>	1,203,555
<b>Accumulated Equity in Net Earnings</b>		
Balance at beginning of year	(812,042)	(781,655)
Equity in net losses during the period	(92,227)	(30,387)
Reclassification to investment in subsidiaries	(69,085)	–
<b>Balance at end of period</b>	<b>(973,354)</b>	(812,042)
<b>Cumulative Translation Adjustments</b>	<b>(1,631)</b>	(5,018)
<b>Net Book Value</b>	<b>₱53,277</b>	₱386,495

##### *Proper Snack Foods Ltd.*

On June 30, 2017, Griffin’s purchased 50.1% of the shares in Proper Snack Foods Ltd. (PSFL) approximately NZ\$7.8 million (₱275.3 million), which includes deferred consideration amounting to NZ\$1.5 million (₱51.5 million) recorded under ‘Accounts payable and other accrued liabilities’ in the consolidated statement of financial position.

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. The accounting for the transaction will be completed based on further valuation and studies carried out within twelve months from the completion date.

##### *Vitasoy-URC, Inc.*

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

##### *Danone Universal Robina Beverages, Inc.*

On May 23, 2014, the Parent Company entered into a joint venture agreement with Danone Asia Holdings Pte. Ltd., a corporation duly organized in the Republic of Singapore to form Danone Universal Robina Beverages, Inc. (DURBI), a corporation duly incorporated and organized in the

Philippines to manufacture and distribute food products under the “B’lue” brand name, which is under exclusive license to DURBI in the Philippines.

On April 19, 2021, the Parent Company made additional subscriptions to the unissued authorized capital stock of DURBI consisting of 5,000,000 common shares for a total cost of ₱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 savoury snack products. Total consideration amounted to MYR2.7 million (₱34.3 million).

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**15. Other Noncurrent Assets**

	<b>June 30, 2021</b>	December 31, 2020
Input VAT	<b>₱761,713</b>	₱768,563
Deposits	<b>622,340</b>	623,260
Financial assets at FVOCI	<b>75,400</b>	75,400
Investment properties	<b>28,356</b>	29,963
Others	<b>1,904,240</b>	259,012
	<b>₱3,392,049</b>	₱1,756,198

Others include noncurrent nontrade receivables.

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**16. Accounts Payable and Other Accrued Liabilities**

	<b>June 30, 2021</b>	December 31, 2020
Trade payables	<b>₱18,992,983</b>	₱15,226,257
Accrued expenses	<b>7,677,516</b>	8,021,725
Customers’ deposits	<b>461,111</b>	539,914
Dividends payable	<b>433,650</b>	–
Withholding taxes payable	<b>322,841</b>	185,126
Advances from stockholders	<b>203,873</b>	187,943
Due to related parties	<b>177,905</b>	140,591
Derivative liabilities	<b>168,069</b>	213,725
VAT payable	<b>49,297</b>	245,576
Others	<b>122,913</b>	70,980
	<b>₱28,610,158</b>	₱24,831,837

The accrued expenses account consists of:

	<b>June 30, 2021</b>	December 31, 2020
Advertising and promotions	<b>₱3,080,982</b>	₱4,168,067
Personnel costs	<b>1,358,977</b>	1,145,937
Freight and handling costs	<b>532,467</b>	480,495
Utilities	<b>427,988</b>	420,921
Contracted services	<b>372,131</b>	295,942
Rent	<b>362,986</b>	348,925
Professional and legal fees	<b>275,283</b>	59,424
Others	<b>1,266,702</b>	1,102,014
	<b>₱7,677,516</b>	₱8,021,725

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

## 17. Short-term Debt

This account consists of:

	<b>June 30, 2021</b>	December 31, 2020
Peso-denominated loans - unsecured with interest at 2.00% to 2.25% and 2.80% to 2.95% for the periods ended June 30, 2021 and December 31, 2020, respectively	<b>₱5,500,000</b>	₱1,000,000
Thai Baht-denominated loans - unsecured with interest ranging from 1.30% to 1.62% for the periods ended June 30, 2021 and December 31, 2020, respectively	<b>1,297,779</b>	1,365,399
Malaysian Ringgit-denominated loan - unsecured with interest at 3.20% for the period ended December 31, 2020	-	303,391
	<b>₱6,797,779</b>	₱2,668,790

## 18. Long-term Debt

This account consists of:

	Maturities	<b>June 30, 2021</b>	December 31, 2020
URC AU FinCo loan	<b>2021</b>	<b>₱17,720,384</b>	₱17,888,983
URC NZ FinCo loan	<b>2023</b>	<b>13,467,477</b>	13,625,259
		<b>31,187,861</b>	31,514,242
Unamortized debt issuance costs		<b>121,488</b>	176,691
		<b>₱31,066,373</b>	₱31,337,551

### URC AU FinCo Loan due 2021

On September 30, 2016, URC AU FinCo entered into a syndicated term loan facility agreement guaranteed by the Parent Company payable in five years, amounting to AU\$484.2 million (₱17.9 billion), with various banks for payment of acquisition costs and to refinance certain

indebtedness of an acquired company, CSPL. The loan obtained bears a market interest rate plus a certain spread, payable quarterly, maturing on September 30, 2021.

URC NZ FinCo NZ\$395 Million Term Loan due 2023

On October 22, 2018, URC NZ FinCo entered into a term loan facility agreement guaranteed by the Parent Company payable in five years, amounting to NZ\$395.0 million (P14.4 billion), with various banks for payment of the NZ\$420 million term loan due in 2019. The loan obtained bears a market interest rate plus a certain spread, payable quarterly, and maturing on October 22, 2023.

These long-term loans have no collateral but are all guaranteed by the Parent Company.

For each of these loans, the Group is required to maintain consolidated debt to equity ratio of not greater than 2.5 to 1.0.

The exchange rate used to restate the foreign currency borrowings were P48.80 to US\$1.00 and P48.02 to US\$1.00 as of June 30, 2021 and December 31, 2020, respectively.

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**19. Other Noncurrent Liabilities**

	<b>June 30, 2021</b>	December 31, 2020
Net pension liability	<b>P1,193,616</b>	P1,022,261
Miscellaneous	<b>202,413</b>	224,440
	<b>P1,396,029</b>	P1,246,701

Miscellaneous includes asset retirement obligation and other noncurrent liabilities.

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**20. Equity**

The details of the Parent Company's common stock as of June 30, 2021 and December 31, 2020 follow:

Authorized shares	2,998,000,000
Par value per share	P1.00
Issued shares:	
Balance at beginning and end of year	2,230,160,190
Outstanding shares	2,204,161,868

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 P1.00 per share. There have been no issuances of preferred stock as of June 30, 2021 and December 31, 2020.

### Retained Earnings

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

On April 29, 2021, the Parent Company's BOD declared regular cash dividends amounting to ₱1.50 per share to stockholders of record as of May 20, 2021. On June 15, 2021, the regular cash dividend was paid amounting to ₱3.3 billion.

On March 10, 2020, the Parent Company's BOD declared regular cash dividends amounting to ₱1.50 per share to stockholders of record as of March 24, 2020. On the same date, the Parent Company's BOD declared special cash dividends amounting to ₱1.65 per share to stockholders of record as of June 1, 2020. Total dividends declared amounted to ₱6.9 billion. On April 21, 2020, the regular cash dividend was paid amounting to ₱3.3 billion. On June 26, 2020, the special cash dividend was paid amounting to ₱3.6 billion.

### *Appropriation of retained earnings*

On December 16, 2020, the BOD approved the reversal of the appropriation of retained earnings in the aggregate amount of ₱2.0 billion, which was approved by the BOD in its resolutions adopted on September 8, 2015 and September 7, 2016.

### Treasury Shares

The Parent Company has outstanding treasury shares of 26.0 million shares (₱679.5 million) as of June 30, 2021 and December 31, 2020, restricting the Parent Company from declaring an equivalent amount from the unappropriated retained earnings as dividends.

### Equity Reserve

In July 2019, Intersnack, a European enterprise engaged in the savory snacks market with an extensive product portfolio, agreed to buy 40% of Oceania business (SBA and Griffin's) to leverage on the Group's and Intersnack's know-how from their respective markets. This transaction is expected to yield better manufacturing, supply chain and sustainability practices and will set the groundwork for an even larger and more efficient Oceania operations. Considerations received for the transaction consisted of cash and Yarra Valley net assets amounting to US\$142.0 million (₱7.2 billion) and US\$10.1 million (₱0.5 billion), respectively.

On December 23, 2019, the Australian FIRB approved the transaction.

As a result of the sale, the equity interest of URC changed from 100.0% to 60.0%. The excess of the total consideration received over the carrying amount of the equity transferred and call option issued to NCI amounting to ₱2.4 billion is presented under 'Equity reserve' in the consolidated statements of financial position.

In December 2014, URC entered into a share purchase agreement with Nissin Foods (Asia) Pte. Ltd. to sell 14.0% of its equity interest in NURC for a total consideration of ₱506.7 million. As a result of the sale, the equity interest of URC changed from 65.0% to 51.0%. The excess of the consideration received over the carrying amount of the equity transferred to NCI amounting to ₱481.1 million is presented under 'Equity reserve' in the consolidated statements of financial position.

In August 2012, the Parent Company acquired 23.0 million common shares of URCICL from International Horizons Investment Ltd for ₱7.2 billion. The acquisition of shares represented the remaining 23.00% interest in URCICL. As a result of the acquisition, the Parent Company now holds 100.00% interest in URCICL. The Group charged equity reserve from the acquisition amounting to about ₱3.7 billion presented under 'Equity reserve' in the consolidated statements of financial position.

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

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## 21. Earnings Per Share

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

	<b>Six months ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Net income attributable to equity holders of the parent	<b>₱8,054,719</b>	₱5,527,679
Weighted average number of common shares	<b>2,204,162</b>	2,204,162
Basic/dilutive EPS	<b>₱3.65</b>	₱2.51

There were no potential dilutive shares for the first half of 2021 and 2020.

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## 22. Commitments and Contingencies

The Group has various contingent liabilities arising in the ordinary conduct of business which are either pending decision by the courts, under arbitration or being contested, the outcome of which are not presently determinable. In the opinion of management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group's financial position and results of operations. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it can be expected to prejudice the outcome of these lawsuits, claims, arbitration and assessments.