

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **September 30, 2023**
2. SEC Identification Number **9170**
3. BIR Tax Identification No. **000-400-016-000**
4. Exact name of issuer as specified in its charter **Universal Robina Corporation**
5. **Quezon City, Philippines**
Province, Country or other jurisdiction of incorporation or organization
6. Industry Classification Code: (SEC Use Only)
7. **8th Floor, Tera Tower, Bridgetowne, E. Rodriguez, Jr. Avenue**
(C5 Road), Ugong Norte, Quezon City **1110**
Address of principal office Postal Code
8. **(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
Common Shares, P1.00 Par value	2,178,269,968 shares

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

Yes [/]

No []

12. Check whether the issuer:

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

Yes [/]

No []

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

Yes [/]

No []

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

The unaudited consolidated financial statements are filed as part of this Form 17-Q (pages 13 to 63).

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 and has established a strong presence in the ASEAN region. URC has the distinction of being called the country's first "Philippine Multinational". The Company was founded in 1954 when Mr. John Gokongwei, Jr. established Universal Corn Products, Inc., a cornstarch manufacturing plant in Pasig. The Company is involved in a wide range of food-related businesses, including the manufacture and distribution of branded consumer foods, production of hogs and poultry, manufacture of animal feeds and veterinary products, flour milling, and sugar milling and refining. URC has also ventured into renewables business for sustainability through its Distillery and Cogeneration divisions. In the Philippines, URC is a dominant player with leading market shares in Snacks, Candies, Chocolates, Ready-to-Drink (RTD) Tea, and is a significant player in Biscuits, Noodles and Coffee categories. URC Sugar division remains to be the largest producer in the country based on capacity, with six mills operating as of September 30, 2023, aided by the purchase of Roxas Holdings, Inc.'s sugar mill, ethanol plant and other investment properties in La Carlota City, Negros Occidental in 2020. The acquisition also allows for operational synergies between La Carlota and URC's existing operations in Sugar and continue in the efforts to support the development of the sugar industry in the Philippines.

No material reclassifications, merger, consolidation, or purchase or sale of significant amount of assets (not ordinary) were made in the past three years (2020-2022) 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 two business segments: branded consumer foods group, and agro-industrial and commodity foods group.

Branded consumer foods (BCF) segment, including packaging division, is the Company's largest segment contributing about 69.7% of revenues for the nine months ended September 30, 2023. 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 and pasta, 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 2021, URC acquired Munchy's, one of the leading players in the Biscuits category in Malaysia, which provides a wide variety of offerings across key biscuit segments with well-loved brands including Munchy's Cream Crackers, Lexus Cream Sandwich, Oat Krunch, Muzic Wafer and Choc-O Cookies. The international operations contributed about 21.2% of the Company's sale of goods and services for the period.

The Company's agro-industrial and commodity (AIC) food group segment operates three divisions: (1) agro-industrial group (AIG), flour division, and (3) sugar and renewable (SURE) division. This segment contributed approximately 30.3% of sale of goods and services for the period.

URC AIG operates in three sub-divisions: Farms, Animal Nutrition and Health; and Food, Drugs and Disinfectants. The market for AIG is now more diverse, ranging from its original agri-based categories such as feeds and veterinary products, to its more consumer-oriented categories such as processed meat under farms, and food, beverages and alcohol under the Food, Drugs and Disinfectants business group.

URC Flour is one of the top flour millers in the Philippines. It continues to lead the industry through innovative product development and strategic market expansion. It sells flour to dealers, bakery chains and institutional accounts, and manufactures pasta for popular quick service restaurants in the country.

URC SURE is one of the biggest producers of diversified sugarcane products in the Philippines. Its core businesses include production and sale of raw and refined sugar, molasses, power, alcohol and liquid carbon dioxide. URC SURE's focus on improving factory and energy efficiency, product quality and building strong planter relationships are the key factors that helped it become the biggest sugar miller in the Philippines. The diversification into renewables and value-added businesses also gave the Company a long-term competitive advantage in terms of sustaining profitability.

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 nine months ended September 30, 2023 and 2022 by each of the principal business segments is as follows:

<i>In millions</i>	Nine months ended September 30	
	2023	2022
Branded Consumer Foods Group		
Domestic	₱57,104	₱55,532
International	24,918	24,386
Total BCFG	82,022	79,918
Agro-Industrial and Commodity Foods Group		
Sugar and Renewables	18,421	13,098
Flour	4,593	4,296
Agro-Industrial Group	12,585	10,561
Total AIC	35,599	27,955
Total URC	₱117,621	₱107,873

Results of Operations

Nine months ended September 30, 2023 versus September 30, 2022

URC generated a consolidated sale of goods and services of ₱117.621 billion for the nine months ended September 30, 2023, 9.0% 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 group, including packaging division, increased by ₱2.104 billion or 2.6% to ₱82.022 billion for the nine months of 2023 from ₱79.918 billion registered in the same period last year.

BCF domestic operations posted a 2.8% increase in net sales from ₱55.532 billion for the nine months of 2022 to ₱57.104 billion for the nine months of 2023 driven by growth in most categories on the back of multiple waves of price increases in 2022.

BCF international operations reported a 2.2% increase in net sales from ₱24.386 billion for the nine months of 2022 to ₱24.918 billion for the nine months of 2023. In constant US dollar (US\$) terms, sales increased by 0.6%. Vietnam, Malaysia, and Myanmar led the growth for international operations.

- Sale of goods and services in URC's AIC group amounted to ₱35.599 billion for the nine months of 2023, an increase of 27.3% from ₱27.955 billion recorded in the same period last year. The SURE business reported a 40.6% increase in net sales from ₱13.098 billion for the nine months of 2022 to ₱18.421 billion for the nine months of 2023 driven by higher selling prices. Agro-industrial group reported net sales of ₱12.585 billion for the nine months of 2023, an increase of 19.2% from ₱10.561 billion recorded in the same period last year driven by feeds business. Flour business posted a 6.9% sales growth from ₱4.296 billion for the nine months of 2022 to ₱4.593 billion for the nine months of 2023 driven by higher selling prices.

URC's cost of sales consists primarily of raw and packaging materials costs, manufacturing costs and direct labor costs. Cost of sales increased by ₱6.929 billion or 8.8% to ₱86.026 billion for the nine months of 2023 from ₱79.098 billion recorded in the same period last year as some input costs remained elevated.

URC's gross profit for the nine months of 2023 amounted to ₱31.594 billion, up by ₱2.819 billion or 9.8% from ₱28.775 billion reported in the same period last year. Gross profit margin increased by 19 basis points from 26.7% for the nine months of 2022 to 26.9% for the nine months of 2023 as higher selling prices more than offset the impact of higher material costs.

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 ₱992 million or 5.5% to ₱18.992 billion for the nine months of 2023 from ₱18.000 billion registered in the nine months of 2022 primarily driven by higher freight costs, personnel-related costs, contracted services and rent.

As a result of the above factors, operating income increased by 17.0% or ₱1.827 billion to ₱12.602 billion for the nine months of 2023 from ₱10.775 billion reported for the nine months of 2022.

URC reported an EBITDA (operating income plus depreciation and amortization) of ₱17.400 billion for the nine months of 2023, 12.6% higher than ₱15.458 billion posted for the nine months of 2022.

URC's finance costs consist mainly of interest expense from short-term debts and trust receipts. Finance costs increased by 120.1% to ₱1.131 billion for the nine months of 2023 from ₱514 million in the same period last year due to higher interest rates.

Net foreign exchange gain amounted to ₱1.000 billion for the nine months of 2023 from ₱1.350 billion for the nine months of 2022 mainly driven by slower depreciation of Philippine Peso compared to last year, and appreciation of Indonesian Rupiah and Myanmar Kyats during the period compared to depreciation in same period last year.

URC's finance revenue consists of interest income from investments in money market placements, savings and dollar deposits and dividend income from investment in equity securities. Finance revenue increased by 3.8% to ₱219 million for the nine months of 2023 from ₱211 million in the same period last year due to higher interest income from money market placements.

Impairment losses for the nine months of 2023 amounted to ₱205 million from ₱32 million, which relates to the book value of certain farm assets of AIG.

Market valuation gain on financial instruments at fair value through profit or loss amounted to ₱135 million for the nine months of 2023 from ₱65 million for the nine months of 2022 due to increase in market value of equity investments.

Equity in net losses of joint ventures amounted to ₱65 million for the nine months of 2023 from ₱326 million equity in net loss of joint ventures in the same period last year due to lower equity take up in net losses of Vitasoy-URC, Inc. (VURC) this year.

Other expense - net account consists of gain (loss) on sale of fixed assets and investments, rental income, consultancy fees and miscellaneous income and expenses. Other expense - net amounted to ₱122 million for the nine months of 2023 from ₱42 million other expense - net for the nine months of 2022 driven by the higher consultancy fees this year and lower rental income following sale of investment property last year.

The Company recognized provision for income tax of ₱2.144 billion for the nine months of 2023, a 21.3% increase from ₱1.768 billion for the nine months of 2022 mainly due to higher taxable income.

URC's core earnings after tax (operating profit after equity earnings, net finance costs, other income - net and provision for income tax) for the nine months of 2023 amounted to ₱9.374 billion, an increase of 11.4% from ₱8.412 billion recorded in the same period last year.

URC's net income after tax for the nine months of 2023 amounted to ₱10.287 billion, higher by ₱568 million from ₱9.720 billion for the nine months of 2022 driven by higher operating income, offset by higher finance costs, lower foreign exchange gain and higher impairment losses.

Net income attributable to equity holders of the parent increased by ₱390 million or 4.2% to ₱9.737 billion for the nine months of 2023 from ₱9.347 billion for the nine months of 2022 as a result of the factors discussed above.

Net income attributable to non-controlling interest (NCI) increased from ₱373 million for the nine months of 2022 to ₱550 million for the nine months of 2023.

Financial Condition

September 30, 2023 versus December 31, 2022

URC's financial position remains healthy with strong cash levels. The Company has a current ratio of 1.53:1 as of September 30, 2023 and 1.62:1 as of December 31, 2022. Financial debt to equity ratio of 0.22 as of September 30, 2023 is within comfortable level.

Total assets amounted to ₱175.840 billion as of September 30, 2023, higher than ₱169.954 billion as of December 31, 2022. Book value per share increased to ₱53.07 as of September 30, 2023 from ₱52.95 as of December 31, 2022.

The Company's cash requirements have been sourced through cash flow from operations and working capital loans. The net cash flow provided by operating activities for the nine months of 2023 amounted to ₱9.030 billion. Net cash used in investing activities amounted to ₱5.568 billion, which were substantially used for capital expenditures. Net cash used in financing activities amounted to ₱5.425 billion, which were used for payment of loans and dividends.

As of September 30, 2023, the Company is not aware of any material off-balance sheet transactions, arrangements and obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons created during the reporting period that would have a significant impact on the Company's operations and/or financial condition.

Financial Ratios

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

	September 30, 2023	December 31, 2022
Liquidity:		
Current ratio	1.53	1.62
Solvency:		
Gearing ratio	0.22	0.20
Debt to equity ratio	0.51	0.47
Asset to equity ratio	1.51	1.47
	Nine months ended September 30	
	2023	2022
Profitability:		
Operating margin	10.7%	10.0%
Earnings per share	₱4.47	₱4.27
Core earnings after tax per share	₱4.30	₱3.85
Leverage:		
Interest rate coverage ratio	15.38:1	30.08:1

The Group calculates the ratios as follows:

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

**Material Changes in the 2023 Financial Statements
(Increase/Decrease of 5% or more versus 2022)**

Statements of Income – Nine months ended September 30, 2023 versus nine months ended September 30, 2022

9.0% increase in sale of goods and services
Mainly due to increase in selling prices

8.8% increase in cost of sales
Due to higher input costs

6.0% increase in selling and distribution costs
Due to increases in freight costs and rent

120.1% increase in finance cost
Due to higher interest rates

26.0% decrease in foreign exchange gain
Due to slower depreciation of Philippines Peso, and appreciation of Indonesian Rupiah and Myanmar Kyats versus same period last year

544.6% increase in impairment losses

Due to the unused capacity of certain assets of AIG

108.3% increase in market valuation gain on financial instruments at fair value through profit or loss

Due to increase in market value of equity investments

80.2% decrease in equity in net losses of joint ventures

Due to lower equity take-up in net losses of VURC this year

190.1% increase in other expense - net

Due to higher consultancy fees this year and lower rental income following sale of investment property last year

21.3% increase in provision for income tax

Due to higher taxable income

47.6% increase in net income attributable to non-controlling interest

Due to higher net income of Nissin - URC (NURC)

Statements of Financial Position – September 30, 2023 versus December 31, 2022

14.8% decrease in cash and cash equivalents

Due to cash used for capital expenditures and financing activities

15.7% increase in financial assets at FVTPL

Due to increase in market value of equity investments

7.4% decrease in biological assets

Due to hogs downsizing and closure of one poultry farm

66.1% increase in other current assets

Due to increase in advances to suppliers related to purchase of inventories and capital expenditures, and increase in input tax

34.9% decrease in right-of-use assets

Due to depreciation during the period and derecognition of certain plants of BCFG

5.8% increase in intangibles

Due to acquisition of software

6.2% increase in investment in joint ventures

Due to additional capital infusion to VURC and share in equity

15.2% increase in accounts payable and other accrued liabilities

Due to increase in trade and accrued payables

27.2% increase in short term debt

Due to new availments, net of payments made during the period

6.4% decrease in trust receipts payable

Due to payment of trust receipts during the period

17.0% decrease in income tax payable

Due to payment made during the period, net of tax provisions

19.6% decrease in deferred tax liabilities - net

Mainly due to tax impact of impairment losses and foreign exchange gain (loss)

36.0% decrease in lease liabilities

Due to rent payments and amortization during the year, and derecognition of certain plants of BCFG

69.4% increase in net pension liability

Due to accrual of pension expense during the period

29.3% decrease in other comprehensive income

Due to decrease in cumulative translation adjustments

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):

Universal Robina Corporation (Consolidated)			
	YTD September		Index
	2023	2022	
Revenues	117,621	107,873	109
EBIT	12,602	10,775	117
EBITDA	17,400	15,458	113
Net Income	10,287	9,720	106
Total Assets	175,840	162,920	108

URC International Co., Ltd. (Consolidated)			
	YTD September		Index
	2023	2022	
Revenues	24,918	24,386	102
EBIT	2,402	1,962	122
EBITDA	3,781	3,307	114
Net Income	2,030	897	226
Total Assets	64,556	67,493	96

Nissin – URC			
	YTD September		Index
	2023	2022	
Revenues	7,864	7,209	109
EBIT	1,416	1,019	139
EBITDA	1,598	1,183	135
Net Income	1,046	786	133
Total Assets	4,330	4,262	102

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 11/08/2023



EVELYN C. NG
Chief Financial Officer
Date 11/08/2023

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

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 7)	₱11,287,214	₱13,251,219
Financial assets at fair value through profit or loss (Note 8)	966,179	834,807
Receivables (Note 9)	22,917,730	21,955,635
Inventories (Note 10)	39,748,550	38,064,662
Biological assets	167,304	205,303
Other current assets (Note 11)	9,707,135	5,843,069
Total Current Assets	84,794,112	80,154,695
Noncurrent Assets		
Property, plant and equipment (Note 12)	62,384,213	60,117,371
Right-of-use assets	1,302,934	2,001,572
Biological assets	213,371	205,740
Goodwill (Note 13)	18,470,461	19,363,084
Intangible assets (Note 13)	5,147,204	4,864,394
Investment in joint ventures (Note 14)	146,683	138,060
Deferred tax assets	718,997	450,002
Other noncurrent assets (Note 15)	2,662,038	2,658,711
Total Noncurrent Assets	91,045,901	89,798,934
TOTAL ASSETS	₱175,840,013	₱169,953,629
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other accrued liabilities (Note 16)	₱29,349,306	₱25,480,970
Short-term debt (Note 17)	14,957,727	11,762,288
Trust receipts payable (Note 10)	10,718,709	11,457,713
Income tax payable	353,917	426,389
Lease liabilities - current portion	138,847	273,499
Total Current Liabilities	55,518,506	49,400,859
Noncurrent Liabilities		
Deferred tax liabilities	2,094,924	2,161,336
Lease liabilities - net of current portion	1,317,564	2,001,355
Net pension liability	710,841	419,737
Total Noncurrent Liabilities	4,123,329	4,582,428
Total Liabilities	₱59,641,835	₱53,983,287

(Forward)

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Equity		
Equity attributable to equity holders of the parent		
Paid-up capital	₱23,422,135	₱23,422,135
Retained earnings (Note 18)	97,155,555	95,304,192
Other comprehensive income	3,772,494	5,333,719
Equity reserve (Note 18)	(5,062,245)	(5,062,245)
Treasury shares (Note 18)	(3,681,641)	(3,652,109)
	115,606,298	115,345,692
Equity attributable to non-controlling interests	591,880	624,650
Total Equity	116,198,178	115,970,342
TOTAL LIABILITIES AND EQUITY	₱175,840,013	₱169,953,629

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)

	Quarter Ended Sept 30		Nine Months Ended Sept 30	
	2023	2022	2023	2022
SALE OF GOODS AND SERVICES	₱38,991,414	₱36,765,057	₱117,620,740	₱107,873,146
COST OF SALES	28,315,156	26,957,716	86,026,499	79,097,937
GROSS PROFIT	10,676,258	9,807,341	31,594,241	28,775,209
Selling and distribution costs	5,405,598	5,138,498	14,925,927	14,076,449
General and administrative expenses	1,228,512	1,271,142	4,066,383	3,923,501
OPERATING INCOME	4,042,148	3,397,701	12,601,931	10,775,259
Finance costs	(404,427)	(212,434)	(1,131,214)	(513,913)
Foreign exchange gain – net	278,994	604,128	999,522	1,349,852
Finance revenue	50,450	50,015	219,142	211,216
Impairment losses	–	5,185	(205,487)	(31,878)
Market valuation gain (loss) on financial instruments at fair value through profit or loss (Note 8)	14,462	(2,583)	134,553	64,591
Equity in net gain (loss) of joint ventures	(31,343)	8,817	(64,624)	(325,614)
Other expense – net	(5,201)	(63,824)	(122,480)	(42,216)
INCOME BEFORE INCOME TAX	3,945,083	3,787,005	12,431,343	11,487,297
PROVISION FOR INCOME TAX	669,316	546,896	2,144,148	1,767,622
NET INCOME	₱3,275,767	₱3,240,109	₱10,287,195	₱9,719,675
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the parent	₱3,074,643	₱3,146,076	₱9,737,057	₱9,347,023
Non-controlling interest	201,124	94,033	550,138	372,652
	₱3,275,767	₱3,240,109	₱10,287,195	₱9,719,675
EARNINGS PER SHARE (Note 19)				
Basic/diluted, for income attributable to equity holders of the parent	₱1.41	₱1.44	₱4.47	₱4.27

See accompanying Notes to Unaudited Consolidated Financial Statements.

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

	Nine Months Ended September 30	
	2023	2022
NET INCOME	₱10,287,195	₱9,719,675
OTHER COMPREHENSIVE INCOME (LOSS)		
<i>Items to be reclassified to profit or loss in subsequent periods</i>		
Cumulative translation adjustments	(1,632,082)	1,529,079
TOTAL COMPREHENSIVE INCOME	₱8,655,113	₱11,248,754
TOTAL COMPREHENSIVE INCOME		
ATTRIBUTABLE TO:		
Equity holders of the parent	₱8,175,833	₱10,827,779
Non-controlling interest	479,280	420,975
	₱8,655,113	₱11,248,754

See accompanying Notes to Unaudited Consolidated Financial Statements.

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

	Nine Months Ended Sept 30	
	2023	2022
PAID-UP CAPITAL		
Capital Stock		
Balance at beginning and end of period	₱2,230,160	₱2,230,160
Additional Paid-in Capital		
Balance at beginning and end of period	21,191,975	21,191,975
	23,422,135	23,422,135
RETAINED EARNINGS (Note 18)		
Unappropriated		
Balance at beginning of year	95,304,192	88,907,648
Net income	9,737,057	9,347,023
Dividends declared	(7,885,694)	(7,559,597)
Balance at end of period	97,155,555	90,695,074
EQUITY RESERVE (Note 18)		
Balance at beginning of year	(5,062,245)	(5,075,466)
Acquisition of business under common control	-	13,221
Balance at end of period	(5,062,245)	(5,062,245)
OTHER COMPREHENSIVE INCOME		
Cumulative Translation Adjustment		
Balance at beginning of year	5,290,601	3,417,687
Adjustments	(1,561,224)	1,480,756
Balance at end of period	3,729,377	4,898,443
Net Unrealized Gain on Financial Assets at Fair Value Through Other Comprehensive Income		
Balance at beginning and end of period	84,360	59,510
Remeasurement Losses on Defined Benefit Plans		
Balance at beginning and end of period	(41,243)	(210,768)
	3,772,494	4,747,185
TREASURY SHARES (Note 18)		
Balance at beginning of period	(3,652,109)	(1,099,761)
Acquisitions	(29,532)	(2,552,348)
Balance at end of period	(3,681,641)	(3,652,109)
EQUITY ATTRIBUTABLE TO NON- CONTROLLING INTERESTS		
Balance at beginning of year	624,650	346,749
Net income	550,138	372,652
Dividends declared	(512,050)	(295,470)
Other comprehensive income (loss)	(70,858)	48,323
Balance at end of period	591,880	472,254
	₱116,198,178	₱110,622,294

See accompanying Notes to Unaudited Consolidated Financial Statements.

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

	Nine Months Ended September 30	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱12,431,343	₱11,487,297
Adjustments for:		
Depreciation and amortization	4,797,800	4,682,380
Finance cost	1,131,214	513,913
Net foreign exchange gain	(999,522)	(1,349,852)
Pension expense	261,023	258,294
Finance revenue	(219,142)	(211,216)
Provision for impairment losses	205,487	31,878
Market valuation gain on financial asset at fair value through profit or loss	(134,553)	(64,591)
Equity in net losses of joint ventures	64,624	325,614
Gain on sale of property, plant and equipment	(22,052)	(8,743)
Gain arising from changes in fair value less estimated costs to sell of swine stocks	(955)	(21,239)
Operating income before changes in working capital	17,515,267	15,643,735
Increase in:		
Receivables	(3,013,554)	(1,062,136)
Inventories	(1,762,995)	(8,557,922)
Biological assets	(68,248)	(242,245)
Other current assets	(3,886,430)	(1,985,852)
Increase (decrease) in:		
Accounts payable and other accrued liabilities	4,262,530	6,571,227
Trust receipts payable	(750,966)	616,786
Cash generated from operations	12,295,604	10,983,593
Income taxes paid	(2,446,519)	(1,342,234)
Interest paid	(1,008,498)	(326,836)
Interest received	189,308	110,504
Net cash provided by operating activities	9,029,895	9,425,027
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property, plant and equipment	(7,921,589)	(5,829,416)
Investment in joint ventures	(75,000)	(80,879)
Business	-	(486,015)
Financial assets at fair value through other comprehensive income	-	(159,013)
Proceeds from sale of property, plant and equipment	3,222,506	898,372
Decrease in other noncurrent assets	(826,686)	(128,594)
Dividends received	32,303	48,454
Net cash used in investing activities	(₱5,568,466)	(₱5,737,091)

(Forward)

	Nine Months Ended September 30	
	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends paid	(₱8,397,744)	(₱7,855,067)
Net availment of short-term debt	3,250,000	3,964,014
Decrease in lease liabilities	(248,158)	(341,190)
Purchase of treasury shares	(29,532)	(2,552,348)
Net cash used in financing activities	(5,425,434)	(6,784,591)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,964,005)	(3,096,655)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	13,251,219	16,957,684
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱11,287,214	₱13,861,029

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

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

The Parent Company and its subsidiaries (hereinafter referred to as “the Group”) is one of the largest branded food products companies in the Philippines and has a strong presence in ASEAN markets. The Group is involved in a wide range of food-related businesses which are organized into two (2) business segments: branded consumer foods and agro-industrial and commodity foods.

Branded consumer foods (BCF) segment, including packaging division, manufactures and distributes a diverse mix of salty snacks, chocolates, candies, biscuits, packaged cakes, beverages and instant noodles. The Parent Company also engages in the manufacture of bi-axially oriented polypropylene (BOPP) films for packaging companies and flexible packaging materials to cater various URC branded products.

The agro-industrial and commodity food segment operates three divisions: (1) agro-industrial group (AIG) engages in hog and poultry farming, production and distribution of animal health products and manufacture and distribution of animal feeds, glucose and soya bean products; (2) flour division engages in flour milling and pasta manufacturing; and (3) sugar and renewable division (SURE) engages in sugar milling and refining, and renewable energy development.

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

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

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

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements of the Group have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVTPL), financial assets at fair value through other comprehensive income (FVOCI) and derivative

financial instruments that have been measured at fair value, inventories that have been measured at lower of cost and net realizable value (NRV) and biological assets and agricultural produce that have been measured at fair value less estimated costs to sell.

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

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

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

Statement of Compliance

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

Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and the following wholly and majority-owned direct subsidiaries as of September 30, 2023 and 2022.

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

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

Control

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

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

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

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

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

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

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

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. The interest of non-controlling shareholders may be initially measured at fair value or at the non-controlling interest's proportionate share of the acquiree's

identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, non-controlling interests consist of the amount attributed to such interests at initial recognition and the non-controlling interest's share of changes in equity since the date of the combination.

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

If the Group loses control over a subsidiary, it:

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

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. Some of the Group's subsidiaries have a local statutory accounting reference date of April 30 and 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
Najalin Agri-Ventures, Inc.*	-do-
Pan Pacific Investments Co. Ltd.	April 30

**Dormant/non-operating subsidiaries*

Business Combinations

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

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

Where appropriate, the cost of acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as

measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant PFRSs. Changes in the fair value of contingent consideration classified as equity are not recognized.

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

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

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

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

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

Combinations of Entities Under Common Control

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

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

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

Goodwill

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

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

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

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

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

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

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

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial years, except that the Group has adopted the following PFRSs and Philippine Accounting Standards (PAS) and Philippine Interpretations beginning January 1, 2023. Unless otherwise indicated, the adoption of the new and amended standards and interpretations did not have any impact on the consolidated financial statements of the Group.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*
The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:
 - Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies, and
 - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

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

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

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

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

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

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

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, *Revenue from Contracts with Customers*.

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

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

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

Subsequent measurement

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

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

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

Financial assets at amortized cost (debt instruments)

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

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

Financial assets designated at FVOCI (equity instruments)

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

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

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

Financial assets at FVTPL

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

A financial asset is considered as held for trading if:

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

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

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

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

Derecognition

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

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of 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 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.

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 debts and trust receipts payable.

Derecognition

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

c) *Offsetting of financial instruments*

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

Inventories

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

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

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

Finished goods, goods-in-process, raw materials, containers and packaging materials, and spare parts and supplies

Cost is determined using the weighted average method. The cost of raw materials, containers and

packaging materials, and spare parts and supplies consist of their purchase cost. The cost of finished goods and goods-in-process include direct materials and labor, and a proportion of manufacturing overhead costs based on actual goods processed and produced, but excluding borrowing costs.

Materials in-transit

Cost is determined on a specific identification basis.

Biological Assets

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

- | | |
|-------------------|---|
| Swine livestock | <ul style="list-style-type: none">- 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 | <ul style="list-style-type: none">- Breeders (livestock bearer)- Chicks (breeders' offspring intended to be sold as breeders) |

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

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

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

Property, Plant and Equipment

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

The initial cost of an item of property, plant and equipment comprises its purchase price and any cost attributable in bringing the asset to its intended location and working condition. Cost also includes interest and other financing charges on borrowed funds used to finance the acquisition of property, plant and equipment to the extent incurred during the period of installation and construction.

Land is stated at cost less any impairment in value.

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

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

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

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

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

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

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

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

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

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

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

Investment Properties

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

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

The Group's investment properties consist solely of buildings and building improvements and are depreciated using the straight-line method over their EUL ranging from 10 to 30 years (see Note 15).

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

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

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

Intangible Assets

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

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

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

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

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

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

	EUL	Amortization method used	Internally generated or acquired
Product formulation	Indefinite	No amortization	Acquired
Brands/Trade secrets	Indefinite	No amortization	Acquired
Trademarks	Finite (4 years)	Straight line amortization	Acquired
Software costs	Finite (10 years)	Straight line amortization	Acquired

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

Investment in Joint Ventures

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

The Group's investment in joint venture is accounted for using the equity method of accounting.

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

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

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

Impairment of Nonfinancial Assets

This accounting policy applies primarily to the Group's property, plant and equipment (see Note 12), right-of-use assets, 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 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

Revenue from sale of goods is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer, if any.

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception using the expected value method and is constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of goods provide customers with a right to return the goods within a specific period.

Sale of sugar and molasses

Sale of raw sugar is recognized upon (a) endorsement and transfer of quedans for quedan-based sales and (b) shipment or delivery and acceptance by the customers for physical sugar sales. Sale of refined sugar and alcohol is recognized upon shipment 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 over time as the related services are being rendered.

Revenue outside the scope of PFRS 15:

Dividend income

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

Interest income

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

Provisions

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

Contingencies

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

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

Pension Costs

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

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

Defined benefit costs comprise the following:

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

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

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

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

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

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

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

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

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

Termination benefit

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

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

Employee leave entitlement

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

Income Taxes

Current tax

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

Deferred tax

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

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

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

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

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

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

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

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

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

Value-added Tax (VAT)

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

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

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

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Leases

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

The Group as a lessee

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

Right-of-use assets

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

The depreciation period for each class of ROU assets follows:

	Period
Land and land improvements	10 years
Buildings and improvements	2-20 years
Machinery and equipment	2 years
Transportation equipment	2 years
Furniture and 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 (IBR) 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, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

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*

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 as services are being rendered. In addition, part of the assessment process of the Group before revenue recognition is to assess the probability that the Group will collect the consideration to which it will be entitled in exchange for the goods sold that will be transferred to the customer.

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

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

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

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

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

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

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

The Group included the renewal period as part of the lease term for leases, together with any periods covered by an option to renew the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. 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.

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 nine months ended September 30, 2023 and 2022.

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.

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. Estimation of useful life of intangible assets

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

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

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

The carrying values of intangible assets are disclosed in Note 13 of the consolidated financial statements.

k. Contingencies

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

4. Financial Risk Management Objectives and Policies

The Group's principal financial instruments, other than derivative financial instruments, comprise 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 of risks and risk management performance, and identification of areas and opportunities for improvement in the risk management process.

The BOD has created the board-level Board Risk and Oversight Committee (BROC) to spearhead the managing and monitoring of risks.

BROC

The purpose of the Board Risk Oversight Committee is to oversee the establishment of an Enterprise Risk Management (ERM) framework that will effectively identify, monitor, assess and manage key business risks. The risk management framework shall guide the Board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies. The Committee shall be responsible for defining the Group's level of risk tolerance and providing oversight over its risk management policies and procedures to anticipate, minimize, control or manage risks or possible threats to its operational and financial viability.

Corporate Governance Compliance Officer

Compliance with the principles of good corporate governance is also one of the primary objectives of the BOD. To assist the BOD in achieving this purpose, the BOD has designated a Compliance Officer who shall be responsible for:

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

Enterprise Resource Management (ERM) Framework

The ERM framework revolves around the following activities:

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

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

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

Risk Management Policies

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

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Credit Management Division (CMD) of the Group continuously provides credit notification and implements various credit actions, depending on assessed risks, to minimize credit exposure. Receivable balances of trade customers are being monitored on a regular basis and appropriate credit treatments are executed for overdue accounts. 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 that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The three types of market risk are interest rate risk, foreign currency exchange risk and equity price risk.

Foreign currency risk

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

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

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.

5. Fair Value Measurement

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

Cash and cash equivalents, receivables (except amounts due from and due to related parties), accounts payable and other accrued liabilities, short-term debts and trust receipts payable
Carrying amounts approximate their fair values due to the relatively short-term maturities of these instruments.

Amounts due from and due to related parties

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

Financial assets at FVTPL, derivatives and financial assets at FVOCI

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

Biological assets

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

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

Investment properties

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

The fair values of the Group's investment properties have been determined by appraisers in 2022, including independent external appraisers, on the basis of the recent sales of similar properties in the same areas as the investment properties and taking into account the economic conditions prevailing at the time of the valuations are made.

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

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).

6. **Business Segment Information**

The Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group has three (3) reportable operating segments as follows:

- The branded consumer food products segment manufactures and distributes a diverse mix of salty snacks, chocolates, candies, biscuits, bakery products, beverages, instant noodles and pasta. This segment also includes the packaging division, which manufactures BOPP films primarily used in packaging; and its subsidiary, which manufactures flexible packaging materials for the packaging requirements of various branded food products. Its revenues are in their peak during the opening of classes in June and Christmas season.
- The agro-industrial and commodity food products segment operates three divisions: (1) agro-industrial group (AIG) engages in hog and poultry farming, manufacturing and distribution of animal feeds, glucose and soya products, and production and distribution of animal health products with peak season during summer and before Christmas season; (2) flour division engages in flour milling and pasta manufacturing with peak season before and during the Christmas season; and (3) sugar and renewable division (SURE) engages in sugar milling and refining, and renewable energy with peak season during its crop season, which normally starts in November and ends in April.
- The corporate business segment engages in bonds and securities investment and fund sourcing activities.

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	
	Nine months ended September 30			
	2023	2022	2023	2022
Branded Consumer Foods Group	₱82,022,806	₱79,918,045	₱8,984,447	₱8,388,634
Agro-Industrial and Commodities Group	35,597,934	27,955,101	6,014,402	4,523,004
Corporate Business	-	-	(2,396,918)	(2,136,379)
	₱117,620,740	₱107,873,146	₱12,601,931	₱10,775,259

	Total Assets		Total Liabilities	
	As of September 30			
	2023	2022	2023	2022
Branded Consumer Foods Group	₱110,083,435	₱110,921,398	₱27,941,422	₱26,411,087
Agro-Industrial and Commodities Group	57,232,113	48,793,078	15,663,457	13,904,516
Corporate Businesses	8,524,465	3,205,576	16,036,957	11,982,156
	₱175,840,013	₱162,920,052	₱59,641,836	₱52,297,759

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

	September 30, 2023	December 31, 2022
Cash on hand	₱56,830	₱48,545
Cash in banks	8,210,133	8,897,029
Short-term investments	3,020,251	4,305,645
	₱11,287,214	₱13,251,219

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 0.70% to 7.30% and 0.35% to 7.30%, as of September 30, 2023 and December 31, 2022, respectively, for foreign currency-denominated money market placements. Peso-denominated money market placements, on the other hand, earn interest ranging from 3.40% to 4.60% as of December 31, 2022. There were no peso-denominated placements as of September 30, 2023.

8. Financial Assets at Fair Value Through Profit or Loss

This account consists of investment held-for-trading amounting to ₱966.2 million and ₱834.8 million as of September 30, 2023 and December 31, 2022, respectively. Investments held-for-trading consists of quoted and unquoted equity securities issued by certain domestic and foreign entities.

The Group reported market valuation gain on financial assets at FVTPL amounting to ₱134.6 million and ₱64.6 million for the nine months ended September 30, 2023 and 2022, respectively.

9. Receivables

	September 30, 2023	December 31, 2022
Trade receivables	₱17,473,412	₱15,255,488
Due from related parties	3,177,942	1,821,451
Non-trade receivables	1,653,755	4,498,420
Advances to officers and employees	103,258	53,161
Interest receivable	20,376	22,844
Others	715,949	531,233
	23,144,692	22,182,597
Less allowance for impairment losses	226,962	226,962
	₱22,917,730	₱21,955,635

The aging analysis of the Group's trade receivables follows:

	September 30, 2023					Total
	Days Past Due					
	Current	Less than 30 Days	30 to 60 Days	60 to 90 Days	Over 90 Days	
Gross carrying amount of trade receivables	₱14,292,454	₱2,398,358	₱121,255	₱168,281	₱493,064	₱17,473,412
Expected credit losses	₱-	₱-	₱-	₱-	₱69,517	₱69,517

	December 31, 2022					Total
	Days Past Due					
	Current	Less than 30 Days	30 to 60 Days	60 to 90 Days	Over 90 Days	
Gross carrying amount of trade receivables	₱11,605,224	₱2,923,346	₱105,864	₱146,921	₱474,133	₱15,255,488
Expected credit losses	₱-	₱-	₱-	₱-	₱69,792	₱69,792

10. Inventories

	September 30, 2023	December 31, 2022
Raw materials	₱17,558,977	₱19,480,730
Finished goods	11,636,449	8,565,467
Spare parts and supplies	5,223,266	4,788,655
Goods in-process	2,887,085	2,596,808
Containers and packaging materials	2,442,773	2,633,002
	₱39,748,550	₱38,064,662

Under the terms of the agreements covering liabilities under trust receipts totaling ₱10.7 billion and ₱11.5 billion as of September 30, 2023 and December 31, 2022, 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 trusteeed merchandise.

11. Other Current Assets

	September 30, 2023	December 31, 2022
Advances to suppliers	₱6,867,730	₱3,658,041
Input value-added tax	1,540,093	1,591,655
Prepaid taxes	449,556	359,546
Deferred input tax	422,762	-
Prepaid insurance	202,334	94,617
Other prepaid expenses	224,660	139,210
	₱9,707,135	₱5,843,069

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

Others include prepayments of advertising, office supplies, and prepaid rent. Prepaid taxes, insurance, and rent are normally utilized within the next financial year.

12. Property, Plant and Equipment

	September 30, 2023	December 31, 2022
Acquisition Costs		
Land improvements	₱2,447,787	₱2,357,996
Buildings and improvements	19,504,197	20,456,911
Machinery and equipment	85,512,127	85,139,005
Transportation equipment	3,294,301	3,288,510
Furniture, fixtures and equipment	5,701,724	5,947,891
	116,460,136	117,190,313
Accumulated Depreciation, Amortization and Impairment Losses	(82,810,036)	(79,599,077)
Net Book Value	33,650,100	37,591,236
Land	8,294,450	8,316,533
Equipment in-transit	3,930,474	4,015,954
Construction-in-progress	16,509,189	10,193,648
	₱62,384,213	₱60,117,371

The Parent Company entered into an agreement with Central Azucarera de Don Pedro, Inc. (CADPI) for the acquisition of machineries and equipment used in the operations of its sugar milling plant.

On June 6, 2023, the Parent Company and CADPI proceeded to close the sale transaction, with the signing and delivery of definitive sales agreements as well as performance of all conditions necessary for the closing of the transaction. The Group recognized property, plant and equipment amounting to ₱892.9 million from the purchase transaction.

13. Goodwill and Intangible Assets

The Group's goodwill pertains to: (a) acquisition of Crunchy Foods Sdn. Bhd. in December 2022, (b) acquisition of Balayan Sugar Mill in February 2016, and (c) the excess of the acquisition cost over the fair values of the net assets acquired by UABCL in 2000.

Movements in intangible assets follow:

	September 30, 2023	December 31, 2022
Cost		
Balance at beginning of year	₱5,123,330	₱4,830,143
Additions	510,896	151,872
Disposal/others	(206,322)	141,315
Balance at end of period	5,427,904	5,123,330
Accumulated Amortization and Impairment Losses		
Balance at beginning of year	258,936	201,525
Amortization during the period	21,585	57,460
Disposal/others	179	(49)
Balance at end of period	280,700	258,936
Net Book Value	₱5,147,204	₱4,864,394

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

14. Investment in Joint Ventures

	September 30, 2023	December 31, 2022
Acquisition Cost		
Balance at beginning of year	₱1,489,262	₱1,028,262
Additional investments	75,000	461,000
Balances at end of period	1,564,262	1,489,262
Accumulated Equity in Net Earnings		
Balance at beginning of year	(1,351,172)	(972,204)
Equity in net losses during the period	(64,624)	(378,968)
Balance at end of period	(1,415,796)	(1,351,172)
Cumulative Translation Adjustments	(1,783)	(30)
Net Book Value	₱146,683	₱138,060

Vitasoy-URC, Inc.

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

On May 19, 2022, the Parent Company made additional subscriptions to the unissued authorized capital stock of VURC consisting of 46,100,000 common shares for a total cost of ₱461.0 million.

On April 28, 2023, the Parent Company made additional subscriptions to the unissued authorized capital stock of VURC consisting of 7,500,000 common shares for a total cost of ₱75.0 million.

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 savory snack products. Total consideration amounted to MYR2.7 million (₱34.3 million).

15. Other Noncurrent Assets

	September 30, 2023	December 31, 2022
Deposits	₱1,741,820	₱923,159
Input VAT	464,045	473,050
Financial assets at FVOCI	105,450	105,450
Investment properties	1,769	1,958
Others	348,954	1,155,094
	₱2,662,038	₱2,658,711

Others include noncurrent receivables, noncurrent advances to suppliers and deferred charges. As of September 30, 2023, a noncurrent receivable from an affiliate amounting to ₱823.7 million was reclassified to current receivable.

16. Accounts Payable and Other Accrued Liabilities

	September 30, 2023	December 31, 2022
Trade payables	₱16,796,991	₱15,097,599
Accrued expenses	9,840,021	7,967,973
Customers' deposits	1,250,118	1,613,432
Withholding taxes payable	460,537	174,378
Due to related parties	357,313	204,199
VAT payable	349,064	125,115
Advances from stockholders	295,262	298,274
	₱29,349,306	₱25,480,970

The accrued expenses account consists of:

	September 30, 2023	December 31, 2022
Advertising and promotions	₱4,770,935	₱4,186,310
Personnel costs	1,051,491	457,908
Contracted services	829,058	584,962
Rent	401,683	280,996
Utilities	297,768	261,686
Freight and handling costs	250,634	340,282
Professional and legal fees	233,349	172,602
Others	2,005,103	1,683,227
	₱9,840,021	₱7,967,973

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

17. Short-term Debt

This account consists of:

	September 30, 2023	December 31, 2022
Peso-denominated loans - unsecured with interest of 6.25% to 6.35% and from 5.10% to 5.70% for the periods ended September 30, 2023 and December 31, 2022, respectively	₱13,640,000	₱10,390,000
Thai Baht-denominated loans - unsecured with interest ranging from 2.80% to 2.95% and from 1.80% to 1.97% for the periods ended September 30, 2023 and December 31, 2022, respectively	1,317,727	1,372,288
	₱14,957,727	₱11,762,288

18. Equity

The details of the Parent Company's common stock as of September 30, 2023 and December 31, 2022 follow:

	September 30, 2023	December 31, 2022
Authorized shares	2,998,000,000	2,998,000,000
Par value per share	₱1.00	₱1.00
Issued shares:		
Balance at beginning and end of year	2,230,160,190	2,230,160,190
Outstanding shares	2,178,269,968	2,178,507,618

Cumulative Redeemable Preferred Shares

The Group's authorized preferred shares of stock are 12.00% cumulative, nonparticipating, and nonvoting. In case of dissolution and liquidation of the Parent Company, the holders of the preferred shares shall be entitled to be paid an amount equal to the par value of the shares or ratably insofar as the assets of the Parent Company may warrant, plus accrued and unpaid dividends thereon, if any, before the holders of the common shares of stock can be paid their liquidating dividends. The authorized preferred stock is 2,000,000 shares at par value of ₱1.00 per share. There have been no issuances of preferred stock as of September 30, 2023 and December 31, 2022.

Retained Earnings

Accumulated equity in net earnings of the subsidiaries

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.

Dividends

Details of the Group's dividend declarations follow:

Year	Date of declaration	Dividend per share	Total dividends	Date of record	Date of payment
2023	August 4, 2023	₱2.12	₱4.6 billion	September 1, 2023	September 27, 2023
2023	March 6, 2023	₱1.50	₱3.3 billion	March 31, 2023	April 28, 2023
2022	March 4, 2022	₱1.50	₱3.3 billion	April 03, 2022	April 29, 2022
2022	March 4, 2022	₱1.95	₱4.3 billion	April 03, 2022	April 29, 2022

Treasury Shares

The Parent Company has outstanding treasury shares of 51.9 million shares (₱3.7 billion) as of September 30, 2023 and 51.7 million shares (₱3.7 billion) as of December 31, 2022 restricting the Parent Company from declaring an equivalent amount from the unappropriated retained earnings as dividends.

Equity Reserve

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

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

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

19. Earnings Per Share

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

	Nine months ended September 30	
	2023	2022
Net income attributable to equity holders of the parent	₱9,737,057	₱9,347,023
Weighted average number of common shares	2,178,468	2,187,746
Basic/dilutive EPS	₱4.47	₱4.27

There were no potential dilutive shares for the nine months ended September 30, 2023 and 2022.

20. 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.