COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

CS201320778

Company Name

CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	N.A.

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
N.A.	633-8555	N.A.

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
31	6/30	12/31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
MANUEL Z. GONZALES	manuel.gonzales@mvgslaw.com	687-1195	0918-843-8888

Contact Person's Address

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

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commimission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of teh new contact person designated

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Futher, non-receipt of Notice of Defeciencies shall not excuse the corporation from liability for its deficiencies.

CENTURY PACIFIC FOOD INC.

Centerpoint Building Julia Vargas Ave.,
Ortigas Center Pasig City, Metro Manila
Philippines
Tel : (632) 8633 8555
Fax : (632) 638 6336
website : www.centurypacific.com.ph

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of CENTURY PACIFIC FOOD INC. and SUBSIDIARIES (the "Group") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the year(s) ended December 31, 2019 and 2018, in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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

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

Christopher T. Po, Executive Chairman

Teodoro Alexander T. Po, President and CEO

Oscar A. Pobre, Chief Financial Officer

Signed this 14th day of April 2020

CENTURY PACIFIC FOOD INC.

Centerpoint Building Julia Vargas Ave.,
Ortigas Center Pasig City, Metro Manila
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Tel : (632) 8633 8555
Fax : (632) 638 6336
website : www.centurypacific.com.ph

Subscribed and sworn to before me this ___ day of ___________ 2020 at ____________, affiants exhibiting to me competent evidence of identity, as follows:

Name	ID	Issued on/at	Valid Until
Christopher T. Po			
Teodoro Alexander T. Po			
Oscar A. Pobre			

Doc. No. ___;
Page No. ___;
Book No, ___;
Series of 2020

NavarroAmper&Co.

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

SUPPLEMENTAL WRITTEN STATEMENT OF AUDITORS

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

Gentlemen:

We have examined the consolidated financial statements of Century Pacific Food, Inc. and Subsidiaries (the "Group") as at and for the year ended December 31, 2019, on which we have rendered the attached report, dated April 14, 2020.

In compliance with Revised SRC Rule 68, we are stating that the said Group is listed with the Philippine Stock Exchange.

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

By:

Bonifacio F. Lumacang, Jr.
Partner
CPA License No. 0098090
SEC A.N. 1793-A, issued on November 11, 2019; effective until November 10, 2022, Group A
TIN 170035681
BIR A.N. 08-002552-18-2018, issued on January 26, 2018; effective until January 26, 2021
PTR No. A-4689422, issued on January 2, 2020, Taguig City

Taguig City, Philippines
April 14, 2020

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Stockholders and the Board of Directors
CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES
(A Subsidiary of Century Pacific Group, Inc.)
7TH Floor, Centerpoint Building, Julia Vargas St., Ortigas Center
Pasig City, Metro Manila

Opinion

We have audited the consolidated financial statements of Century Pacific Food, Inc. and Subsidiaries (the "Group") which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2019, 2018 and 2017, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2019 and 2018, and of its financial performance, and cash flows for the years ended December 31, 2019, 2018 and 2017, in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matter:

Key Audit Matter	**Our audit performed and responses thereon**
Goodwill Impairment Goodwill has been recognized in the consolidated statements of financial position resulting from acquisitions of the Group. Under PFRS 3 and PAS 36, the Group is required to annually test the goodwill for impairment. This annual impairment test was significant to our audit because the aggregate balance of goodwill amounting to P2.92 billion is material to the consolidated financial statements and represents 8.9% of the consolidated total assets of the Group as at December 31, 2019. Management conducts annual impairment test to assess the recoverability of the carrying values of goodwill. This annual impairment test involves a number of key sensitive judgments and estimates made in determining the inputs used in the assessment process. The carrying value of goodwill as at December 31, 2019 are disclosed in the consolidated financial statements.	Our audit procedures were focused on performing a detailed understanding of the Management's assessment process and challenging the key sensitive judgments and estimates applied as follows: We reviewed the Group's position on the impairment of goodwill, including information about the Group's project plan, current year developments, current risk evaluations business outlook, revenue potential and market penetration assessment of the subsidiaries to which the goodwill relates to; and We assessed and challenged the reasonableness of the projected revenue and profit in the next five years and the present value of future cash flows, including the assumptions used in estimating the weighted average cost of capital (WACC). Based on our audit procedures, we have noted that the Group's assessment and the judgments used are reasonable.

Information Other than the Consolidated Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019 are expected to be available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover this other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or with our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Navarro Amper & Co.
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By:

Bonifacio F. Lumacang, Jr.
Partner
CPA License No. 0098090
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PTR No. A-4689422, issued on January 2, 2020, Taguig City

Taguig City, Philippines
April 14, 2020

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31	
	Notes	**2019**	2018
ASSETS			
Current Assets			
Cash and cash equivalents	8	**P 1,607,844,054**	P 1,676,474,926
Trade and other receivables - net	9	**7,000,528,129**	7,076,376,479
Due from related parties	27	**261,588,910**	122,847,147
Inventories - net	10	**11,781,872,041**	11,655,712,214
Biological assets	14	**33,380,356**	42,853,751
Prepayments and other current assets - net	11	**829,609,933**	467,388,654
Total Current Assets		**21,514,823,423**	21,041,653,171
Non-current Assets			
Property, plant and equipment - net	15	**6,414,543,344**	5,458,069,440
Intangible assets - net	12	**3,504,492,460**	3,526,008,300
Right-of-use assets - net	13	**705,437,893**	-
Deferred tax assets	34	**359,681,319**	219,094,587
Other non-current assets	16	**89,793,109**	92,476,882
Total Non-current Assets		**11,073,948,125**	9,295,649,209
		P32,588,771,548	P30,337,302,380
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	18	**P 6,832,729,150**	P 7,007,148,870
Borrowings - current portion	17	**2,433,508,587**	3,209,500,000
Income tax payable		**148,438,723**	98,640,787
Due to related parties	27	**19,706,847**	10,581,740
Lease liabilities- current portion	32	**269,082,105**	26,779,422
Total Current Liabilities		**9,703,465,412**	10,352,650,819
Non-Current Liabilities			
Borrowings - net of current portion	17	**3,086,500,000**	3,103,000,000
Retirement benefit obligation	19	**160,025,025**	78,277,685
Lease liabilities - net of non current portion	32	**484,103,079**	78,802,145
Deferred tax liability	34	**360,285**	-
Total Non-current Liabilities		**3,730,988,389**	3,260,079,830
		13,434,453,801	13,612,730,649
Equity			
Share capital	20	**3,542,258,595**	3,542,258,595
Share premium	20	**4,936,859,146**	4,936,859,146
Share-based compensation reserve	28	**8,211,398**	8,211,398
Other reserves		**30,628,942**	30,628,942
Currency translation adjustment		**25,440,484**	42,513,081
Retained earnings		**10,610,919,182**	8,164,100,569
		19,154,317,747	16,724,571,731
		P32,588,771,548	P30,337,302,380

See Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		For the Years Ended December 31		
	Notes	**2019**	2018	2017
Net Sales	21	**P40,560,362,956**	P37,885,300,679	P32,907,317,107
Cost of Goods Sold	22	**30,836,294,070**	29,737,566,156	25,972,795,962
Gross Profit		**9,724,068,886**	8,147,734,523	6,934,521,145
Other Income	23	**536,291,593**	535,516,845	428,078,385
		10,260,360,479	8,683,251,368	7,362,599,530
Operating Expenses	24	**5,332,626,089**	4,720,581,843	3,893,494,499
Finance Costs	17,32	**369,427,817**	196,861,598	106,978,129
Other Expenses	25	**519,677,568**	163,669,529	39,991,707
		6,221,731,474	5,081,112,970	4,040,464,335
Profit Before Tax		**4,038,629,005**	3,602,138,398	3,322,135,195
Income Tax Expense	33	**890,031,995**	767,865,538	770,238,525
Profit for the Year		**3,148,597,010**	2,834,272,860	2,551,896,670
Other Comprehensive Income (Loss)				
Items that will not be Reclassified Subsequently to Profit or Loss				
Currency translation adjustment		**(17,072,597)**	2,770,342	4,819,879
Remeasurement gain (loss) on retirement benefit obligation - net of tax	19	**(64,171,850)**	15,556,508	4,779,310
		(81,244,447)	18,326,850	9,599,189
Total Comprehensive Income		**P 3,067,352,563**	P 2,852,599,710	P 2,561,495,859
Basic and Diluted Earnings Per Share		P0.8890	P0.8001	P0.7204

See Notes to Consolidated Financial Statements

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2019 , 2018 and 2017

	Notes	Share Capital (Note 20)	Share Premium (Note 20)	Share-based Compensation Reserve	Other Reserves	Currency Translation Adjustment	Unappropriated Retained Earnings	Appropriated Retained Earnings	Total
Balance, January 1, 2017		P3,541,028,895	P4,911,986,439	P5,262,360	P30,628,942	P34,922,860	P4,014,996,312	P -	P12,538,825,808
Profit for the year		-	-	-	-	-	2,551,896,670	-	2,551,896,670
Other comprehensive income:									-
Currency translation adjustment		-	-	-	-	4,819,879	-	-	4,819,879
Remeasurement of retirement benefit obligation - net of tax		-	-	-	-	-	4,779,310	-	4,779,310
Total Comprehensive Income		-	-	-	-	4,819,879	2,556,675,980	-	2,561,495,859
Transactions with owners:									-
Issuance of share capital		1,229,700	16,109,070	-	-	-	-	-	17,338,770
Cash dividends	29	-		-	-	-	(637,606,547)	-	(637,606,547)
Equity-settled share-based compensation	28	-	-	3,061,953	-	-	-	-	3,061,953
Balance, December 31, 2017		3,542,258,595	4,928,095,509	8,324,313	30,628,942	39,742,739	5,934,065,745	-	14,483,115,843
Balance, January 1, 2018 (as previously restated)		3,542,258,595	4,928,095,509	8,324,313	30,628,942	39,742,739	5,934,065,745	-	14,483,115,843
Transition to PFRS 9 adjustment		-	-	-	-	-	17,812,003	-	17,812,003
Balance, January 1, 2018 (as adjusted)		3,542,258,595	4,928,095,509	8,324,313	30,628,942	39,742,739	5,951,877,748	-	14,500,927,846
Profit for the year		-	-	-	-	-	2,834,272,860	-	2,834,272,860
Other comprehensive income:									
Currency translation adjustment		-	-	-	-	2,770,342	-	-	2,770,342
Remeasurement of retirement benefit obligation - net of tax		-	-	-	-	-	15,556,508	-	15,556,508
Total Comprehensive Income		-	-	-	-	2,770,342	2,849,829,368	-	2,852,599,710
Transactions with owners:									
Issuance of share capital		-	-	-	-	-	-	-	-
Cash dividends	29	-	-	-	-	-	(637,606,547)	-	(637,606,547)
Equity-settled share-based compensation	28	-	8,763,637	(112,915)	-	-	-	-	8,650,722
Appropriation of retained earnings		-	-	-	-	-	(1,599,300,000)	1,599,300,000	-
Balance, December 31, 2018		3,542,258,595	4,936,859,146	8,211,398	30,628,942	42,513,081	6,564,800,569	1,599,300,000	16,724,571,731
Profit for the year		-	-	-	-	-	3,148,597,010	-	3,148,597,010
Other comprehensive income:									
Currency translation adjustment		-	-	-	-	(17,072,597)	-	-	(17,072,597)
Remeasurement of retirement benefit obligation - net of tax		-	-	-	-	-	(64,171,850)	-	(64,171,850)
Total Comprehensive Income		-	-	-	-	(17,072,597)	3,084,425,160	-	3,067,352,563
Transactions with owners:									
Cash dividends	29	-	-	-	-	-	(637,606,547)	-	(637,606,547)
Appropriation of retained earnings		-	-	-	-	-	240,784,514	(240,784,514)	-
Balance, December 31, 2019		**P3,542,258,595**	**P4,936,859,146**	**P8,211,398**	**P30,628,942**	**P25,440,484**	**P9,252,403,696**	**P1,358,515,486**	**P19,154,317,747**

See Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

		For the Years Ended December 31		
	Notes	**2019**	2018	2017
Cash Flows from Operating Activities				
Profit before tax		**P4,038,629,005**	P3,602,138,398	P3,322,135,195
Adjustments for:				
Depreciation and amortization	12,13,15	**932,365,731**	726,908,805	525,324,463
Finance costs	17,32	**369,427,817**	196,861,598	106,978,129
Provisions on inventory obsolescence	10	**72,394,430**	94,774,003	11,956,952
Loss on impairment of input VAT	11	**5,538,547**	50,880,193	1,444,836
Retirement benefit expense	19	**38,685,892**	41,694,411	40,285,134
Loss on decline in value of inventories	10	**185,817,650**	22,065,037	10,796,525
Gain (Loss) on disposal of property, plant and equipment - net	15	**31,630,206**	2,098,022	(3,276,212)
Doubtful accounts expense	9	**5,794,328**	14,125,264	5,501,642
Provisions	24	**-**	92,972,821	2,936,341
Loss on impairment of goodwill	12	**-**	36,957,396	-
Share based compensation expense	28	**-**	8,650,722	3,061,953
Loss on impairment of property, plant and equipment	15	**-**	-	2,006,445
Interest income	23	**(8,082,061)**	(7,579,050)	(4,911,950)
Gain from sale of scrap - net	23	**(15,150,463)**	(123,654,220)	(157,750,288)
Unrealized foreign exchange loss (gain) - net		**(31,083,986)**	44,741,545	(130,357,623)
Reversal of allowance for doubtful accounts	9	**(48,887,970)**	-	(33,463,059)
Reversal of accruals	18	**(125,718,029)**	(71,759,813)	(54,401,233)
Reversal of allowance of inventory	10	**(192,375,933)**	(28,616,691)	(56,387,327)
Operating cash flows before working capital changes		**5,258,985,164**	4,703,258,441	3,591,879,923
Decrease (Increase) in:				
Trade and other receivables		**119,292,471**	(1,805,611,261)	(1,213,283,827)
Due from related parties		**(138,741,763)**	62,914,412	(94,641,921)
Inventories		**(176,845,510)**	(4,625,110,543)	725,039,119
Biological assets		**9,473,395**	(20,129,879)	12,093,910
Prepayments and other current assets		**(347,649,729)**	(41,599,054)	(32,640,321)
Other non-current assets		**2,683,773**	(32,551,162)	(2,490,059)
Increase (Decrease) in:				
Trade and other payables		**(23,410,693)**	1,954,459,654	353,226,551
Due to related parties		**9,125,107**	(11,232,702)	(68,179,742)
Finance lease obligation		**-**	99,522,472	-
Exchange differences on translating operating assets and liabilities		**(17,072,597)**	20,504,761	-
Cash generated from operations		**4,695,839,618**	304,425,139	3,271,003,633
Contribution to the retirement fund	19	**(48,612,624)**	(48,612,624)	(44,283,861)
Income tax paid		**(974,189,582)**	(681,338,695)	(1,019,115,869)
Interest received		**7,731,582**	7,095,123	4,332,120
Net cash from (used in) operating activities		**3,680,768,994**	(418,431,057)	2,211,936,023
Cash Flows from Investing Activities				
Acquisitions of property, plant and equipment	15	**(1,774,163,199)**	(1,307,707,845)	(1,531,804,883)
Proceeds from sale of property, plant and equipment		**4,250,055**	77,958,840	18,847,518
Acquisitions of intangible assets	12	**-**		(537,896,000)
Maturities of HTM investments		**-**	-	12,798,425
Interest income received		**-**	-	91,841
Net cash used in investing activities		**(1,769,913,144)**	(1,229,749,005)	(2,037,963,099)
Cash Flows from Financing Activities				
Proceeds from borrowings	17	**4,986,000,000**	4,050,000,000	2,665,000,000
Repayments of borrowings	17	**(5,778,491,413)**	(1,445,500,000)	(1,261,000,000)
Dividends paid	29	**(637,606,547)**	(637,606,547)	(637,606,547)
Finance costs paid		**(363,634,829)**	(190,802,503)	(104,768,115)
Payment of lease liabilities	32	**(185,753,933)**	-	-
Proceeds from issuance of share capital	20	**-**	-	17,338,770
Net cash from (used in) financing activities		**(1,979,486,722)**	1,776,090,950	678,964,108
Net Increase (Decrease) in Cash and Cash Equivalents		**(68,630,872)**	127,910,888	852,937,032
Cash and Cash Equivalents, Beginning		**1,676,474,926**	1,548,564,038	695,627,006
Cash and Cash Equivalents, End	8	**P1,607,844,054**	P1,676,474,926	P1,548,564,038

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2019 AND 2018 AND FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017

1. CORPORATE INFORMATION

Century Pacific Food, Inc. (the "Parent Company") was incorporated and registered with the Philippine Security and Exchange Commission (SEC) on October 25, 2013. The Parent Company is primarily engaged in the business of buying and selling, processing, canning and packaging and manufacturing all kinds of food and food products, such as, but not limited to fish, seafood and other marine products, cattle, hog and other animals and animal products, fruits, vegetables and other agricultural crops and produce of land, including by-products thereof.

The Parent Company's shares of stocks were listed in the Philippines Stock Exchange (PSE) on May 6, 2014 through initial public offering (IPO) and listing of 229.65 million shares in the PSE at a total value of P3.3 billion, as discussed in Note 20.

The Parent Company is 68.71% and 68.69% owned subsidiary of Century Pacific Group, Inc. (CPGI) the ultimate parent, as at December 31, 2019 and 2018, respectively. CPGI is a corporation registered with SEC and is domiciled in the Philippines.

The Parent Company's registered office and principal place of business, is located at 7th floor, Centerpoint Building, Julia Vargas St., Ortigas Center, Pasig City.

2. FINANCIAL REPORTING FRAMEWORK AND BASIS OF PREPARATION AND PRESENTATION

Statement of Compliance

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

Basis of Preparation and Presentation

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

- certain financial instruments carried at amortized cost;
- inventories carried at the lower of cost and net realizable value (NRV); and
- the retirement benefit obligation recognized as the net total of the present value of the defined benefit obligation less the fair value of plan assets.

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

Fair value is the price that will be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of PFRS 2, *Share-based Payment*, leasing transactions that are within the scope of PFRS 16, *Leases* (PAS 17*, Leases* in 2018), and measurements that have some similarities to fair value but are not fair value, such as net realizable value in PAS 2, *Inventories,* or value in use in PAS 36, *Impairment of Assets*.

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

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

Functional currency

The functional currency of Century Pacific Food, Inc. (CPFI), Snow Mountain Dairy Corporation (SMDC), Allforward Warehousing Inc. (AWI), Century Pacific Agricultural Ventures, Inc. (CPAVI), Century Pacific Seacrest Inc. (CPSI), Century Pacific Food Packaging Ventures, Inc. (CPFPVI), is Philippine Peso (PHP), the currency of the primary economic environment in which they operate. The functional currency of General Tuna Corporation (GTC) and Century Pacific North America (CPNA) is United States (US) Dollar, the currency of the primary economic environment in which they operate. The functional currency of Century International (China) Co. Ltd. (CIC), Century (Shanghai) Trading Co. Ltd. (CST) and Cindena Resources Limited (CRL) is Chinese Yuan, the currency of the primary economic environment in which they operate.

Presentation currency

These consolidated financial statements are presented in Philippine Peso (PHP). The financial position and results of operations of GTC and CPNA were translated from US Dollar to PHP, and CIC, CST and CRL from Chinese Yuan to PHP, using the following procedures:

- assets and liabilities, except those assets presented at historical costs, for each statement of financial position presented, are presented at the closing rate at the date of that statement of financial position;
- for each period presented, income and expenses recognized in the period by GTC, CPNA, CIC, CST and CRL are translated using either the rate at the date of the transaction or the average exchange rate at that period; and
- all resulting exchange differences are recognized in other comprehensive income (OCI) as currency translation adjustment.

All amounts are recorded in the nearest peso, except when otherwise indicated.

3. COMPOSITION OF THE GROUP

Details of the Parent Company's subsidiaries as at December 31, 2019 and 2018 are as follows:

Name of Subsidiary	Ownership Interest **2019**	2018
General Tuna Corporation (GTC)	**100%**	100%
Snow Mountain Dairy Corporation (SMDC)	**100%**	100%
Allforward Warehousing Inc. (AWI)	**100%**	100%
Century Pacific Agricultural Ventures, Inc. (CPAVI)	**100%**	100%
Century Pacific Seacrest Inc. (CPSI)	**100%**	100%
Centennial Global Corporation (CGC)	**100%**	100%
Century Pacific Food Packaging Ventures, Inc. (CPFPVI)	**100%**	100%
Century International (China) Co. Ltd. (CIC)	**100%**	100%
Century (Shanghai) Trading Co. Ltd. (CST)	**100%**	100%
Cindena Resources Limited (CRL)	**100%**	100%
Century Pacific North America Enterprise Inc. (CPNA)	**100%**	100%

The significant financial information on the financial statements of wholly owned subsidiaries of the Parent Company are shown below. The summarized financial information represents amounts before intragroup eliminations.

GTC

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

The significant information on the audited statements of financial position of GTC as at December 31, 2019 and 2018 and the results of its operations for the years ended December 31, 2019, 2018 and 2017, as translated to the Group's presentation currency, are as follows:

	2019	2018
Financial Position		
Current assets	**P3,584,769,432**	P3,367,057,830
Non-current assets	**976,627,267**	776,804,401
Total Assets	**4,561,396,699**	4,143,862,231
Current liabilities	**1,913,384,179**	1,940,707,459
Non-current liabilities	**39,406,549**	11,489,608
Total Liabilities	**1,952,790,728**	1,952,197,067
Equity	**P2,608,605,971**	P2,191,665,164

	2019	2018	2017
Results of Operations			
Revenue	**P6,393,918,056**	P6,636,521,686	P6,347,252,687
Cost and expenses	**5,968,133,955**	6,266,779,627	6,146,555,182
Profit for the year	**P 425,784,101**	P 369,742,059	P 200,697,505

SMDC

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

The significant information on the audited statements of financial position of SMDC as at December 31, 2019 and 2018 and the results of its operations for the years ended December 31, 2019, 2018, and 2017 are as follows:

	2019	2018
Financial Position		
Current assets	**P3,926,413,678**	P2,310,879,234
Non-current assets	**629,634,109**	356,499,545
Total Assets	**4,556,047,787**	2,667,378,779
Current liabilities	**2,885,215,085**	1,272,016,547
Non-current liabilities	**60,776,010**	-
Total Liabilities	**2,945,991,094**	1,272,016,547
Equity	**P1,610,056,693**	P1,395,362,232

	2019	2018	2017
Results of Operations			
Revenue	**P8,725,013,878**	P6,072,863,729	P3,964,926,418
Cost and expenses	**8,508,463,882**	5,939,540,597	3,685,914,989
Profit for the year	**P 216,549,996**	P 133,323,132	P 279,011,429

AWI

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

Significant financial information on the audited statements of financial position of AWI as at December 31, 2019 and 2018 and the results of its operations for the years ended December 31, 2019, 2018, and 2017 are as follows:

	2019	2018
Financial Position		
Current assets	**P103,387,395**	P124,036,061
Non-current assets	**559,118,008**	419,081,591
Total Assets	**662,505,403**	543,117,652
Current liabilities	**95,983,601**	90,253,041
Non-current liabilities	**252,064**	8,156
Total Liabilities	**96,235,665**	90,261,197
Equity	**P566,269,738**	P452,856,455

	2019	2018	2017
Results of Operations			
Revenue	**P195,253,134**	P164,259,622	P148,568,883
Cost and expenses	**81,524,716**	76,639,482	61,450,196
Profit for the year	**P113,728,418**	P 87,620,140	P 87,118,687

CPAVI

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

On December 22, 2015, the Parent Company entered into a share purchase agreement with CPGI to acquire 100% equity interest in CPAVI for a total purchase price of P3,396,810,681. To facilitate the acquisition, the Parent Company availed of short term loans of P2,250,000,000 from certain financial institutions, as disclosed in Note 17. The agreement also provided for the Parent Company to advance to CPAVI a total amount of P1,103,189,333 for the latter to settle its advances to CPGI. The sale was completed when CPGI and the Parent Company signed the deed of absolute sale covering the CPAVI shares on December 29, 2015. On August 10, 2016, the SEC approved the increase in CPAVI's share capital from P350,000,000 to P1,500,000,000. On the same date, the advances of the Parent Company were converted to equity shares of stock.

Significant information on the audited statements of financial position of CPAVI as at December 31, 2019 and 2018 and the results of its operations for the years ended December 31, 2019, 2018 and 2017 are as follows:

	2019	2018
Financial Position		
Current assets	**P1,408,387,380**	P1,485,084,645
Non-current assets	**2,176,677,649**	2,242,432,028
Total Assets	**3,585,065,029**	3,727,516,673
Current liabilities	**564,427,021**	1,013,777,390
Non-current liabilities	**15,785,065**	110,797,564
Total Liabilities	**580,212,086**	1,124,574,954
Equity	**P3,004,852,943**	P2,602,941,719

	2019	2018	2017
Results of Operations			
Revenue	**P3,003,799,935**	P3,400,599,076	P3,430,395,799
Cost and expenses	**2,531,668,005**	2,992,798,341	3,233,132,965
Profit for the year	**P 472,131,930**	P 407,800,735	P 197,262,834

CPSI

CPSI was incorporated in the Philippines and was registered with the SEC on November 13, 2015. CPSI is engaged in the business of developing and designing, acquiring, selling, transferring, exchanging, managing, licensing, franchising and generally in exercising all rights, powers and privileges of ownership or granting any right or privilege of ownership or any interest to label marks, devices, brands, trademark rights and all other forms of intellectual property, including the right to receive, collect and dispose of any and all payments, dividends, interests and income derived therefrom. On December 28, 2015, CPSI entered into a Trademark Purchase Agreement to purchase certain trademarks owned by CGC for a total consideration of P50,000,000. The trademarks purchased include brands such as "Century Tuna", "Argentina", "555", "Wow Ulam", "Birch Tree", "Fresca", "Lucky 7" and "Angel Evaporada", among others. The purchase price of P50,000,000 remains outstanding as at December 31, 2018. Its principal place of business is located at 7th Floor, Centerpoint Building, J. Vargas Avenue Corner Garnet Road, Ortigas Center, Pasig City, Philippines.

The significant information on the audited statements of financial position of CPSI as at December 31, 2019 and 2018 and the results of its operations for the years ended December 31, 2019, 2018 and 2017 are as follows:

	2019	2018
Financial Position		
Current assets	**P 131,263,494**	P 319,995,944
Non-current assets	**111,474,788**	111,491,216
Total Assets	**242,738,282**	431,487,160
Total Liabilities	**168,459,603**	325,337,279
Equity	**P 74,278,679**	P 106,149,881

	2019	2018	2017
Results of Operations			
Revenue	**P1,096,328,236**	P1,254,236,199	P1,053,055,859
Cost and expenses	**216,327,886**	240,089,293	198,546,526
Profit for the year	**P 880,000,350**	P1,014,146,906	P 854,509,333

CGC

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

The significant information on the unaudited statements of financial position of CGC as at December 31, 2019 and 2018 are as follows:

	2019	2018
Financial Position		
Total assets	**P50,004,438**	P50,004,438
Equity	**P50,004,438**	P50,004,438

CGC has no operations and no revenue and expenses were recognized or incurred in 2019, 2018, and 2017.

CPFPVI

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

The significant information on the audited statements of financial position of CPFPVI as at December 31, 2019 and 2018, and the results of its operations for the years ended December 31, 2019, 2018 and 2017 is as follows:

	2019	2018
Financial Position		
Current assets	**P 899,189,465**	P1,431,634,239
Non-current assets	**845,328,570**	676,148,836
Total Assets	**1,744,518,035**	2,107,783,075
Current liabilities	**694,767,183**	1,155,060,941
Non-current liabilities	**2,558,383**	
Total liabilities	**697,325,566**	1,155,060,941
Equity	**P1,047,192,469**	P 952,722,134

	2019	2018	2017
Results of Operations			
Revenue	**P1,444,549,922**	P1,386,618,900	P1,108,642,635
Cost and expenses	**1,150,079,587**	1,138,124,353	882,738,724
Profit for the year	**P 294,470,335**	P 248,494,547	P 225,903,911

CIC

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

The significant information on the audited statements of financial position of CIC as at December 31, 2019 and 2018, and the result of its operations for the years ended December 31, 2019, 2018 and 2017, as translated to the Group's presentation currency are as follows:

	2019	2018
Financial Position		
Current assets	**P 95,321,469**	P 85,698,257
Non-current assets	**885,651**	4,178,589
Total Assets	**96,207,120**	89,876,846
Total Liabilities	**145,300,083**	148,720,039
Deficit	**(P 49,092,963)**	(P 58,843,193)

	2019	2018	2017
Results of Operations			
Revenue	**P219,351,897**	P203,507,056	P246,124,877
Cost and expenses	**212,650,224**	208,684,732	259,991,692
Profit (Loss) for the year	**P 6,701,673**	(P 5,177,676)	(P 13,866,815)

CST

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

The significant information on the audited statements of financial position of CST as at December 31, 2019 and 2018, and the result of its operations for the years ended December 31, 2019, 2018 and 2017, as translated to the Group's presentation currency are as follows:

	2019	2018
Financial Position		
Current assets	**P 45,102,428**	P103,244,344
Non-current assets	**-**	952,407
Total Assets	**45,102,428**	104,196,751
Total Liabilities	**3,444,921**	8,442,531
Equity	**P 41,657,507**	P 95,754,220

	2019	2018	2017
Results of Operations			
Revenue	**P11,190,545**	P185,238,262	P262,705,639
Cost and expenses	**61,607,663**	216,351,780	273,203,124
Loss for the year	**(P50,417,118)**	(P 31,113,518)	(P 10,497,485)

CRL

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

The significant information on the unaudited statements of financial position of CRL as at December 31, 2019 and 2018 are as follows:

	2019	2018
Financial Position		
Total Non-current Asset	**P100**	P100
Equity	**P100**	P100

On December 28, 2016, the Parent Company entered into an equity transfer agreement to acquire 100% ownership in CIC, CST and CRL for the purchase consideration amounts of P65,156,584, P62,177,311 and P100 (equivalent to $1,308,155, $1,247,187 and $2). Based on the equity transfer agreement, the equity transfer shall take legal effect upon issuance of Foreign Investment Enterprise approval certificate by the approval authority. The full consummation of the equity transfer shall take place after all of the closing conditions set forth in the transfer agreement have been satisfied.

On February 23, 2017, the Parent Company obtained an updated business license for CST reflecting the Parent Company as CST's new registered owner. On March 8, 2017, the Group obtained a Certificate of Incumbency, issued by a BVI registered agent, attesting the change of management control in CRL to the Parent Company.

CPNA

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

On January 2, 2018, the Parent Company invested cash for the capital requirement of CPNA which amounted to P24,950,000.

The significant information on the unaudited statements of financial position of CPNA as at December 31, 2019 and 2018 and the results of its operations for the years ended December 31, 2019 and 2018 as translated are as follows:

	2019	2018
Financial Position		
Current assets	**P150,895,844**	P154,533,877
Non-current assets	**8,032,504**	3,968,694
Total assets	**158,928,348**	158,502,571
Total liabilities	**136,050,042**	135,066,941
Equity	**P 22,878,306**	P 23,435,630

	2019	2018
Results of Operations		
Revenue	**P202,394,126**	P126,297,809
Cost and expenses	**202,216,992**	127,812,179
Profit (Loss) for the year	**P 177,134**	(P 1,514,370)

4. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

Adoption of New and Revised Accounting Standards Effective in 2019

The Group adopted all accounting standards and interpretations as at December 31, 2019. The new and revised accounting standards and interpretations that have been published by the International Accounting Standards Board (IASB) and approved by the FRSC in the Philippines, assessed to be applicable to the Group's consolidated financial statements, are as follows:

PFRS 16, *Leases*

PFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance lease requires and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in Note 5. The impact of the adoption of PFRS 16 on the Group's consolidated financial statements is described below.

The date of initial application of PFRS 16 for the Group is January 1, 2019.

The Group has applied PFRS 16 using the modified retrospective approach, with restatement of the comparative information.

The Group has made use of the practical expedient available on transition to PFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with PAS 17 and Philippines IFRIC 4 will continue to be applied to those leases entered or modified before January 1, 2019.

The change in definition of a lease mainly relates to the concept of control. PFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. The Group applies the definition of a lease and related guidance set out in PFRS 16 to all lease contracts entered into or modified on or after January 1, 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of PFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in PFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group.

Impact on lessee accounting

Former operating leases PFRS 16 changes how the Group accounts for leases previously classified as operating leases under PAS 17, which were off-balance-sheet.

Applying PFRS 16, for all leases (except as noted below), the Group:

a) Recognizes right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of future lease payments;

b) Recognizes depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss; and

c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of profit or loss.

Lease incentives (e.g. free rent period) are recognized as part of the measurement of the right-of-use assets and lease liabilities whereas under PAS 17 they resulted in the recognition of a lease incentive liability, amortized as a reduction of rental expense on a straight-line basis.

Under PFRS 16, right-of-use assets are tested for impairment in accordance with PAS 36, *Impairment of Assets*. This replaces the previous requirement to recognize a provision for onerous lease contracts.

Impact on lessor accounting

PFRS 16 does not change substantially how a lessor accounts for leases. Under PFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, PFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

Under PFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under PAS 17).

Because of this change, the Group has reclassified certain of its sublease agreements as finance leases. As required by PFRS 9, an allowance for expected credit losses has been recognized on the finance lease receivables.

Financial impact of initial application of PFRS 16

The incremental borrowing rate applied to lease liabilities recognized in the consolidated statement of financial position on January 1, 2019 is ranging from 5.35% to 7.29% depending on lease term.

The following table shows the operating lease commitments disclosed applying PAS 17 at December 31, 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognized in the consolidated statement of financial position at the date of initial application.

	PHP
Operating lease commitments at December 31, 2018	**P947,454,730**
Short-term leases and leases of low-value assets	**(6,066,694)**
Effect of discounting the above amounts	**(265,413,096)**
Finance lease liabilities recognized under PAS17 at December 31, 2018	**105,581,567**
Lease Liabilities recognized at January 1, 2019	**P781,556,507**

The table below shows the amount of adjustment for each financial statement line item affected by the application of PFRS 16 for the current and prior years.

	December 31, 2018	**Effect of PFRS 16**	**January 1, 2019**
Asset			
Right-of-use assets	P -	P 748,505,630	**P 748,505,630**
Property, plant and equipment - net	5,458,069,439	(85,896,074)	**5,372,173,365**
Prepayments and other current assets	467,388,655	(1,121,200)	**466,267,455**
	P5,925,458,094	P661,488,356	**P6,586,946,450**
Liability			
Trade and other payables	(P7,033,928,292)	P 14,486,584	**(P7,019,441,708)**
Lease liabilities	(105,581,567)	(675,974,940)	**(781,556,507)**
	(P7,139,509,859)	(P661,488,356)	**(P7,800,998,215)**

The Group as a lessee

- The application of PFRS 16 to leases previously classified as operating leases under
- PAS 17, Leases resulted in the recognition of right-of-use assets and lease liabilities. It resulted in a decrease in 'Other expenses' and an increase in depreciation and interest expense.
- Equipment under finance lease arrangements previously presented within property, plant and equipment is now presented within the line item right-to-use assets. There has been no change in the amount recognised.
- Lease liability on leases previously classified as finance leases under PAS 17, Leases and previously presented within obligations under finance leases is now presented in the line "lease liabilities". There has been no change in the liability recognised.
- Provision for onerous lease contracts required under PAS 17 has been derecognised.
- Lease incentives liability previously recognised with respect to operating leases has been derecognised and the amount factored into the measurement of the right-to-use assets and lease liabilities.

The Group as a lessor

- The Group, as a lessor, has reclassified certain of its sublease agreements as finance lease. The leased assets have been derecognised and finance lease asset receivables have been recognised. This change in accounting changes the timing of recognition of the related revenue.

The application of PFRS 16 has an impact on the consolidated statements of cash flows of the Group.

Under PFRS 16, lessees must present

- short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability as part of operating activities (the Group has included these payments as part of payments to suppliers and employees);
- cash paid for the interest portion of lease liability as either operating activities or financing activities, as permitted by PAS 7 (the Group has opted to include interest paid as part of operating activities); and
- cash payments for the principal portion for lease liability, as part of financing activities.

Under PAS 17, all lease payments on operating leases were presented as part of cash flows from operating activities. Consequently, the net cash generated by operating activities has increased by P253,682,014 million in 2019 and net cash used in financing activities increased by the same amount.

Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments*

This interpretation applies in determining the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under PAS 12, *Income Taxes.*

An entity has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing.

- If the entity concludes that it is probable that a particular tax treatment is accepted, the entity has to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings.
- If the entity concludes that it is not probable that a particular tax treatment is accepted, the entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better predictions of the resolution of the uncertainty.

An entity has to reassess its judgements and estimates if facts and circumstances change.

The interpretation is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

The adoption of this interpretation does not have a significant impact on the Group's consolidated financial statements as there are no uncertainty over the income tax treatments under PAS 12, *Income Taxes* as at December 31, 2019.

Amendments to PAS 19, *Plan Amendment, Curtailment or Settlement*

The amendments in Plan Amendment, Curtailment or Settlement are:

- If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.
- In addition, amendments have been included to clarify the effects of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

The amendments are effective for periods beginning on or after January 1, 2019. Earlier application is permitted.

The adoption of this amendments does not have a significant impact on the Group's consolidated financial statements.

Amendments to PAS 23, *Borrowing costs eligible for capitalization*

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

The amendments are effective for periods beginning on or after January 1, 2019. Earlier application is permitted.

The adoption of these amendments does not have a significant impact on the Group's consolidated financial statements as the Group does not have any borrowings eligible for capitalization.

New Accounting Standards Effective after the Reporting Period Ended December 31, 2019

PFRS 17, *Insurance Contracts*

PFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of PFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

The key principles in PFRS 17 are that an entity:

- identifies as insurance contracts those contracts under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder;
- separates specified embedded derivatives, distinct investment components and distinct performance obligations from the insurance contracts;
- divides the contracts into groups that it will recognize and measure;
- recognizes and measures groups of insurance contracts at:
    i. a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset)
    ii. an amount representing the unearned profit in the group of contracts (the contractual service margin);
- recognizes the profit from a group of insurance contracts over the period the entity provides insurance cover, and as the entity is released from risk. If a group of contracts is or becomes loss-making, an entity recognizes the loss immediately;
- presents separately insurance revenue (that excludes the receipt of any investment component), insurance service expenses (that excludes the repayment of any investment components) and insurance finance income or expenses; and
- discloses information to enable users of financial statements to assess the effect that contracts within the scope of PFRS 17 have on the financial position, financial performance and cash flows of an entity.

PFRS 17 includes an optional simplified measurement approach, or premium allocation approach, for simpler insurance contracts.

The standard is effective for periods beginning on or after January 1, 2023. Earlier application is permitted.

The Group does not anticipate that the new standard will have a significant impact on the Group's consolidated financial statements as the Group does not have insurance contracts.

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

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

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

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

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

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

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

The Group is still evaluating the impact of the new amendments.

Amendments to PFRS 3, *Definition of Business*

The amendments are to:

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

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

The Group is still evaluating the impact of the new amendments.

PIC Q&A No. 2019-02, *Accounting for Cryptographic Assets*

The interpretation provides guidance regarding accounting treatment for Cryptographic assets. In classifying Cryptographic assets, two relevant factors to consider are (i) its primary purpose, and (ii) how these assets derive its inherent value. The interpretation provided two (2) Cryptographic classifications based on the aforementioned factors, these are (a) Cryptocurrency, or (b) Cryptographic assets other than Cryptocurrencies, which are (b.1) Asset-based token, (b.2) Utility token, and (b.3) Security token, or collectively the "Security Tokens".

From the holder of these assets' point-of-view, in the absence of a definitive accounting and reporting guidance from the IASB, the interpretation suggested to report Cryptographic assets in the financial statements as either (i) Cryptocurrencies held by an entity, or (ii) Cryptographic assets other than cryptocurrencies.

From the Issuer of these assets' point of view, as a consensus, the following accounting treatments are suggested:

- Cryptocurrencies held by an entity can be treated either as (i) Inventory under PAS 2, or (ii) Intangible asset under PAS 38.
- Cryptographic assets other than Cryptocurrencies, the interpretation suggested the following relevant accounting frameworks for consideration:
    i. If the Token meets the definition of a financial liability, apply guidance in PFRS 9;
    ii. If the Token meets the definition of an equity instrument, apply guidance in PAS 32;
    iii. If the Token is a prepayment for goods and services from a contract with a customer, apply guidance in PFRS 15; and
    iv. If the Token does not meet any of the aforementioned, consider other relevant guidance.

The interpretation is effective for periods beginning on or after February 13, 2019.

The Group assessed that adoption of this interpretation has no significant impact to the consolidated financial statements.

New Accounting Standards Effective after the Reporting Period Ended December 31, 2019 - Adopted by FRSC but pending publication in the Official Gazette by the Board of Accountancy

The Group will adopt the following once these become effective.

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

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

<u>PIC Q&A amended</u>

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

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

<u>PIC Q&A withdrawn</u>

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

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

The Group is still evaluating the impact of the new interpretation.

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

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

Salient points of the interpretation are the following:

IFRIC concluded either of the two approaches may be applied:

- Fair value as deemed cost approach

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

- Accumulated cost approach

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

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

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

The Group is still evaluating the impact of the new interpretation.

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

Background:

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

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

a. Fixed capital which cannot be reduced for the duration of membership except upon termination of membership. The minimum amount of fixed capital is Php1,000, but a higher minimum can be prescribed under the NSSLA's by-laws.

b. Capital contribution buffer, which pertains to capital contributions in excess of fixed capital. The capital contribution buffer can be withdrawn or reduced by the member without affecting his membership. However, the NSSLA shall establish and prescribe the conditions and/or circumstances when the NSSLA may limit the reduction of the members' capital contribution buffer, such as, when the NSSLA is under liquidity stress or is unable to meet the capital-to-risk assets ratio requirement under Sec. 4116S of the MORNBFI-S Regulations. Such conditions and/or circumstances have to be disclosed to the members upon their placement of capital contribution buffer and in manners as may be determined by the Board.

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

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

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

The Group is still evaluating the impact of the new interpretation.

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

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

1) Accounting for ARO at lease commencement date

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

2) Change in ARO after initial recognition

   2.1) Because ARO is not included as a component of lease liability, the measurement of such ARO is outside the scope of PFRS 16. Hence, its measurement is generally not affected by the transition to PFRS 16. Except in cases where the reassessment of lease-related assumptions (e.g., lease term) would affect the measurement of ARO-related provision, the amount of ARO existing at transition date would not be remeasured; rather, the balance of the ARO provision and any related asset will remain as previously measured. The asset will simply be reclassified from property and equipment to the related ROU asset as required under PFRS 16.24(d).

   2.2) Assuming there is a change in lease-related assumptions that would impact the ARO measurement (e.g., change in lease term due to the new PFRS 16 requirements), the following will be the accounting treatment depending on the method used by the lessee in adopting PFRS 16:

      a. *Modified retrospective approach* - Under this approach, the lessee uses the remaining lease term to discount back the amount of provision to transition date. Any adjustment is recognized as an adjustment to the ROU asset and ARO provision. This adjustment applies irrespective of which of the two methods in measuring the ROU asset will be chosen under the modified retrospective approach.

      b. *Full retrospective approach* - The ARO provision and related asset, which gets adjusted to the ROU asset, should be remeasured from commencement of the lease, and then amortized over the revised or reassessed lease term. Because full retrospective approach is chosen, it is possible that the amount of cumulative adjustment to the ARO provision and the ROU asset at the beginning of the earliest period presented will not be the same; hence, it is possible that it might impact retained earnings.

The interpretation is effective for annual reporting periods beginning on or after January 1, 2019.

The Group assessed that adoption of this interpretation has no significant impact to the consolidated financial statements.

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

The interpretation aims to provide guidance on the following:

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

2. How to account for the related deferred tax effects on transition from PAS 17 to PFRS 16.

The interpretation is effective for annual reporting periods beginning on or after January 1, 2019.

The Group assessed that adoption of this interpretation has no significant impact to the consolidated financial statements.

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

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

The interpretation is effective for annual reporting periods beginning on or after January 1, 2019.

The Group assessed that adoption of this interpretation has no significant impact to the consolidated financial statements.

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

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

The interpretation is effective upon approval by the FRSC.

The Group assessed that adoption of this interpretation has no significant impact to the consolidated financial statements.

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

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

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

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

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

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

The interpretation is effective for annual reporting periods beginning on or after January 1, 2019.

The Group assessed that adoption of this interpretation has no significant impact to the consolidated financial statements.

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

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

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

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

The interpretation is effective for annual reporting periods beginning on or after January 1, 2019.

The Group assessed that adoption of this interpretation has no significant impact to the consolidated financial statements.

5. SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Parent Company and all subsidiaries it controls. Control is achieved when the Parent Company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

The Parent Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of these three elements of control: a) has power over the investee; b) exposure or rights, to variable returns from its involvement with the investee; or the ability to use its power to affect its returns.

The Parent Company considers all relevant facts and circumstances in assessing whether or not the Parent Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Parent Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Parent Company, other vote holders or other parties;

- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Parent Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. Unrealized gains and losses are eliminated.

Changes in the Parent Company's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Parent Company.

When the Parent Company loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable PFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under PFRS 9.

Business Combination

Common control business combinations are excluded from the scope of PFRS 3, *Business Combinations*. However, there are no specific rules under existing PFRS which prescribe how such transactions shall be accounted for. In August 2011, the PIC issued Q&A No. 2011-02, PFRS 3.2, *Common Control Business Combinations*, to provide guidance in accounting for common control business combinations in order to minimize diversity in the current practices until further guidance is provided by the International Accounting Standard Board (IASB).

The consensus in Q&A No. 2011-02 provides that common control business combinations shall be accounted for using either (a) the pooling of interests method, or (b) the acquisition method in accordance with PFRS 3. However, where the acquisition method of accounting is selected, the transaction must have commercial substance from the perspective of the reporting entity.

In accordance with PIC Q&A No. 2011-02, the Group's acquisitions of businesses under common control are accounted for using either the acquisition method or the pooling of interest method, depending on the specific circumstances of the acquisition.

Acquisition method

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with PAS 12, *Income Taxes* and PAS 19, *Employee Benefits*, respectively;
- liabilities and equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangement of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with PFRS 2, *Share-based Payment,* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with PFRS 5, *Non-current assets Held for Sale and Discontinued Operations,* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any) is recognized immediately in profit or loss as bargain purchase gain.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which cannot exceed one year from acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the changes in fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with PFRS 9, *Financial Instruments: Recognition and Measurement*, or PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

Pooling of interest method

Common control business combinations are accounted for using the "pooling of interests method".

The pooling of interests method is generally considered to involve the following:

- The assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination that otherwise would have been done under the acquisition method. The only adjustments that are made are those adjustments to harmonize accounting policies;
- No 'new' goodwill is recognized as a result of the combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid or transferred and the equity 'acquired' is reflected within equity;
- The consolidated statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination took place; and
- Comparatives are presented as if the entities had always been combined.

The Group applied the pooling of interest method when it acquired GTC and SMDC as these companies remained to be wholly owned subsidiaries at the time of the acquisition. In 2016, the Group applied the same method in accounting for its acquisition of CRL as there is no commercial substance relating to the acquisition.

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities. Subsequently, goodwill arising on an acquisition of a business is measured at cost less any accumulated impairment losses.

Goodwill is not amortized but is reviewed for impairment at least annually. For purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the synergies of the combination.

A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statements of comprehensive income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the amount attributable to goodwill is included in the determination of the profit or loss on disposal.

Financial Instruments

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

Initial recognition

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

Financial Assets

Classification and subsequent measurement

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

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

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

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

Financial assets are subsequently measured at amortized cost or fair value on the basis of the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, as financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortized cost.

Amortized cost and effective interest method

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

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

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

Interest income is recognized using the effective interest method for financial assets at amortized cost.

Foreign exchange gains and losses

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

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

Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Default

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

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

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

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

Credit-impaired financial assets

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

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

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

Write-off

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery or when the Group has no reasonable expectations of recovering the financial asset either in its entirety or a portion of it. This is the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event.

Measurement and recognition of expected credit losses

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

Presentation of allowance for ECL in the consolidated statement of financial position

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

Derecognition

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

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Financial Liabilities and Equity Instruments

Classification as debt or equity

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

Financial liabilities

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

Financial liabilities measured subsequently at amortized cost

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

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

Foreign exchange gains and losses

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

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

Offsetting financial instruments

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

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

Derecognition of financial liabilities

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

Equity instruments

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

Share capital

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

Share premium

Share premium represents the excess over the par-value received on subscriptions for the Group's shares which is represented in equity. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to the share premium.

Direct costs incurred related to equity issuance are chargeable to share premium account. If additional paid-in capital is not sufficient, the excess is charged against retained earnings.

Currency translation adjustment

Currency translation adjustment represents the exchange differences resulting from translating the financial position and results of operations of GTC, CPNA, CIC, CRL and CST, whose functional currencies differ from the functional currency of the Group.

Retained earnings

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

Inventories

Inventories are initially measured at cost. Subsequently, inventories are stated at the lower of cost and net realizable value. The costs of inventories are calculated using the first-in, first-out method. The costs of inventories are calculated as follows:

Raw materials	Moving average
Work-in-process	Weighted average
Finished goods	Weighted average
Finished goods (CPAVI)	Moving average

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

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

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

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

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

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

Prepayments

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

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

Biological Assets

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

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

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

There is no recognized depreciation on biological assets given its nature which is to grow and use it as part of its production.

Biological assets of the Group are classified as consumable biological assets which include fish in farms. The Group manages the growth of fish which will subsequently be used in production upon harvest.

Biological assets are recognized as expense when consumed.

Property, Plant and Equipment

Property, plant and equipment are initially measured at cost. The cost of an item of property, plant and equipment comprises:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by Management.

The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located.

Major spare parts qualify as property, plant and equipment when the Group expects to use them for more than one year. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

At the end of each reporting period, item of property, plant and equipment measured are carried at cost less any subsequent accumulated depreciation and impairment losses.

Subsequent expenditures relating to an item of property, plant and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditures are recognized as expenses in the period in which those are incurred.

Depreciation is computed on the straight-line method, other than construction in progress, based on the estimated useful lives of the assets as follows:

Buildings	15 – 40 years
Building improvements	5 - 15 years
Plant machinery and equipment	2 - 20 years
Transportation and delivery equipment	3 - 10 years
Office furniture, fixtures and equipment	2 - 5 years
Laboratory tools and equipment	1 - 15 years
Land improvements	5 - 15 years

Properties in the course of construction for production, rental, administrative purposes or for purposes not yet determined, are carried at cost less any recognized impairment loss. Depreciation commences at the time the assets are ready for their intended use.

Leasehold improvements are depreciated over the improvements useful life of five years or when shorter, the term of the relevant lease.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

Spare parts and properties in the course of construction for production or for purposes not yet determined are carried at cost, less any recognized impairment loss. Depreciation of these assets, on the same basis as other property assets, commences at the time the assets are ready for their intended use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the profit or loss.

Intangible Assets

Intangible assets are initially measured at cost. Subsequent to initial recognition, intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over the estimated useful lives. The estimated useful life and the amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets, such as trademarks, with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss when the asset is derecognized.

Impairment of Tangible and Intangible Assets

At the end of each reporting period, the Group assesses whether there is any indication that any of its tangible and intangible assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. When reasonable and consistent basis of allocation can be identified, assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives, such as trademarks, and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized as an expense in profit or loss. Impairment losses recognized in respect of CGUs are allocated to the assets in the unit on a pro-rata basis.

Impairment losses recognized in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized as income.

Provisions

Provisions are recognized when the Group has a present obligation, either legal or constructive, as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation; its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

If it is no longer probable that a transfer of economic benefits will be required to settle the obligation, the provision should be reversed.

Share-based Payments

<u>Equity-settled share-based payments</u>

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments to employees is recognized as expense on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Employee Benefits

<u>Short-term benefits</u>

The Group recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period that are expected to be settled wholly before 12 months after the end of the reporting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Post-employment benefits

Defined benefit plan

The Group classifies its retirement benefit as defined benefit plans. Under the defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statements of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Retirement benefit costs are categorized as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- Net interest expense or income; and
- Remeasurement.

The Group presents the first two components of retirement benefit costs in profit or loss.

The retirement benefit obligation recognized in the consolidated statements of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans. For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period.

Revenue Recognition

The Group recognizes revenue from the sale of its manufactured goods.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control of a product to a customer. The Group recognizes revenue when it transfers control of a product to a customer.

Sale of goods

The Group contracts to sells goods to the wholesale market and retailers. It identifies each party's rights and payment terms regarding goods to be transferred.

For sales of goods to the wholesale market and retailers, revenue is recognized when control of the goods has transferred, being when the goods have been delivered to the wholesalers' and retailers' specific location. Following delivery, the wholesaler and retailer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognized by the Group when the goods are delivered to the wholesaler and retailer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Transaction price

The Group considers the terms of the contract and its customary business practices to determine the transaction price. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods to a customer, excluding amounts collected on behalf of third parties. The consideration promised in a contract with a customer may include fixed amounts, variable amounts, or both.

The transaction price is also adjusted for any consideration payable to the customer. Consideration payable to a customer includes cash amounts that the Group pays, or expects to pay, to the customer (or to other parties that purchase the Group's goods from the customer). Consideration payable to a customer also includes credit or other items that can be applied against amounts owed to the Group (or to other parties that purchase the Group's goods or services from the customer).

Variable consideration

The amount of consideration can vary because of discounts, rebates, refunds, credits, incentives, penalties or other similar items. The Group estimated the amount of consideration to which it will be entitled to in exchange for transferring the promised goods to a customer.

The Group includes in the transaction price some or all of an amount of variable consideration estimated only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The Group estimated the value of the variable consideration by obtaining the most likely amount in a range of possible consideration amounts.

The Group includes in the transaction price some or all of an amount of variable consideration estimated only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

In assessing whether it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur once the uncertainty related to the variable consideration is subsequently resolved, the Group considers both the likelihood and the magnitude of the revenue reversal. Factors that could increase the likelihood or the magnitude of a revenue reversal include, but are not limited to, any of the following:

- The amount of consideration is highly susceptible to factors outside the Group's influence. Those factors may include volatility in a market, the judgment or actions of third parties, weather conditions and a high risk of obsolescence of the promised goods;
- The uncertainty about the amount of consideration is not expected to be resolved for a long period of time;
- The Group's experience (or other evidence) with similar types of contracts is limited, or that experience (or other evidence) has limited predictive value;
- The Group has a practice of either offering a broad range of price concessions or changing the payment terms and conditions of similar contracts in similar circumstances; or
- The contract has a large number and broad range of possible consideration amounts.

<u>Service income</u>

Service income is recognized in point in time in which services are rendered.

The service income pertains to the management fees.

Interest income

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income

Dividend income from investments is recognized when the shareholders' rights to receive payment have been established, provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Rental income

Revenue recognition for rental income is disclosed in the Group policy for leases.

Commission income

Commission income is recognized when earned, based on the terms of the agreement.

The commission income pertains to the co-packing services rendered by the Group to one of its suppliers.

Other income

Other income is income generated outside the normal course of business and is recognized when it is probable that the economic benefits will flow to the Group and it can be measured reliably.

Expense Recognition

Expenses are recognized in profit or loss when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in profit or loss: on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the consolidated statements of financial position as an asset.

Expenses in the consolidated statements of comprehensive income are presented using the function of expense method. Costs of sales are expenses incurred that are associated with the goods sold and includes raw materials used, direct labor and manufacturing overhead. Operating expenses are costs attributable to administrative, marketing, selling and other business activities of the Group.

Accounting Policies applied after January 1, 2019 for Leases

Leases

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, The Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives:
- variable lease payments that depend on an index or rate. initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees
- the exercise price of purchase options, if the lessee Is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise Of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under PAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position. The Group applies PAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, plant and equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Operating Expenses" in the "Consolidated Statement of Comprehensive Income".

As a practical expedient, PFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

<u>The Group as lessor</u>

The Group enters into lease agreements as a lessor with respect to some of its investment properties. The Group also rents equipment to retailers necessary for the presentation and customer fitting and testing of footwear and equipment manufactured by the Group.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Group applies PFRS 15 to allocate the consideration under the contract to each component.

Accounting Policies applied before January 1, 2019 for Leases

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

<u>The Group as lessor</u>

Operating lease

Rental income from operating leases is recognized as income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Initial direct costs incurred by Group in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income.

The Group as lessee

Finance lease

Assets held under finance leases are recognized as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognized as expense in the period in which they are incurred.

Operating lease

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability.

The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign Currency

Foreign currency transactions

Transactions in currencies other than functional currency of the Group are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period.

Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date the fair value was determined. Gains and losses arising on retranslation are included in profit or loss for the year, except for exchange differences arising on non-monetary assets and liabilities when the gains and losses of such non-monetary items are recognized directly in equity. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as adjustments to interest costs on those foreign currency borrowings.
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks.
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

Foreign operations

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Philippine Peso using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Group are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e., partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising from that transaction are recognized in other comprehensive income.

Translation to foreign currency

The separate financial statements of GTC, CPNA, CIC, CRL and CST whose functional currencies differ from the functional currency of the Group are translated to Philippine peso using the prevailing current exchange rate for the statements of the financial position accounts, except those which are translated at historical costs, and average rate during the period for the statements of comprehensive income accounts. Any resulting difference from the translation is charged to currency translation adjustments in OCI.

Related Party Transactions

A related party transaction is a transfer of resources, services or obligations between the Group and a related party, regardless of whether a price is charged.

Parties are considered related if one party has control, joint control, or significant influence over the other party in making financial and operating decisions. An entity that is a post-employment benefit plan for the employees of the Group and the key management personnel of the Group are also considered to be related parties.

Upon consolidation, significant intra-group balances are eliminated to reflect the Group's consolidated financial position and performance as a single entity.

Taxation

Income tax expense represents the sum of current tax expense and deferred tax.

Current tax

The current tax expense is based on taxable profit for the period. Taxable profit differs from net profit as reported in the consolidated statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's current tax expense is calculated using 30% regular corporate income tax (RCIT) rate or 2% minimum corporate income tax (MCIT) rate, whichever is higher. CPSI and CPFPVI use Optional Standard Deduction (OSD), while other subsidiaries use itemized deductions in the computation of their respective taxable income.

AWI registered its Cold Storage Facilities with Board of Investments (BOI) for Income Tax Holiday (ITH) provided under Article 39(a) of Executive Order No. 226, otherwise known as the Omnibus Investments Code of 1987, as amended by R.A 7918. AWI is entitled for ITH from March 1, 2016 to February 28, 2020. Other income that arises outside from the registered activities of the AWI and local services in excess of 30% is subject to the statutory rate of 30%.

CPAVI is entitled to corporate income tax holiday (ITH) for four years, which can be extended for another year subject to condition that the Group shall undertake CSR activities and must be completed on the actual availment of the bonus year. The Group's liability for current tax is calculated using a 0% tax rate for BOI registered activities including sale to domestic market as authorized by BOI and 30% tax rate for non-registered activities.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences, while deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries, except when the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred taxes are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss, whether in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized outside profit or loss. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Earnings per Share

The Group computes its basic earnings per share by dividing profit for the period attributable to ordinary equity holders of the Parent Company by the weighted average number of common shares outstanding during the period.

For the purpose of calculating diluted earnings per share, profit for the period attributable to ordinary equity holders of the Parent Company and the weighted average number of shares outstanding are adjusted for the effects of dilutive potential ordinary shares.

Events after the Reporting Period

The Group identifies events after the end of each reporting period as those events, both favorable and unfavorable, that occur between the end of the reporting period and the date when the consolidated financial statements are authorized for issue. The consolidated financial statements of the Group are adjusted to reflect those events that provide evidence of conditions that existed at the end of the reporting period. Non-adjusting events after the end of the reporting period are disclosed in the notes to the consolidated financial statements when material.

Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Group reports separately, information about an operating segment that meets any of the following quantitative thresholds:

- the absolute amount of its reported profit or loss is 10% or more of the greater, in absolute amount, of the combined reported profit of all operating segments that did not report a loss and the combined reported loss of all operating segments that reported a loss; and
- its assets are 10% or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if Management believes that information about the segment would be useful to users of the consolidated financial statements.

For Management purposes, the Group is currently organized into seven business segments namely: Canned and Processed Fish, Canned Meat, Milk, Tuna Export, Coco Water, Packaging and Corporate. These divisions are the basis on which the Group reports its primary segment information.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

Financial information on segment reporting is presented in Note 7.

6. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on the historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical Judgments in Applying Accounting Policies

The following are the critical judgments, apart from those involving estimations, that Management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets are evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortized cost that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

The Group's financial assets only pertain to cash and cash equivalents, trade and other receivables, due from related parties, security deposits, and deposit on utilities. Based on the evaluation of the Management, such financial assets are only held within a business model whose objective is to collect contractual cash flows which are SPPI on the principal amount outstanding. Hence, the Group's financial assets are classified as amortized cost.

Determining the timing of satisfaction of performance obligations

In making its judgment, the Group considered the detailed criteria for the recognition of revenue from the sale of goods, set out in PFRS 15 and, in particular, had transferred control of the goods to the customer. Revenue is recognized when control of goods have been transferred to the customer, at a point in time, being when the goods have been delivered/shipped to the customer's specific location (delivery).

The Group is satisfied that control of goods have been transferred and that recognition of the revenue in the current year is appropriate.

Determination of functional and presentation currency

Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency of the Group has been determined to be Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which the Group operates. It is the currency of that mainly influences the Group in determining the costs and the selling price of its inventories. It is the currency in which the Group measures its performance and reports its results.

The results of operations and financial position of GTC and CPNA, which are measured using US Dollar, and financial position of CIC, CST and CRL, which are measured using Chinese Yuan, were translated into Philippine Peso using the accounting policies in Note 5.

Significant increase of credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. PFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the qualitative and quantitative criteria have been met as disclosed in Note 36.

As at December 31, 2019 ad 2018, the Group's financial instrument measured at amortized cost has not experienced a significant increase in credit risk.

Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped based on shared risk characteristics. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

Based on Management's assessment, receivables are classified into various types such as General Trade, Modern Trade, Food Service and Others. Only the Food Service and other receivables are included in the computation of ECL. The Group does not include in the computation the receivables from Modern Trade as they are unlikely to default as they are relatively stable in the business sector. For the General Trade, the obligations of the customers are secured by bank guarantees which exceeds the balance of the receivable.

Leases

The evaluation of whether an arrangement contains a lease is based on its substance. An arrangement is, or contains, a lease when the fulfillment of the arrangement depends on a specific asset or assets and the arrangement conveys the right to use the asset.

Classification of lease as finance lease (2018)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risk and rewards of the ownership to the lessee otherwise; leases are classified as operating leases.

Judgment is used in determining whether the significant risk and rewards of ownership are transferred to the lessee. In making such judgment, the Group evaluates the terms and conditions of the lease arrangement.

The lease is classified as finance lease if the has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised; or the lease term is for the major part of the economic life of the asset; or at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; or the leased assets are of such a specialized nature that only the Group can use them without major modifications) in which the management believes that the lessor has transferred substantially all the risk and rewards over the leased asset to the lessee. Failure to make the right judgment would directly affect the Group's assets and liabilities.

Based on the Group's evaluation, the lease arrangements entered into by Group as a lessee are accounted for as finance leases because the Group has determined that the lessor has given the Group an option to purchase the asset at a price that is sufficiently lower than the fair value at the date of the option.

Classification of lease as operating lease (2018)

Based on Group's evaluation, the lease arrangements entered into by the Group as a lessor are accounted for as operating leases because the lease arrangement will not transfer the ownership of the leased assets upon termination of the lease and it does not provide an option to purchase the asset at a price that is sufficiently lower than the fair value at the date of the option.

Discount rate used to determine the carrying amount of the Group's retirement benefit obligation

The Group's retirement benefit obligation is discounted at a rate set by reference to market yields at the end of the report period on high quality corporate bonds. Significant judgment is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded.

Biological assets

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

After exerting its best effort in determining the fair value of the Group's biological assets, the Management believes that the fair value of its biological assets cannot be measured reliably on a continuing basis since the market determined prices or values are not available and other methods of reasonably estimating fair value are determined to be clearly unreliable. Also, the Management believes that there is no recognized depreciation on biological assets given its nature which is to grow and use it as part of its production.

Accordingly, the Group's biological assets measured at cost less any accumulated depreciation and any accumulated impairment losses as at December 31, 2019 and 2018, amounted to P33,380,356 and P42,853,751, respectively, as disclosed in Note 14.

Determination of control

Management exercises its judgment in determining whether the Parent Company has control or significant influence over another entity by evaluating the substance of relationship that indicates control or significant influence of the Parent Company over the entities. The recognition and measurement of the Parent Company's investments over these entities will depend on the result of the judgment made.

As disclosed in Note 3, the Parent Company has a control, 100% ownership interest, and voting rights in GTC, SMDC, AWI, CPAVI, CPSI, CGC, CPFPVI, CRL, CST, CIC and CPNA.

Acquisition of assets qualified as business combination

In applying the requirements of PFRS 3, Business Combinations, an entity or an asset being acquired has to be assessed whether it constitutes a business. The assessment requires identification of inputs and processes applied to these inputs to generate outputs or economic benefits. As discussed in Note 12, assets acquired arising from the Hunt's acquisition constitute a business and is accounted for as business combination.

The total fair values of the net identifiable assets acquired in 2017 amounted to P573,547,000. This acquisition did not result in the recognition of any goodwill or gain on bargain purchase.

Purchase price allocation in business combination

The Group accounts for the acquired business using the acquisition method which requires extensive use of accounting judgments and estimates to allocate the purchase price to the fair market values of the identifiable assets at acquisition date. Any difference in the purchase price and the fair values of the assets acquired is recorded as either a goodwill (or subsumed in the related identifiable asset), or gain on bargain purchase in profit or loss. Thus, the numerous judgments made in estimating fair value to be assigned to the assets can materially affect the Group's financial position and performance.

Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

<u>Probability of default (PD)</u>

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

As at December 31, 2019 and 2018, the Group assessed a nil probability of default for all of its financial assets measured at amortized cost. The Group monitors and maintains an updated status of all outstanding receivables per customer and in some instances, stops the delivery of goods for customers with overdue invoices. A provision matrix was used based on comparable percentage of receivable write-off of the same industry applied to accounts passed due for over 120 days without or with but expired bank guarantee. The assumptions used by the Group in estimating PD is disclosed in Note 36.

<u>Loss given default (LGD)</u>

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

The Group uses the gross calculation method or the gross amount of receivable per category as disclosed in Note 36.

<u>Estimating the transaction price of the performance obligation</u>

In making its judgment, Management applied the detailed criteria for the recognition of revenue as specified in PFRS 15, specifically the discussion on the determination of a transaction price. As stated in PFRS 15, an entity shall recognize as revenue the amount of transaction price that is allocated to the performance obligation satisfied. In relation to the trade investment of the Group, variable consideration and consideration payable to a customer are particularly accounted as part of determining the transaction price for the sale of goods. Based on the nature of variable considerations, as disclosed in Note 21, the Group considered such transactions as a reduction to sales. Consideration payable transactions on the other hand were evaluated based on its nature and the specifications in the standard on whether the goods promised can be quantified as distinct or not. Transactions identified as distinct were presented under operating expenses while transactions identified as not distinct were reclassified as reduction to sales. Following the detailed quantification of the Group's trade investment transactions grouped as consideration payable, the Management are satisfied that for the transactions identified as not distinct, the customer cannot benefit from the transaction on its own and the promise to transfer goods cannot be separately identified from other premises of the contract.

The Management estimated the transaction price based on most likely outcome of the trade promotional activities. For the years ended December 31, 2019, 2018 and 2017, the amount of the Group's variable considerations amounted to P3,521,918,678, P3,371,907,245 and P2,613,590,924, respectively, and considerations payable amounted to P1,894,624,696 and P1,484,904,745, P1,267,266,244, respectively, as disclosed in Note 21.

Estimating useful lives of assets

The useful lives of the Group's assets with definite lives are estimated based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment, right-of-use assets and intangible assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the Group's assets. In addition, the estimation of the useful lives is based on the Group's collective assessment of industry practice, internal technical evaluation and experience with similar assets and contractual arrangements, if applicable.

It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property, plant and equipment, right-of-use assets and intangible assets would increase the recognized operating expenses and decrease non-current assets.

As at December 31, 2019 and 2018, the carrying amounts of the Group's property, plant and equipment amounted to P6,414,543,344 and P5,458,069,440, respectively, as disclosed in Note 15. Total accumulated depreciation as at December 31, 2019 and 2018 amounted to P3,558,377,128 and P2,947,963,687, respectively, as disclosed in Note 15.

As at December 31, 2019 and 2018, the carrying amounts of the Group's right-of-use assets amounted to P705,437,893 and nil, respectively, as disclosed in Note 13. Total accumulated depreciation as at December 31, 2019 and 2018 amounted to P315,973,675 and nil, respectively, as disclosed in Note 13.

As at December 31, 2019 and 2018, the carrying amounts of the Group's intangible assets from licensing agreement amounted to P487,692,373 and P509,208,213, respectively, as disclosed in Note 12. Total accumulated amortization as at December 31, 2019 and 2018 amounted to P50,203,627 and P28,687,787, respectively, as disclosed in Note 12.

Estimating net realizable value of inventories

The net realizable value of inventories represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. The Group determines the estimated selling price based on the recent sale transactions of similar goods with adjustments to reflect any changes in economic conditions since the date the transactions occurred. The Group records provision for excess of cost over net realizable value of inventories. While the Group believes that the estimates are reasonable and appropriate, significant differences in the actual experience or significant changes in estimates may materially affect the profit or loss and equity.

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

Total inventories recognized in the Group's consolidated statements of financial position amounted to P11,781,872,041 and P11,655,712,214 as at December 31, 2019 and 2018, respectively, as shown in Note 10.

Impairment of goodwill

Determining whether goodwill is impaired requires estimation of the value of CGU to which goodwill has been allocated. The value in use calculation requires the Management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

The carrying amount of goodwill as at December 31, 2019 and 2018 amounted to P2,915,325,199, respectively, net of impairment loss amounting to nil and P36,957,396 in 2019 and 2018, respectively, as shown in Note 12.

Asset impairment other than goodwill

The Group performs an impairment review when certain indicators are present.

Purchase accounting requires extensive use of accounting estimates and judgment to allocate the purchase price to the fair market values of the assets and liabilities purchased

Determining the recoverable amounts of property, plant and equipment, intangible assets, input VAT and right-of-use assets, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect the consolidated financial statements. Future events could cause the Group to conclude that property, plant and equipment, intangible assets, input VAT and right-of-use assets are impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations.

The preparation of the estimated future cash flows involves significant judgment and estimations. While the Group believes that its assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges.

Total carrying amounts of input VAT, intangible assets, right-of-use assets, and property, plant and equipment as at December 31, 2019 and 2018 are disclosed in Notes 11, 12, 13, and 15, respectively.

Impairment loss on property, plant and equipment of AWI amounting to P2,006,445 was recognized in 2017, as disclosed in Note 25. No impairment loss were recognized in 2018 and 2019.

In 2019, reversal of impairment loss on property, plant and equipment of AWI amounting to P5,184,818 was recognized, as disclosed in Note 25. None was recognized in 2018 and 2017.

Moreover, impairment loss on input VAT amounting to P5,538,547, P5,823,633 and P1,444,836 were recognized in 2019, 2018 and 2017, respectively, as disclosed in Note 11. The amounts pertain mainly to CPAVI.

Determining the fair value of financial instruments

The Group carries some of its financial assets and financial liabilities at fair value, which requires extensive use of accounting estimates and judgment. In addition, certain liabilities acquired through debt exchange and restructuring are required to be carried at fair value at the time of the debt exchange and restructuring. While significant components of fair value measurement were determined using verifiable objective evidence, i.e., foreign exchange rates, interest rates, volatility rates, the amount of changes in fair value would differ if the Group utilized different valuation methodology. Any change in fair value of these financial assets and financial liabilities would affect profit or loss and equity.

The Group’s financial instruments approximate its fair value. Fair value is determined in a manner described in Note 35.

As at December 31, 2019 and 2018, the fair values of the Group’s financial assets amounted to P7,877,671,129 and P7,384,631,620, respectively, as disclosed in Note 35.

Total liabilities measured at fair value amounted to P12,116,610,215 and P12,212,353,263 as at December 31, 2019 and 2018, respectively, as disclosed in Note 35.

Estimating loss allowance for expected credit losses

The Group measures expected credit losses of a financial instrument in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and information about past events, current conditions and forecasts of future economic conditions. When measuring ECL the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

The Group has applied the simplified approach in PFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on the market interest rate plus the inflation rate to be applied to the receivable from the customers group under "others" from over 120 days.

Total due from related parties' carrying amount in the Group's consolidated statements of financial position amounted to P261,588,910 and P122,847,147 as at December 31, 2019 and 2018, respectively, as shown in Note 27.

Total trade receivables recognized in the Group's consolidated statements of financial position amounted to P7,000,528,129 and P7,076,376,479 as at December 31, 2019 and 2018, respectively which is net of the related allowance for doubtful accounts amounting to P42,847,339 and P85,940,981 as at December 31, 2019 and 2018, respectively, as shown in Note 9.

Retirement benefit and other post-employment benefits

The determination of the retirement benefit obligation and other post-employment benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include among others, discount rates, mortality and rates of compensation increase. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the amount of retirement benefit obligation and other post-employment benefits recognized.

The total retirement benefit expense recognized in 2019, 2018 and 2017 amounted to P38,685,892 P41,694,411 and P40,285,134, respectively, and retirement benefit obligation as at December 31, 2019 and 2018 amounted to P160,025,025 and P78,277,685 respectively, as shown in Note 19.

Deferred tax assets

The Group reviews the carrying amounts at the end of each reporting period and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Group will generate sufficient taxable profit to allow all or part of its deferred tax assets to be utilized.

Deferred tax assets recognized in the consolidated statements of financial position as at December 31, 2019 and 2018 amounted to P359,681,319 and P219,094,587, respectively, as disclosed in Note 34.

Provisions

The Group recognized provision for estimated losses relating to uncertainties that are associated with the nature of its business operations amounting to a total of nil and P120,639,174 as at December 31, 2019 and 2018, respectively, as disclosed in Note 18.

7. SEGMENT INFORMATION

Business segments

For Management purposes, the Group is organized into seven major business segments: Canned and Processed Fish, Canned Meat, Milk, Tuna Export, Coco Water, Packaging and Corporate.

These divisions are the basis on which the Group reports its primary segment information to the CODM for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided.

The principal products and services of each of these divisions are as follows:

Canned and processed fish	Tuna Sardines Other seafood-based products
Canned meat	Corned beef Meatloaf Other meat-based products
Milk	Canned milk Powdered milk Other dairy products
Tuna export	Private label canned, pouched and frozen tuna Other tuna products
Coco water	Coconut beverages Coconut oil Coconut shells Other coconut products
Packaging	Packaging products
Corporate	Shared services Warehousing

The segments' results of operations of the reportable segments for the years ended December 31, 2019, 2018 and 2017 are as follows:

	Segment Revenue	Segment Profit Before Tax
2019		
Canned and processed fish	**P12,408,081,553**	**P 679,694,886**
Canned meat	**9,712,536,529**	**713,128,541**
Milk	**9,140,400,873**	**339,667,029**
Tuna export	**6,393,918,051**	**606,898,449**
Coco water	**3,092,758,690**	**480,406,148**
Packaging	**1,444,549,922**	**374,809,249**
Corporate	**10,453,402,210**	**2,078,534,132**
Segment total	**52,645,647,828**	**5,273,138,434**
Eliminations	**(12,085,284,872)**	**(1,234,509,428)**
	P40,560,362,956	**P4,038,629,006**
2018		
Canned and Processed Fish	P12,493,671,620	P 418,409,652
Canned Meat	11,779,924,286	53,297,359
Milk	9,561,159,515	943,014,380
Tuna Export	3,541,148,756	388,489,971
Coco Water	1,386,618,900	297,550,010
Packaging	126,059,522	8,791,552
Corporate	8,448,298,155	2,456,314,529
Segment total	47,336,880,754	4,565,867,453
Eliminations	(9,451,580,075)	(963,729,055)
	P37,885,300,679	P3,602,138,398

	Segment Revenue	Segment Profit Before Tax
2017		
Canned and processed fish	P13,139,713,671	P 655,696,456
Canned meat	8,499,399,882	728,582,497
Milk	6,415,181,244	211,810,378
Tuna export	6,347,252,687	285,283,779
Coco water	3,727,538,870	220,028,503
Packaging	1,047,600,876	279,631,164
Corporate	1,713,232,655	1,776,302,456
Segment total	40,889,919,885	4,157,335,233
Eliminations	(6,394,216,460)	(835,200,038)
	P34,495,703,425	P3,322,135,195

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 5. Segment profit represents the profit before tax by each segment without allocation of central administration costs and directors' salaries, investment income, other gains and losses, as well as finance costs. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

The segment assets and liabilities as at December 31, 2019 and 2018 are as follows:

	2019		2018	
	Assets	**Liabilities**	Assets	Liabilities
Canned and processed Fish	**P 7,700,221,184**	**P 2,239,983,073**	P 57,769,132,262	P 54,511,125,593
Canned meat	**4,757,246,743**	**2,083,980,608**	13,442,732,100	10,469,588,180
Milk	**6,970,719,444**	**3,731,702,799**	4,244,622,108	3,115,047,076
Tuna export	**4,561,396,699**	**1,952,790,728**	64,094,047	81,661,766
Coco water	**3,638,400,239**	**592,965,322**	2,909,513,157	3,286,148,201
Packaging	**1,744,518,035**	**697,325,566**	2,107,783,075	1,155,060,939
Corporate	**10,815,729,916**	**5,468,246,217**	33,909,871,314	17,655,656,567
Segment total	**40,188,232,260**	**16,766,994,313**	114,447,748,063	90,274,288,322
Eliminations	**(7,599,459,329)**	**(3,332,539,132)**	(84,110,445,683)	(76,661,557,673)
	P32,588,772,931	**P13,434,455,181**	P30,337,302,380	P13,612,730,649

For the purposes of monitoring segment performance and allocating resources between segments:

- All assets are allocated to reportable segments, other than other financial assets, and current and deferred tax assets, which are booked under Corporate segment. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.
- All liabilities are allocated to reportable segments, other than loans, other financial liabilities, current and deferred tax liabilities, which are booked under Corporate segment. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.
- Eliminations include transactions among the segments of the Parent Company.

Other segment information as at and for the year ended December 31, 2019 are as follows:

	Additions to Property, Plant, and Equipment	**Intangibles**	**Depreciation and Amortization**	**Interest Income**	**Finance Costs**
Canned and processed fish	**P 498,517,833**	**P -**	**P 99,218,297**	**P 142,294**	**P 723,706**
Packaging	**223,292,178**	**-**	**48,560,395**	**65,738**	**375,338**
Canned meat	**119,462,001**	**487,692,373**	**165,301,202**	**64,556**	**9,469,571**
Milk	**239,628,836**	**-**	**62,239,000**	**213,431**	**45,287,647**
Tuna export	**308,516,334**	**-**	**146,137,279**	**900,580**	**25,964,423**
Coco water	**156,361,698**	**2,915,325,199**	**252,155,358**	**946,006**	**6,187,068**
Corporate	**194,246,184**	**101,474,888**	**158,754,200**	**5,749,456**	**281,420,064**
	P1,740,025,064	**P3,504,492,460**	**P932,365,731**	**P8,082,061**	**P369,427,817**

Other segment information as at and for the year ended December 31, 2018 and 2017 are as follows:

	Additions to Property, Plant, and Equipment	Intangibles	Depreciation and Amortization	Interest Income	Finance Costs
2018					
Canned and processed fish	P 110,682,493	P -	P 74,962,425	P 107,199	P -
Packaging	270,501,646	-	36,160,152	64,905	-
Canned meat	70,502,093	509,208,213	122,156,984	66,350	-
Milk	79,589,730	-	26,021,644	239,443	9,403,715
Tuna export	122,526,282	-	112,442,847	4,018,307	2,533,333
Coco water	527,999,704	2,915,325,199	307,663,230	301,655	6,059,095
Corporate	125,905,897	101,474,888	47,501,523	2,781,171	178,049,130
	P1,307,707,845	P3,526,008,300	P726,908,805	P7,579,030	P196,045,273
2017					
Canned and processed fish	P 224,892,894	P -	P 57,081,765	P 102,379	P -
Packaging	68,558,290	-	21,151,709	41,897	-
Canned meat	138,823,735	530,724,053	70,156,682	59,216	-
Milk	91,294,142	-	22,408,926	131,278	-
Tuna export	80,957,990	-	103,786,035	2,323,277	455,250
Coco water	888,579,027	2,915,325,199	185,077,274	167,446	-
Corporate	38,698,805	138,432,284	65,662,072	2,086,457	106,522,879
	P1,531,804,883	P3,584,481,536	P525,324,463	P4,911,950	P106,978,129

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 5. Segment profit represents the profit before tax by each segment without allocation of central administration costs and directors' salaries, investment income, other gains and losses, as well as finance costs. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

The segment assets and liabilities as at December 31, 2019 and 2018 are as follows:

	2019		2018	
	Assets	**Liabilities**	Assets	Liabilities
Canned and processed fish	**P 7,700,221,184**	**P 2,239,983,073**	P 8,341,855,157	P 3,689,759,655
Canned meat	**4,757,246,743**	**2,083,980,608**	5,631,198,544	1,979,169,758
Milk	**6,970,719,444**	**3,731,702,799**	4,042,085,347	1,809,580,805
Tuna export	**4,561,396,699**	**1,952,790,728**	4,146,786,179	1,955,393,847
Coco water	**3,638,400,239**	**592,965,322**	3,793,386,254	1,170,804,777
Packaging	**1,744,518,035**	**697,325,566**	2,107,783,075	1,155,060,942
Corporate	**10,815,729,916**	**5,468,246,217**	9,727,127,420	5,112,537,895
Segment total	**40,188,232,260**	**16,766,994,313**	37,790,221,976	16,872,307,680
Eliminations	**(7,599,459,329)**	**(3,332,539,132)**	(7,453,192,435)	(3,259,577,030)
	P32,588,772,930	**P13,434,455,181**	P30,337,029,541	P13,612,730,649

For the purposes of monitoring segment performance and allocating resources between segments:

- All assets are allocated to reportable segments, other than other financial assets, and current and deferred tax assets, which are booked under Corporate segment. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.
- All liabilities are allocated to reportable segments, other than loans, other financial liabilities, current and deferred tax liabilities, which are booked under Corporate segment. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.
- Eliminations include transactions among the segments of the Parent Company.

Other segment information as at and for the year ended December 31, 2019, 2018 and 2017 are as follows:

	Additions to Property, Plant, and Equipment	Intangibles	Depreciation and Amortization	Interest Income	Finance Costs
2019					
Canned and processed fish	**P 498,517,833**	**P -**	**P 99,218,297**	**P 142,294**	**P 723,706**
Packaging	**223,292,178**	**-**	**48,560,395**	**65,738**	**375,338**
Canned meat	**119,462,001**	**487,692,373**	**165,301,202**	**64,556**	**9,469,571**
Milk	**239,628,836**	**-**	**62,239,000**	**213,431**	**45,287,647**
Tuna export	**308,516,334**	**-**	**146,137,279**	**900,580**	**25,964,423**
Coco water	**156,361,698**	**2,915,325,199**	**252,155,358**	**946,006**	**6,187,068**
Corporate	**194,246,184**	**101,474,888**	**158,754,201**	**5,835,883**	**281,420,064**
	P1,740,025,064	**P3,504,492,452**	**P932,365,731**	**P8,168,488**	**P369,427,817**
2018					
Canned and processed fish	P 110,682,493	P -	P 74,962,425	P 107,199	P -
Packaging	270,501,646	-	36,160,152	64,905	-
Canned meat	70,502,093	509,208,213	122,156,984	66,350	-
Milk	79,589,730	-	26,021,644	239,443	9,403,715
Tuna export	122,526,282	-	112,442,847	4,018,307	2,533,333
Coco water	527,999,704	2,915,325,199	307,663,230	301,655	6,059,095
Corporate	125,905,897	101,474,888	47,501,523	2,781,171	178,049,130
	P1,307,707,845	P3,526,008,300	P726,908,805	P7,579,030	P196,045,273
2017					
Canned and processed fish	P 224,892,894	P -	P57,081,765	P 102,379	P -
Packaging	68,558,290	-	21,151,709	41,897	-
Canned meat	138,823,735	530,724,053	70,156,682	59,216	-
Milk	91,294,142	-	22,408,926	131,278	-
Tuna export	80,957,990	-	103,786,035	2,323,277	455,250
Coco water	888,579,027	2,915,325,199	185,077,274	167,446	-
Corporate	38,698,805	138,432,284	65,662,072	2,086,457	106,522,879
	P1,531,804,883	P3,584,481,536	P525,324,463	P4,911,950	P106,978,129

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the reporting period, as shown in the consolidated statements of cash flows, can be reconciled to the related items in the consolidated statements of financial position as follows:

	2019	2018
Cash on hand	**P 60,508,152**	P 154,240,872
Cash in banks	**1,504,022,717**	1,047,161,185
Cash equivalents	**43,313,185**	475,072,869
	P1,607,844,054	P1,676,474,926

Cash on hand includes petty cash fund and undeposited collections.

Cash in banks earned average interest rate ranging from 0.10% to 0.35% and from 0.1% to 0.21% per annum in 2019 and 2018, respectively, and is unrestricted and immediately available for use in the current operations of the Group.

Cash equivalents represent short-term fund placements and investments in unit-trust funds (UITFs) with local banks. Short-term fund placements will mature in three months or less from the date of acquisition with annual interest rates ranging from 1.01% to 5.0% in 2019, 0.63% to 3.13% in 2018 and 0.63% to 2.13% in 2017. These placements are from excess cash and can be withdrawn anytime.

Interest income earned from bank deposits and placements amounted to P6,781,847, P6,427,927 and P4,200,772 in 2019, 2018, and 2017, respectively, as disclosed in Note 23.

9. **TRADE AND OTHER RECEIVABLES** - net

The Group's trade and other receivables consist of:

	2019	2018
Trade receivables	**P5,985,029,736**	P5,592,361,654
Allowance for doubtful accounts	**(42,847,339)**	(85,940,981)
	5,942,182,397	5,506,420,673
Advances to suppliers	**786,574,073**	1,504,631,563
Advances to officers and employees	**47,169,974**	55,210,174
Others	**224,601,685**	10,114,069
	P7,000,528,129	P7,076,376,479

Trade receivables represent short-term, non-interest bearing receivables from various customers and generally have 30 to 90 days term or less. No interest is charged on trade receivables for more than 30 days from the date of invoice.

Advances to suppliers are non-interest bearing and generally have terms of 30 days to 45 days. These are generally applied against future billings within next year.

Advances to officers and employees are non-interest bearing and are liquidated within one month. Advances to officers include salary loans which earned average interest rate of 8% per annum. Interest income earned from salary loans amounted to P1,386,641 in 2019, P1,151,103 in 2018 and P592,260 in 2017 as disclosed in Note 23.

Other receivables, which consist mainly of statutory receivables and receivables from various parties for transactions other than sale of goods, are non-interest bearing and generally have terms of 30 to 45 days.

Movements in the allowance for doubtful accounts as at December 31 are as follows:

	Notes	**2019**	2018	2017
Balance, January		**P85,940,981**	P 94,287,410	P122,248,827
Transition to PFRS 9, *Adjustment*		**-**	(17,812,003)	-
Balance, January, as adjusted		**85,940,981**	76,475,407	122,248,827
Doubtful accounts expense	24	**5,794,328**	14,125,264	5,501,642
Write off		**-**	(4,659,690)	-
Reversal	23	**(48,887,970)**	-	(33,463,059)
Balance, December 31		**P42,847,339**	P85,940,981	P 94,287,410

Of the total balance of allowance for doubtful accounts, P 28,510,597, and P61,760,262 as at December 31, 2019 and 2018, respectively, pertains to receivables from customers' sales returns pending issuance of credit notes by the Group.

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Management believes that there is no further allowance for doubtful accounts required in excess of those that were already provided.

10. **INVENTORIES** - net

Details of the Group's inventories are as follows:

	2019	2018
Finished goods	**P 5,594,397,614**	P 5,381,057,269
Work in process	**76,621,972**	41,910,758
Raw materials	**5,910,396,114**	6,063,856,553
Spare parts and supplies	**383,634,727**	286,229,873
	11,965,050,427	11,773,054,453
Allowance for obsolescence	**(183,178,386)**	(117,342,239)
	P11,781,872,041	P11,655,712,214

The Group's inventories are recorded at their respective costs.

Cost of inventories recognized as expense in 2019, 2018 and 2017 amounted to P30,836,294,070, P29,737,566,156 and P25,972,795,962, respectively, as disclosed in Note 22.

Movements in the allowance for obsolescence of inventories are as follows:

	Notes	**2019**	2018	2017
Balance, January 1		**P117,342,239**	P 55,521,218	P89,155,068
Provision for inventory obsolescence	22, 24	**72,394,430**	94,774,003	11,956,952
Loss on write-down	25	**185,817,650**	22,065,037	10,796,525
Write off		**-**	(26,401,328)	-
Reversal	23	**(192,375,933)**	(28,616,691)	(56,387,327)
Balance, December 31		**P183,178,386**	P117,342,239	P55,521,218

The Group has directly written off inventories which amounted to P 185,817,650, P22,065,037 and 10,796,525 in 2019, 2018 and 2017, respectively, as disclosed in Note 25.

11. PREPAYMENTS AND OTHER CURRENT ASSETS - net

The details of the Group's prepayments and other current assets are shown below:

	2019	2018
Input value-added tax (VAT) – net	**P 564,377,793**	P280,374,228
Prepaid taxes	**167,851,940**	146,620,643
Prepaid insurance	**10,431,023**	6,671,925
Prepaid rent	**8,650,873**	3,838,832
Others	**90,302,145**	36,348,320
	841,613,774	473,853,948
Allowance for VAT claims	**(12,003,841)**	(6,465,294)
	P 829,609,933	P467,388,654

Input VAT as at December 31, 2019 and 2018 are presented net of output VAT of P1,423,595 and P17,684,880, respectively.

Prepaid taxes include creditable withholding taxes withheld by the Group's customers and tax credit certificates (TCC) issued by the Bureau of Customs (BOC) to GTC and SMDC. TCCs from BOC are granted to Board of Investment (BOI) registered companies and are given for taxes and duties paid on raw materials used for the manufacture of their export products. GTC can apply its TCC against tax liabilities other than withholding tax or can be refunded as cash.

In prior years, the Group filed an application with the BOC for the conversion of its input VAT to TCC. The Group determined that the TCC amounting to nil and P 45,056,560 of the total prepaid taxes for 2019 and 2018 respectively will no longer be recovered and was written off, as disclosed in Note 25.

The Group recognized provision for impairment of input VAT amounting to P5,538,547, P5,823,633 and P1,444,836, as disclosed in Note 25.

The Group's application for tax appeal with the BIR is still ongoing as at December 31, 2019.

Movement in the allowance for VAT claims are as follows:

	Note	**2019**	2018	2017
Balance, January 1		**P 6,465,294**	P19,887,888	P18,443,052
Provision	25	**5,538,547**	5,823,633	1,444,836
Write off		**-**	(19,246,227)	-
Balance, December 31		**P12,003,841**	P 6,465,294	P19,887,888

The Group determined that the allowance for VAT claims amounting to nil and P19,246,227 as at December 31, 2019 and 2018, respectively, can no longer be recovered and was written off.

12. INTANGIBLE ASSETS

The details of the Group's intangible assets are as follows:

	2019	2018
Goodwill	**P2,915,325,199**	P2,915,325,199
Licensing agreement	**487,692,373**	509,208,213
Trademarks	**101,474,888**	101,474,888
	P3,504,492,460	P3,526,008,300

Goodwill

The goodwill is associated with the excess of the investment cost over the fair value of the net assets of CPAVI, CIC and CST at the time of acquisitions.

Goodwill recognized from the acquisitions of the businesses are as follows:

	2019	2018
CPAVI	**P2,915,325,199**	P2,915,325,199
CIC and CST	**-**	-
	P2,915,325,199	P2,915,325,199

Investments in CIC and CST

On December 28, 2016, the Parent Company entered into an equity transfer agreement to acquire 100% ownership in CIC and CST for the total purchase consideration amount of P127,333,895. Fair value of net assets acquired amounted to P90,376,499 which resulted in a net goodwill from acquisition amounting to P36,957,396.

The fair values of the identifiable assets and liabilities of CIC and CST as at the date of acquisition were as follows:

	2016
Cash in banks	P 19,911,885
Trade and other receivables - net	141,629,216
Inventories – net	74,602,074
Prepayments and other noncurrent assets	1,187,325
Property, plant and equipment - net	342,370
Trade and other payables	(147,296,371)
Net assets acquired and liabilities assumed	P 90,376,499

Net cash outflow from the acquisition of CIC and CST is as follows:

	Note	2016
Total purchase consideration	3	P127,333,895
Cash in banks acquired from CIC and CST		(19,911,885)
Net consideration transferred		107,422,010
Outstanding amount payable to previous owners		(96,245,240)
Net cash outflow on acquisition as at December 31, 2016		P 11,176,770

As at December 31, 2019, the Group assessed that the goodwill arising from the acquisition of CIC and CST was impaired. It was determined that the carrying amount of the CGU exceeded its recoverable amount considering the discounted future cash flows of the CGU. Based on Management's assessment, the projected revenue growth in the coming years is not sufficient to sustain its operations in the future. Accordingly, an impairment loss amounting to P36,957,396 was recognized in 2018, as disclosed in Note 25.

Investment in CPAVI

On December 22, 2015, the Parent Company entered into a share purchase agreement with CPGI to acquire 100% equity interest in CPAVI for a total purchase price of P3,396,810,681. Fair value of net assets acquired amounted to P481,485,482 which resulted in a goodwill from acquisition of P2,915,325,199. The sale was completed when CPGI and the Parent Company signed the deed of absolute sale covering the CPAVI shares on December 29, 2015.

The fair values of the identifiable assets and liabilities of CPAVI as at the date of acquisition were as follows:

	2015
Cash in banks	P 25,415,094
Trade and other receivables - net	256,233,613
Inventories – net	216,686,766
Prepayments and other current assets	114,173,195
Property, plant and equipment - net	1,005,902,935
Deferred tax assets	450,647
Other noncurrent assets	48,269,825
Trade and other payables	(170,862,425)
Due to related parties	(1,106,199,848)
Retirement benefit obligation	(1,502,159)
Total assets acquired and liabilities assumed	388,567,643
Property, plant and equipment - appraisal increase	92,917,839
Net assets acquired and liabilities assumed	P 481,485,482

Net cash outflow from the acquisition of CPAVI is as follows:

	Note	2016
Total purchase consideration	3	P3,396,810,681
Cash in banks acquired from CPAVI		(25,415,094)
Net cash outflow on acquisition as at December 31, 2015		P3,371,395,587

Based on Management review of impairment indicators, goodwill arising from the acquisition of CPAVI is not impaired as at December 31, 2019 and 2018.

The recoverable amount of this cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a five year period, and a discount rate of 11.9% and 11.6% per annum in 2019 and 2018, respectively.

Cash flow projections during the budget period are based on the same expected gross margins and raw materials price inflation throughout the budget period. The cash flows beyond that five-year period have been extrapolated using a steady 15% per annum growth rate in 2019 and 2018 which is the projected long-term average growth rate for the international leisure goods market. The Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

The Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the asset.

Licensing Agreement

In 2017, CPFI has acquired the Philippine license for the Hunt's brand from Hunt-Universal Robina Corporation ("HURC"). HURC is a joint venture corporation of Universal Robina Corporation ("URC") and ConAgra Grocery Products Company, LLC for the purpose of the manufacture, sell and distribute of Hunt's licensed products. HURC entered into various agreements with URC to act as HURC's exclusive partner for the manufacture, sale and distribution of the licensed products. The acquisition is expected to support the growth of the Parent Company's branded businesses, as well as expand its presence into adjacent shelf-stable categories.

To facilitate the Hunt's acquisition, CPFI entered into the following agreements on May 1, 2017 ("Signing date"):

Trademark licensing agreement

CPFI entered into a trademark licensing agreement with ConAgra Foods RDM, Inc. ("ConAgra"). The trademark license will entitle the CPFI an exclusive revocable right and license to manufacture and sell in the Philippines and other licensed territories the licensed products in accordance with the formulas and specifications furnished by ConAgra and to affix to the products the licensed marks after the grant date and during the term of the agreement. The licensing agreement shall have an initial term of 25 years subject to renewal of 3 years thereafter subject to the terms of the licensing agreement. On the same date, CPFI paid a one-time upfront fee of P214,230,000.

On each contract year, CPFI shall pay ConAgra the following:

- Guaranteed royalty to be paid quarterly and serves as a non-refundable advance towards the earned royalty for the licensed products; and
- Earned royalty is non-refundable and to be paid based on an agreed percentage of net sales per contract year.

Further, under the licensing agreement, CPFI intends to purchase from the plant machinery and equipment (the "assets") that can be used to manufacture the licensed products.

As at December 31, 2019, 2018 and 2017, royalty fee expense to ConAgra amounted to P18,044,879, P15,225,661 and P4,530,440, as disclosed in Note 24.

Product sales agreement

In connection with the purchase of the trademark license, CPFI entered into a product sales agreement with HURC for the purpose of building up inventory prior to the transfer of the Hunt's business. HURC shall to produce and sell the licensed products to CPFI from signing date up to August 1, 2017 (the "Closing date") based on the agreed projected volume and weekly production.

Asset purchase agreement

CPFI entered into an asset purchase agreement with URC which entails the purchase of the rights, title, interest in and to the assets on an "as-is and where-is basis". The said agreement also grants CPFI the access to the location of the assets, to enable the dismantling and transfer of such. All risk of loss shall transfer on closing date upon start of the dismantling and transporting of the assets regardless of when dismantling and transfer of assets to buyer's facilities is completed.

CPFI paid URC an aggregate fixed price of P145,087,000 for the assets purchased.

Compensation agreement

CPFI entered into a compensation agreement with URC for the pre-termination of URC's rights to manufacture, sell and distribute as an exclusive partner of HURC. CPFI paid URC an amount of P214,230,000 which represents the following:

- compensation for URC's absolute, irrevocable and unconditional consent for the pre-termination as an exclusive partner of HURC; and
- 50% effective share in the Hunt's business as a joint venturer of HURC.

Under the above agreements entered into by the CPFI, none of the debts and/or liabilities of ConAgra, URC or HURC are transferred to CPFI.

Purchase price allocation

The total consideration paid to ConAgra and URC for the Hunt's business amounted to P573,547,000 comprising of payments for the license, asset purchase and compensation.

The total consideration has been allocated to the identifiable assets on the basis of the relative fair values at acquisition date as follows:

	Note	
Plant machinery and equipment	15	P 35,651,000
Intangible asset on licensing agreement		537,896,000
Identifiable assets acquired		P573,547,000

No goodwill resulted from the acquisition of the Hunt's business.

In 2019, the remaining useful life of the intangible asset acquired is 22.33 years.

Movements in carrying amounts of the Group's intangible assets arising from the licensing agreement are as follows:

	Note	
Cost		
Balance, January 1, 2018		P537,896,000
Addition		
Balance, December 31, 2018		537,896,000
Additions		
Balance, December 31, 2019		**537,896,000**
Accumulated Depreciation		
Balance, January 1, 2018		7,171,947
Amortization	24	21,515,840
Balance, December 31, 2018		28,687,787
Amortization	24	21,515,840
Balance, December 31, 2019		50,203,627
Carrying Amount, December 31, 2019		**P487,692,373**
Carrying Amount, December 31, 2018		P509,208,213

Management believes that there is no indication that an impairment loss has occurred on its intangible assets.

Trademarks

In July 2008, the Group purchased Kaffe de Oro and Home Pride trademarks amounting to P40,000,000 from General Milling Corporation (GMC) owned and registered with the Intellectual Property Office.

In 2016, the Group acquired the "KAMAYAN" trademark from Concentrated Foodline Corporation for a total purchase price of USD1,307,700 or P61,474,888. The deed of assignment for the said trademark was dated August 17, 2016 and the purchase price was paid in full in the same year.

The Group has determined, based on annual impairment testing that the carrying amounts of intangible assets with indefinite useful life are not in excess of their net recoverable amounts. Thus, no impairment loss on trademarks was recognized in 2019, 2018 and 2017.

The Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the asset.

13. RIGHT OF USE ASSETS – net

The Group recognized Right of Use Assets -net amounting to P748,505,630 on January 1, 2019 as disclosed in Note 4 with consideration of the remaining lease term of lease contracts as of the initial application. Movements in the carrying amounts of the Group's Right of Use Asset are as follows:

	Warehouse	Office Space	Equipment	Plant	Total
Cost					
Balance, January 1, 2019	P448,806,342	P41,346,160	P218,482,180	P146,112,024	P 854,746,706
Additions	155,134,668	4,643,804	6,886,390	-	166,664,862
Balance, December 31, 2019	603,941,010	45,989,964	225,368,570	146,112,024	1,021,411,568
Accumulated Depreciation					
Balance, January 1, 2019	-	-	90,009,473	16,231,603	106,241,076
Depreciation	127,695,488	8,659,987	43,145,730	30,231,394	209,732,599
Balance, December 31, 2019	127,695,488	8,659,987	133,155,203	46,462,997	315,973,675
Carrying Amount December 31, 2019	**P476,245,522**	**P37,329,977**	**P 92,213,367**	**P 99,649,027**	**P 705,437,893**

The Management believes that there is no indication of impairment on the carrying amount of its Right-of-use assets as at December 31, 2019.

In 2018, the Parent Company leases certain manufacturing equipment under finance lease agreement. The average term is 6 years. The Parent Company has the option to purchase the equipment for a nominal amount at the end of the lease term with an unguaranteed residual value amounting P8,388,319. The Parent Company's obligations under finance leases are secured by the lessor's title to the leased assets.

<u>Amounts recognized in profit or loss</u>

Depreciation expenses charged to cost of goods sold under factory overhead and operating expenses in relation to right of use assets are as follows:

	2019
Cost of goods sold - depreciation expense	**P124,174,502**
Operating expenses - depreciation expense	**82,474,970**
Other expenses - depreciation expense	**3,083,127**
Total Depreciation Expense of Right of Use Assets	**P209,732,599**

14. BIOLOGICAL ASSETS

Biological assets of the Group comprise of fingerlings and mature milk fish. Movements of the carrying amounts of the biological assets are shown below.

	2019	2018
Balance, January 1	**P 42,853,751**	P 22,723,872
Purchased fingerlings	**33,223,057**	26,590,329
Consumed feeds	**96,068,590**	88,617,362
Direct labor	**1,257,578**	5,654,319
Overhead	**1,074,926**	3,588,120
Total cost	**174,477,902**	147,174,002
Decreases due to harvest	**(141,097,546)**	(104,320,251)
Balance, December 31	**P 33,380,356**	P 42,853,751

Fingerlings and mature milk fish are measured at cost since the fair market value cannot be measured reliably as they do not have either appropriate market index or individually effective measurement practices and they have short inventory period.

The Management believes that there is no recognized depreciation on biological assets given its nature which is to grow and use it as part of its production.

As at December 31, 2019 and 2018, the Management believes that there is no objective evidence of impairment on its biological assets carried at cost. Accordingly, no impairment loss was recognized in both years.

15. PROPERTY, PLANT AND EQUIPMENT - net

Movements in the carrying amounts of the Group's property, plant and equipment are as follows:

	Land Improvements	Building and Building Improvement	Plant Machinery and Equipment	Office Furniture, Fixtures and Equipment	Laboratory, Tools and Equipment	Transportation and Delivery Equipment	Construction in Progress	Total
Cost								
Balance, January 1, 2018	P50,690,551	P1,994,176,684	P3,629,246,605	P57,182,366	P394,101,131	P106,739,317	P 964,081,652	P7,196,218,306
Additions	1,797,843	74,231,753	985,196,963	7,721,768	55,108,664	18,646,525	165,004,329	1,307,707,845
Reclassifications	1,858,101	297,282,114	499,656,787	394,983	10,633,394	2,825,621	(812,651,000)	-
Disposals	-	(19)	(79,769,791)	(144,963)	(6,588,181)	(11,367,441)	(22,629)	(97,893,024)
Balance, December 31, 2018	54,346,495	2,365,690,532	5,034,330,564	65,154,154	453,255,008	116,844,022	316,412,352	8,406,033,127
Additions	848,435	88,180,888	565,818,080	5,369,790	47,908,052	12,232,842	1,053,805,113	1,774,163,200
Reclassifications	1,697,531	287,729,262	183,267,619	307,559	6,895,886	3,386,383	(651,117,525)	(167,833,285)
Disposals	-	-	-	(304,754)	(768,151)	(3,352,678)	(35,016,987)	(39,442,570)
Balance, December 31, 2019	56,892,461	2,741,600,682	5,783,416,263	70,526,749	507,290,795	129,110,569	684,082,953	9,972,920,472
Accumulated Depreciation and Impairment Losses								
Balance, January 1, 2018	45,951,112	473,043,737	1,397,133,429	35,489,629	263,093,236	45,695,741	-	2,260,406,884
Depreciation	1,007,207	128,157,244	537,838,012	9,904,961	10,075,032	18,410,509	-	705,392,965
Impairment loss	-	-	-	-	-	-	-	-
Disposal	-	-	(5,653,004)	(121,294)	(2,970,742)	(9,091,122)	-	(17,836,162)
Balance, December 31, 2018	46,958,319	601,200,981	1,929,318,437	45,273,296	270,197,526	55,015,128	-	2,947,963,687
Depreciation	1,466,506	128,209,810	470,561,038	8,116,054	72,693,251	20,070,633	-	701,117,292
Reclassifications	-	9,437,588	(96,579,130)	-	-	-	-	(87,141,542)
Disposal	-	-	-	(285,342)	(38,858)	(3,238,109)	-	(3,562,309)
Balance, December 31, 2019	48,424,825	738,848,379	2,303,300,345	53,104,008	342,851,919	71,847,652	-	3,558,377,128
Carrying Amounts As at December 31, 2019	**P 8,467,636**	**P2,002,752,303**	**P3,480,115,918**	**P17,422,741**	**P164,438,876**	**P 57,262,917**	**P 684,082,953**	**P6,414,543,344**
Carrying Amounts As at December 31, 2018	P 7,388,176	P1,764,489,551	P3,105,012,126	P19,880,859	P183,057,482	P 61,828,894	P 316,412,352	P5,458,069,440

Details of depreciation charged to profit or loss are disclosed below:

	Notes	2019	2018	2017
Cost of goods sold	22	**P638,174,865**	P638,585,720	P461,722,067
Operating expenses	24	**62,924,774**	66,807,245	56,430,449
Reimbursable expenses		**17,653**	-	-
		P701,117,292	P705,392,965	P518,152,516

Construction in progress pertains to accumulated costs incurred on the ongoing construction of the Group's new production plant and administration building as part of the Group's expansion program.

Adjustments mainly pertain to AWI's labor and materials expensed to cost of goods sold.

The Group recognized loss on sale of certain equipment amounting to P34,610,707, P2,098,022 and Nil in 2019, 2018, and 2017, respectively, as disclosed in Notes 25 and gain amounting to P2,980,501, Nil and P3,276,212 in 2019, 2018 and 2017, respectively, as disclosed in Note 23.

Management believes that there is no indication that an impairment loss has occurred on its property, plant and equipment as at December 31, 2019. Impairment loss amounting to P2,006,445 which pertains to AWI was recognized in 2017, as disclosed in Note 25. The impairment loss recognized during the year was due to the decrease in the fair market value of the asset.

16. OTHER NON-CURRENT ASSETS

The Group's other non-current assets consist of:

	Note	2019	2018
Security deposits	32	**P64,329,977**	P76,190,217
Returnable containers		**17,447,561**	10,002,545
Deposits on utilities		**1,725,791**	2,698,657
Others		**6,289,780**	3,585,463
		P89,793,109	P92,476,882

Security deposits pertain to deposits required under the terms of the lease agreements of the Group with certain lessors.

Returnable containers are assets used in the delivery of the Group's products. Products for delivery do not include the value of these containers.

Others pertain to claims from suppliers not yet settled as at December 31, 2019 and 2018.

17. BORROWINGS

This account is composed of:

	2019	2018
Current	**P2,433,508,587**	P3,209,500,000
Non-current	**3,086,500,000**	3,103,000,000
	P5,520,008,587	P6,312,500,000

Movements in the Group's borrowings are as follows:

	2019	2018
Balance, January 1	**P6,312,500,000**	P3,708,000,000
Additions	**4,986,000,000**	4,050,000,000
Repayments	**(5,778,491,413)**	(1,445,500,000)
	P5,520,008,587	P6,312,500,000

In 2015, the Parent Company entered into short-term and unsecured financing facilities with certain financial institutions through the issuance of promissory notes for the acquisition of CPAVI totaling P2,250,000,000 due on March 22, 2016 with interest rate ranging from 2.25% to 2.50%. Repayments made in 2016 from these loans amounted to P1,350,000,000. Of the remaining loans, P600,000,000 was extended with a new maturity date of April 14, 2017 and interest rate of 2.25% and P300,000,000 was converted to long-term loan with a maturity date of April 20, 2021 and interest rate of 4.25% per annum.

In 2016, the Parent Company entered into short-term and unsecured peso loans from local banks amounting to P394,000,000 with maturity date equal to or less than 12 months. Remaining amount of P200,000,000 was converted to long-term loan with a maturity date of April 20, 2021 and interest rate of 4.25% per annum. Repayments from these loans in 2017 and 2016 amounted to P54,000,000 and P140,000,000, respectively.

In 2016, the Parent Company entered into a long-term and unsecured loan amounting to P1,150,000,000 due on May 5, 2021 payable annually with interest rate of 4.30% per annum. Current portion of this loan amounted to P11,500,000 which will be due in less than 12 months. Repayments of these loans amounted to P11,500,000 in 2018 and 2017.

Current portion of all converted long-term loans amounted to P5,000,000 and P5,000,000 in 2019 and 2018, respectively. Repayments of these converted loans amounting to P5,000,000 and P5,000,000 in 2019 and 2018, respectively.

In 2018, the Parent Company entered into a long-term unsecured loan amounting to P1,500,000,000 due on July 11, 2023 payable annually with interest rate of 5.85% per annum. There is no current portion of this loan which will be due in less than 12 months.

Also in 2018, the Parent Company entered into short-term and unsecured peso loans from local banks amounting to P1,720,000,000 with maturity date of less than 12 months with interest rates ranging from 3.80% to 7.00% per annum. Repayments of the short-term loans amounted to P1,429,000,000 in 2018.

Furthermore, SMDC entered into an unsecured short-term loan transaction amounting to P300,000,000, representing the borrowings from local commercial banks, for working capital requirements, bearing a fixed annual interest rate of 3.3% to 5.0% in 2018.

In addition, GTC obtained a short-term interest-bearing and unsecured loans from local commercial banks to primarily fund the Parent Company's working capital needs. The unsecured loans, amounting to P530,000,000, have annual interest rates ranging from 5% to 7%.

In 2019, the Group obtained a short-term interest-bearing and unsecured loans from local commercial banks amounting to P4,986,000,000 and a total repayment of P5,778,491,413.

Total finance costs incurred on these loans amounted to P325,478,402, P190,802,503 and P106,978,129 in 2019, 2018 and 2017, respectively, as presented in the consolidated statements of comprehensive income.

Total accrued interest payable on these loans amounted to P68,734,154 and P62,941,166 as at December 31, 2019 and 2018, respectively, as part of accrued expenses, as disclosed in Note 18.

The Parent has loan covenants of maintaining a debt to equity ratio not greater than 3:1 and a Debt Service Coverage Ratio of at least 1.05x based on its latest audited financial statements as of the relevant periods.

In addition, the Group must not materially change the voting control of its capital stocks and it must not declare or pay dividends or purchase, redeem, retire, or otherwise acquire for value any of its capital stock now or hereafter outstanding in case the Group is in default of its obligation under the agreement.

The Group is compliant with the bank covenants imposed by the bank institutions.

18. TRADE AND OTHER PAYABLES

The Group's trade and other payables consist of:

	2019	2018
Trade payables	**P3,687,910,262**	P3,386,303,083
Accrued expenses	**2,741,844,194**	3,155,100,138
Withholding taxes payable	**136,744,967**	102,845,400
Non-trade payables	**66,874,097**	66,846,863
Others	**199,355,630**	296,053,386
	P6,832,729,150	P7,007,148,870

The credit period on purchases of certain goods from suppliers ranges from 30 to 120 days. No interest is charged on trade payables. Accrued expenses are non-interest bearing and are normally settled within one year. The Group has financial risk management policies in place to ensure that all payables are paid within the credit period.

Non-trade payables pertain to payables to government and reimbursements to employees which are payable on demand and no interest is charged.

Other payables include liabilities related to utilities, various agencies and regulatory bodies.

Details of accrued expenses are shown below:

	Notes	**2019**	2018
Product-related cost		**P1,370,811,789**	P1,706,753,086
Advertising and promotion		**1,118,282,530**	916,935,485
Employee benefits		**101,701,678**	178,037,143
Provisions	24	**-**	120,639,174
Professional cost		**10,454,464**	80,078,812
Interest	17	**68,734,154**	62,941,166
Rent		**17,668,455**	29,582,644
Utilities		**12,865,484**	7,617,694
Others		**41,325,640**	52,514,934
		P2,741,844,194	P3,155,100,138

Provisions recognized pertain to estimated losses relating to uncertainties that are associated with the nature of its business operations. In 2018, the Group set up additional provision amounting to P92,972,821 as disclosed in Note 24, for possible losses on product complaints on the tin cans sold.

Reversals of accruals pertaining to long-outstanding liability to third party vendors amounting to P125,718,029, P71,759,813, and P54,401,233 were made in 2019, 2018 and 2017, respectively, as disclosed in Note 23.

Others pertain to accruals for insurance expenses.

19. RETIREMENT BENEFIT OBLIGATION

The Group has set up the Century Pacific Group of Companies Multiemployer Retirement Plan which is a funded, non- contributory and of the defined benefit type which provides a retirement benefit ranging from 100% to 130% of plan salary for every credited service. Benefits are paid in a lump sum upon retirement or separation in accordance with terms of the plan.

Under the existing regulatory framework, Republic Act (RA) No. 7641, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity provided, however, that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the fund.

The Retirement Plan Trustee, as appointed by the Group in the Trust Agreement executed by the Group and the duly appointed Retirement Plan Trustee, is responsible for the general administration of the retirement plan and the management of the retirement plan.

As at December 31, 2019, 2018 and 2017, the Group's retirement fund has investments in various shares of stocks under the stewardship of a reputable bank. All of the Fund's investing decisions are made by the Board of Trustees which is composed of certain officers of the Group. The power to exercise the voting rights rests with the Board of Trustees.

The plan typically exposes the Group to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk.

Investment risk

The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan's investments are in the form of debt instruments of government security bonds, equity instruments and fixed income instruments. Due to the long-term nature of the plan liabilities, the board of the pension fund considers it appropriate that a reasonable portion of the plan assets should be invested in government security bonds.

Interest rate risk

A decrease in the government security bond interest rate will increase the retirement benefit plan obligation. However, this will be partially off-set by an increase in return in on the plan's debt investment.

Longevity risk

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the retirement benefit obligation.

Salary risk

The present value of the defined benefit plan obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the retirement benefit obligation.

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation were carried out by an independent actuary for the year ended December 31, 2019.

The present value of the defined benefit obligation and the related current service cost was measured using the Projected Unit Credit Method.

The principal assumptions used for the purpose of the actuarial valuation were as follows:

	Valuation at 2019		Valuation at 2018		Valuation at 2017	
	Discount Rate	**Expected Rate of Salary Increase**	Discount Rate	Expected Rate of Salary Increase	Discount Rate	Expected Rate of Salary Increase
CPFI	**5.24%**	**4.00%**	7.52%	4.00%	5.69%	4.00%
GTC	**5.24%**	**4.00%**	7.52%	4.00%	5.69%	4.00%
SMDC	**5.24%**	**4.00%**	7.52%	4.00%	5.69%	4.00%
CPAVI	**5.24%**	**4.00%**	7.52%	4.00%	5.69%	4.00%

The mortality rate used for the above subsidiaries is based on The 2001 CSO Table – Generational (Scale AA, Society of Actuaries).

Amounts recognized in the consolidated statements of comprehensive income in respect of this retirement benefit plan are as follows:

	2019	2018	2017
Service costs:			
Current service cost	**P 34,308,653**	P36,461,217	P33,921,458
Net interest expense	**4,377,239**	5,233,194	6,363,676
Components of defined benefit costs recognized in profit or loss	**38,685,892**	41,694,411	40,285,134
Remeasurement on the net defined benefit asset:			
Loss on plan assets (excluding amounts included in net interest expense)	**(20,695,314)**	14,819,902	6,443,785
Effect of asset ceiling	**(64,632)**	60,103	(27,533)
Actuarial (gains) losses:			
from changes in financial assumptions from experience	**100,112,888**	(65,547,706)	(5,038,105)
adjustments	**12,321,121**	28,429,832	(8,205,733)
Components of defined benefit costs recognized in other comprehensive income	**91,674,063**	(22,237,869)	(6,827,586)
	P130,424,587	P19,456,542	P33,457,548

The amounts included in the consolidated statements of financial position arising from the Group's retirement benefit plans are as follows:

	2019	2018
Present value of retirement benefit obligation	**P452,006,056**	P291,649,515
Fair value of plan assets	**(291,981,031)**	(213,431,933)
Effect of the asset ceiling - SMDC	**-**	60,103
Retirement benefit obligation	**P160,025,025**	P 78,277,685

The Asset Ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the Plan. The present value of the reduction in future contributions is determined using the discount rate applied to measure the year-end defined benefit obligation.

Movements in the present value of retirement benefit obligations are as follows:

	2019	2018
Balance, January 1	**P291,649,515**	P293,177,766
Current service cost	**34,308,653**	36,461,217
Interest cost	**21,957,251**	16,681,815
Benefits paid	**(8,343,372)**	(17,553,409)
Remeasurement (gain) loss:		
from changes in financial assumption	**100,112,888**	(65,547,706)
from changes in experience adjustment	**12,321,121**	28,429,832
Balance, December 31	**P452,006,056**	P291,649,515

Movements in the fair value of plan assets are as follows:

	2019	2018
Balance, January 1	**P213,431,933**	P185,740,359
Contributions paid into the plan	**48,612,624**	48,612,624
Interest income	**17,584,532**	11,452,261
Benefits paid	**(8,343,372)**	(17,553,409)
Return on plan assets (excluding amounts included in net interest expense/income)	**20,695,314**	(14,819,902)
Balance, December 31	**P291,981,031**	P213,431,933

The following is the composition of plan assets as at the December 31, 2019 and 2018:

	2019	2018
Cash and cash equivalents	**P 27,105,212**	P 10,628,910
Debt instruments - government bonds	**190,525,109**	145,539,235
Debt instruments - other bonds	**10,018,414**	12,656,514
Unit investment trust funds	**54,327,258**	52,760,374
Others (market gains or losses, accrued receivables, etc.)	**10,106,038**	(8,153,100)
	P292,082,031	P213,431,933

The Retirement Trust Fund assets are valued by the fund manager at fair value using the mark-to-market valuation. While no significant changes in asset allocation are expected in the next financial year, the Retirement Plan Trustee may make changes at any time.

The Retirement Plan Trustee has no specific matching strategy between the plan assets and the plan liabilities.

The Management is not required to pre-fund the future defined benefits payable under the Retirement Plan before they become due. For this reason, the amount and timing of contributions to the Retirement Fund to support the defined benefits are at the Management's discretion. However, in the event a defined benefit claim arises and the Retirement Fund is insufficient to pay the claim, the shortfall will then be due and payable from the Group to the Retirement Fund.

Actual return on plan assets as at December 31, 2019 and 2018 are as follows:

	2019	2018
Interest income	**P17,584,532**	P11,452,261
Remeasurement loss	**20,695,314**	(14,819,902)
Actual return	**P38,279,846**	(P 3,367,641)

Movements in the OCI relating to retirement obligation for 2019, 2018 and 2017 are as follows:

	2019	2018	2017
Accumulated OCI, beginning	**P 64,286,150**	P86,524,019	P93,351,605
Actuarial losses on DBO	**112,434,009**	(37,117,874)	(13,243,838)
Remeasurement losses on plan assets	**(20,695,314)**	14,819,902	6,443,785
Effect of asset ceiling	**(64,632)**	60,103	(27,533)
	91,674,063	(22,237,869)	(6,827,586)
Accumulated OCI, end	**P155,960,213**	P64,286,150	P86,524,019

Amounts of OCI, net of tax recognized in the consolidated statements of comprehensive income for 2019, 2018 and 2017 are computed below:

	2019	2018	2017
Actuarial losses on DBO	**P112,434,009**	(P37,117,874)	(P13,243,838)
Remeasurement losses on plan assets	**(20,695,314)**	14,819,902	6,443,785
Effect of asset ceiling	**(64,632)**	60,103	(27,533)
	91,674,063	(22,237,869)	(6,827,586)
Deferred tax	**27,502,219**	6,671,361	2,048,276
OCI, net of tax	**P119,176,282**	(P15,566,508)	(P4,779,310)

Significant actuarial assumptions for the determination of the defined obligation are discount rate and expected salary increase. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

Details on the expected contribution to the defined benefit pension plan in 2019 and the weighted average duration of the defined benefit obligation at the end of the reporting period of the Group are as follows:

	Expected contribution	**Duration of the plan (in years)**
CPFI	**P41,889,504**	**10.0**
SMDC	**685,056**	**11.5**
GTC	**4,535,736**	**12.1**
CPAVI	**1,502,328**	**16.1**

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as at December 31, 2019 and 2018:

	Impact on post-employment defined benefit obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
2019			
CPFI			
Discount rate	**+/- 1%**	**44,453,110**	**(37,195,452)**
Salary increase rate	**+/- 1%**	**44,564,309**	**(37,934,865)**
SMDC			
Discount rate	**+/- 1%**	**1,517,163**	**(1,246,824)**
Salary increase rate	**+/- 1%**	**1,520,989**	**(1,271,383)**
GTC			
Discount rate	**+/- 1%**	**8,501,679**	**(6,986,190)**
Salary increase rate	**+/- 1%**	**8,523,143**	**(7,123,762)**
CPAVI			
Discount rate	**+/- 1%**	**4,256,991**	**(3,351,805)**
Salary increase rate	**+/- 1%**	**4,267,962**	**(3,416,363)**
2018			
CPFI			
Discount rate	+/- 1%	26,251,892	(22,279,224)
Salary increase rate	+/- 1%	26,940,567	(23,179,722)
SMDC			
Discount rate	+/- 1%	698,358	(589,555)
Salary increase rate	+/- 1%	716,654	(613,263)
GTC			
Discount rate	+/- 1%	4,457,821	(3,735,916)
Salary increase rate	+/- 1%	4,575,010	(3,885,538)
CPAVI			
Discount rate	+/- 1%	1,615,629	(1,279,141)
Salary increase rate	+/- 1%	1,659,527	(1,329,003)

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the Projected Unit Credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the consolidated statements of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

20. SHARE CAPITAL

	2019		2018	
	Number of Shares	**Amount**	Number of Shares	Amount
Authorized:				
At P1 par value	**6,000,000,000**	**P6,000,000,000**	6,000,000,000	P6,000,000,000
Issued, fully-paid and outstanding:				
Balance, January 1	**P3,542,258,595**	**P3,542,258,595**	P3,542,258,595	P3,542,258,595
Issuance	**-**	**-**	-	-
Balance, December 31	**P3,542,258,595**	**P3,542,258,595**	P3,542,258,595	P3,542,258,595

In 2018, the Parent Company recognized share premium on the 2017 equity-settled share based compensation which amounted to P8,763,637.

On February 6, 2017, the Parent Company issued a total of 1,229,700 common shares with a purchase price of P14.10 with a total amount of P17,338,770 pursuant to its Employee Stock Purchase Plan, as disclosed in Note 28.

The Parent Company has one class of common shares which carry one vote per share and carry a right to dividends.

Share premium as at December 31, 2019 and 2018 amounted to P4,936,859,146 and P4,936,859,146, respectively, which pertains to the excess proceeds from issuance of share capital over the par value, net of issuance cost.

The history of the share issuances from the initial public offering IPO of the Parent Company is as follows:

Transaction	Subscriber	Registration	Number of Shares Issued
Issuance at incorporation	Various	2013	1,500,000,000
IPO	Various	2014	229,650,000
Issuance subsequent to IPO	Various	2014	500,004,404
Equity settled share based compensation	Various	2014	1,367,200
Issuance	Various	2015	128,205,129
Equity-settled share based compensation	Various	2015	1,059,200
Stock grants	Various	2015	400,000
Stock dividends	Various	2016	1,180,342,962
Equity-settled share based compensation	Various	2017	1,229,700
			3,542,258,595

In 2018, the Parent Company's Board of Directors (BOD) authorized to appropriate P1,313,000,000 of the total unappropriated retained earnings for capital expenditures, specifically for the construction of a new tuna plant, corporate projects, and other projects in connection with the canned meat, sardines, and mixed business of the Parent Company. The purpose of the appropriation is expected to be completed in 2019.

Also in 2018, CPFPVI's BOD approved the proposed appropriation of retained earnings for capital expenditures, specifically for plant expansion and improvement projects in 2018 amounting to P215,300,000. The purpose for which the appropriation was made is expected to be completed in 2019.

In addition to 2018, AWI's BOD approved the appropriation of retained earnings amounting P71,000,000 for cold storage expansion and is expected to be completed in 2019.

21. NET SALES

	2019	2018	2017
Sales	**P45,976,906,330**	P42,742,112,669	P36,788,174,275
Variable considerations	**(3,521,918,678)**	(3,371,907,245)	(2,613,590,924)
Considerations payable to a customer	**(1,894,624,696)**	(1,484,904,745)	(1,267,266,244)
	P40,560,362,956	P37,885,300,679	P32,907,317,107

Details of the variable considerations and considerations payable to a customer are shown below:

	2019	2018	2017
Variable Considerations:			
Sales discounts and returns	**P3,155,285,963**	P3,033,915,025	P2,292,470,850
Contractual trade terms	**251,665,398**	283,405,159	245,985,333
Price adjustments	**12,638,731**	26,595,727	75,134,741
Prompt payment discount	**102,328,586**	27,991,334	-
	P3,521,918,678	P3,371,907,245	P2,613,590,924
Considerations Payable to a Customer:			
Trade promotions	**P1,660,455,343**	P1,321,591,920	P1,134,586,002
Display allowance	**84,698,257**	87,688,787	70,312,053
Distribution program	**62,032,552**	39,649,082	34,484,976
Other trade promotions	**87,438,544**	35,974,956	27,883,213
	P1,894,624,696	P1,484,904,745	P1,267,266,244

22. COST OF GOODS SOLD

The Group's cost of goods sold consists of:

	Note	2019	2018	2017
Raw materials used		**P26,675,416,000**	P28,044,364,550	P22,649,113,969
Direct labor		**1,450,063,783**	1,395,352,671	1,245,365,914
Factory overhead		**3,348,472,230**	3,133,018,494	2,451,633,232
Provisions for inventory obsolescence	10	**9,737,244**	47,024,856	11,956,952
Total manufacturing cost		**31,483,689,257**	32,619,760,571	26,358,070,067
Changes in finished goods		**(647,395,187)**	(2,882,194,415)	(385,274,105)
		P30,836,294,070	P29,737,566,156	P25,972,795,962

23. OTHER INCOME

The Group's other income consists of:

	Notes	2019	2018	2017
Foreign currency gain		**P -**	P184,310,016	P 22,216,473
Gain from sale of scrap		**15,150,463**	123,654,220	157,750,288
Reversal of accruals	18	**125,718,029**	71,759,813	54,401,233
Service income	27	**57,645,388**	50,679,793	23,895,880
Marketing support and reimbursements		**62,682,715**	29,011,908	-
Reversal of allowance for inventory obsolescence	10	**192,375,933**	28,616,691	56,387,327
Reversal of allowance for doubtful accounts	9	**-**	-	33,463,059
Commission income		**-**	20,910,557	27,221,635
Shared services fee	27	**14,200,000**	14,200,000	14,200,000
Supplier's incentive		**-**	-	12,866,100
Interest income	7 ,8 ,9	**8,168,488**	7,579,030	4,911,950
Gain on sale of property, plant and equipment	15	**2,980,501**	-	3,276,212
Reversal of impairment loss	6	**5,184,818**	-	-
Rental income		**-**	2,780,000	-
Others		**52,185,258**	2,014,817	17,488,228
		P536,291,593	P535,516,845	P428,078,385

Others pertain to net amount collectible from supplier and other payment adjustments.

24. OPERATING EXPENSES

The Group's operating expenses consist of:

	Notes	2019	2018	2017
Advertising and trade promotion		**P1,610,234,923**	P1,332,081,122	P1,167,990,888
Freight and handling		**1,427,537,717**	1,271,775,083	1,002,141,236
Salaries and employee benefits	26	**993,298,422**	863,538,633	716,298,813
Travel and entertainment		**179,539,042**	177,461,067	143,781,861
Depreciation and amortization	2, 13, 15	**166,915,584**	88,323,085	63,602,396
Outside services		**163,631,296**	145,800,680	140,340,596
Taxes and licenses		**148,879,518**	87,508,148	70,324,208
Legal and professional fees		**145,454,938**	126,294,861	79,910,872
Repairs and maintenance		**101,856,212**	68,068,174	90,224,244
Rent	32	**98,877,716**	194,174,763	174,192,860
Supplies		**66,135,483**	67,849,836	50,453,080
Provisions for inventory obsolescence	10	**62,657,186**	92,972,821	2,936,341
Utilities		**53,595,287**	82,142,979	57,950,263
Royalties	12	**28,144,008**	35,204,024	21,327,031
Insurance		**18,931,345**	19,143,439	24,112,820
Doubtful accounts expense	9	**5,794,328**	14,125,264	5,501,642
Fees and dues		**-**	7,824,521	-
Others		**61,143,084**	46,293,343	82,405,348
		P5,332,626,089	P4,720,581,843	P3,893,494,499

Part of the royalties amounting to P10,099,129, P19,978,363 and P16,796,591 in 2019, 2018 and 2017, respectively pertain to the royalty agreement of CPAVI with All Market Singapore (AMS) where the basis of the amount is 18.5% on CPAVI monthly gross sales.

25. OTHER EXPENSES

The Group's other expenses consist of:

	Notes	2019	2018	2017
Loss on impairment of input tax	11	**P -**	P 45,056,560	P -
Foreign currency Loss		**131,988,441**	-	-
Goodwill impairment	12	**-**	36,957,396	-
Loss on inventory write-down	10	**185,817,650**	22,065,037	10,796,525
Documentary stamp tax		**20,783,462**	19,690,515	12,656,567
Input tax for government sales		**26,287,790**	16,873,126	6,913,214
Bank charges		**4,225,504**	9,622,675	6,077,681
Provision on impairment of input tax	11	**5,538,547**	5,823,633	1,444,836
Loss on disposal of property, plant and equipment	15	**34,610,707**	2,098,022	-
Loss on impairment of property, plant and equipment	15	**-**	-	2,006,445
Penalties and other taxes		**14,758,875**	-	-
Reimbursables		**58,387,557**	-	-
Others		**37,279,035**	5,482,565	96,439
		P519,677,568	P163,669,529	P39,991,707

26. EMPLOYEE BENEFITS

Aggregate employee benefits expense comprised of:

	Notes	2019	2018	2017
Cost of goods sold:				
Short-term benefits		**P 308,896,697**	P 289,361,819	P228,727,308
Post-employment benefits	19	**8,746,963**	7,583,775	7,422,712
		317,643,660	P296,945,594	236,150,020
Operating expenses:				
Short-term benefits		**963,359,513**	829,427,997	680,374,438
Post-employment benefits	19	**29,938,929**	34,110,636	32,862,422
Share-based payments	28	**-**	-	3,061,953
	24	**993,298,442**	863,538,633	716,298,813
		P1,310,942,102	P1,160,484,227	P952,448,833

27. RELATED PARTY TRANSACTIONS

In the normal course of business, the Group transacts with companies which are considered related parties under PAS 24, *Related Party Transactions*, as summarized below.

	Relationship
Century Pacific Group, Inc.	Ultimate Parent Company
The Pacific Meat Company, Inc.	Fellow subsidiary
Columbus Seafoods Corporation	Fellow subsidiary
Yoshinoya Century Pacific, Inc.	Fellow subsidiary
Century Pacific Vietnam Co. Ltd.	Fellow subsidiary
Century Pacific Vietnam Co., Ltd. (CPVL)	Fellow Subsidiary
RSPO Foundation, Inc.	Fellow subsidiary
Rian Realty Corporation (RRC)	Fellow subsidiary
Pacifica Agro Industrial Corp. (PAIC)	Fellow subsidiary
Century Pacific Cyber Technologies, Inc. (CPCTI)	Fellow subsidiary
Millennium Land Development Corporation (MLDC)	Fellow subsidiary
Shining Ray Limited (SRL)	Fellow subsidiary
Pacific Pabahay Homes, Inc. (PPHI)	Fellow subsidiary
Century Sino-Beverage Company Limited (CSBCL)	Fellow subsidiary
Centrobless Corp. (CBC)	Fellow subsidiary
Shakey's Asia Foods, Holding Inc. (SAFHI)	Fellow subsidiary
DBE Project Inc.	Fellow subsidiary
Shakey's Pizza Asia Ventures, Inc. (SPAVI)	Fellow subsidiary

The summary of the Group's transactions and outstanding balances with related parties as at and for the years ended December 31, 2019 and 2018 are as follows:

		Amount of Transactions During the Year			Outstanding Receivable (Payable)	
Related Party Category	**Notes**	**2019**	2018	2017	**2019**	2018
Ultimate Parent Company						
Sale of inventories	a	**P -**	P -	P 5,669,643	**P -**	P -
Service fee	c	**-**	75,276	**-**	**-**	4,428
Sale of fixed assets	f	**-**	50,900	5,669,643	**-**	-
Cost reimbursements	c	**585,955**	1,833,126	8,602,348	**26,338**	-
Rental expense	e	**45,145,379**	44,029,749	41,617,812	**(4,442,390)**	(3,440,652)
Dividends	29	**438,092,637**	437,238,467	401,562,000	**-**	-
Miscellaneous deposit	h	**-**	-	-	**14,024,067**	13,462,828
Cash advance	g	**-**	-	340,000,000	**-**	-
Fellow Subsidiaries						
Shared services fee	d	**14,200,000**	14,200,000	14,200,000	**-**	-
Sale of inventories	a	**305,193,172**	255,344,779	273,185,877	**246,689,355**	108,530,741
Purchase of inventories	b	**125,958,838**	82,515,908	42,041,958	**(15,264,457)**	(7,141,088)
Service fee	c	**57,059,433**	50,604,517	23,895,880	**-**	-
Cost reimbursements	c	**29,886,276**	33,071,723	56,542,716	**-**	-
Rental expense	e	**3,095,988**	4,158,603	2,338,560	**-**	-
Miscellaneous deposit	h	**-**	-	-	**849,150**	849,150
Sale of property, plant and equipment	f	**19,976**	526,424	2,527,090	**-**	-
Retirement Fund						
Contributions from the employer	19	**48,612,624**	48,612,624	44,283,861	**-**	-
Due from Related Parties					**P261,588,910**	P122,847,147
Due to Related Parties					**(P 19,706,847)**	(P 10,581,740)

Terms and conditions of transactions with related parties

Outstanding balances at year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. As at December 31, 2019 and 2018, no related party has recognized any impairment losses of receivables relating to amounts advanced to another related party. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

a. The Parent Company enters into sale transactions with its ultimate parent company and fellow subsidiaries for the distribution of products to certain areas where Management deems it necessary to establish customers. Sales are considered pass through sales, hence, they were made without mark-up.

b. The Parent Company purchases goods from its related parties. These purchase transactions are pass through transactions, hence, they were made without mark-up.

c. The Parent Company shares cost with its related parties relating to repairs and maintenance, supplies, fees and dues, utilities and other operating expenses. Service income from related parties amounted to P57,645,388, P50,679,793 and P23,895,880 in 2019, 2018 and 2017, respectively, as disclosed in Note 23. Shared cost reimbursement from related parties amounted to P29,886,276, P34,904,849 and P65,145,064 in 2019, 2018 and 2017, respectively.

d. The Parent Company entered into a Master Service Agreement (MSA) with related parties to provide corporate office services. In accordance with the terms of the MSA, the Parent Company provides management service for manpower, training and development. For and in consideration thereof, the Parent Company shall charge the related parties their share of the costs on a monthly basis for the services rendered.

   The MSA shall be in effect from date of execution and shall automatically renew on a month-to-month basis, unless terminated by either party through the issuance of a written advice to that effect at least 30 days prior to the intended date of termination.

   Shared services fee amounted to P14,200,000, P14,200,000 and P14,200,000 in 2019, 2018 and 2017, respectively, which is included in other income account in the consolidated statements of comprehensive income shown in Note 23.

e. The Group, as a lessee, has a lease agreement with CPGI for the use of the latter' office space in Centerpoint, Ortigas. Total rental expense related on this lease agreement amounted to P45,145,379, P44,029,749 and P41,617,812 in 2019, 2018 and 2017, respectively, presented as part of rental expense disclosed in Note 24.

f. The Group entered into sale of property, plant and equipment to PPHI for P19,976 in 2019, PMCI for P526,424 2018, and to CPGI for P50,900 in 2018. All property, plant and equipment are sold at carrying value.

g. The Group, in the normal course of business, borrowed from its Ultimate Parent Company funds for working capital requirements. These advances are non-interest bearing and short-term in nature.

h. In 2019 and 2018, the Group has a lease agreement with CPGI and RRC for the use of land, warehouses and office space as a lessee. Total security deposits as at December 31, 2019 and 2018 amounted to P14,873,218 and P14,311,978, respectively.

Total amount of intercompany receivables eliminated as at December 31, 2019 and 2018 amounted to P2,238,968,256 and P2,182,297,094, respectively. Total amount of intercompany payables eliminated as at December 31, 2019 and 2018 amounted to P2,236,797,086 and P2,117,419,278, respectively.

Remuneration of Key Management Personnel

The remuneration of the Directors and other members of key management personnel of the Group are set out below in aggregate for each of the categories specified in PAS 24, *Related Party Disclosures*:

	2019	2018	2017
Short-term employee benefits	**P522,809,016**	P443,159,765	P370,984,205
Post-employment benefit	**15,972,818**	14,064,316	11,054,704
Share-based compensation expense	**-**	-	3,061,953
	P538,781,834	P457,224,081	P385,100,862

The short-term employee benefits of the key management personnel are included as part of compensation and other benefits in the consolidated statements of comprehensive income.

The Group has provided share-based payments to its key management employees for the years ended December 31, 2019 and 2018, as disclosed in Note 27.

28. SHARE-BASED PAYMENTS

Employee Stock Purchase Plan (ESPP)

The ESPP gives benefit-eligible employees an opportunity to purchase the common shares of the Parent Company at a price lower than the fair market value of the stock at grant date. The benefit-eligible employee must be a regular employee of the Parent Company who possesses a strong performance record. The benefit-eligible employee shall be given the option to subscribe or purchase up to a specified number of shares at a specified option price set forth in which they have the option to participate or not. There are designated ESPP purchase periods and an employee may elect to contribute an allowable percentage of the base pay through salary deduction.

The plan took effect upon the shareholder’s approval on September 26, 2014 and was approved by the SEC on December 19, 2014.

On June 3, 2015, the Parent Company’s BOD authorized to amend the existing ESPP to increase the underlying shares from 3,269,245 shares to 8,269,245 shares and was approved by the SEC on May 31, 2016.

The number of options granted is calculated in accordance with the performance-based formula approved by shareholders at the previous annual general meeting and is subject to approval by the remuneration committee.

As at December 31, 2019, 2018 and 2017, the aggregate number of shares that may be granted to any single individual during the term of the ESPP in the form of stock purchase plans shall be determined in the following capping of shares as follows:

Level	Maximum Share Allocated
Vice-President or Board members	**40,000**
Assistant Vice-Presidents	**18,333**
Managers	**6,000**
Supervisor	**2,500**
Rank and File	**1,250**
	68,083

In 2017, 2016, 2015 and 2014, the purchase period schedules and option prices are as follows:

Purchase Period	Maximum Number of Available Shares	Option Price
December 1 - 31, 2017	8,269,245	15% discount on the 3-mos average of Volume Weighted Average Price (VWAP) as of the date of approval by the Parent Company's stockholders or at a Floor Price of IPO price of P13.75
December 1 - 31, 2016	8,269,245	15% discount on the 3-mos average of Volume Weighted Average Price (VWAP) as of the date of approval by the Parent Company's stockholders or at a Floor Price of IPO price of P14.10
December 1 - 31, 2015	8,269,245	15% discount on the 3-mos average of Volume Weighted Average Price (VWAP) as of the date of approval by the Parent Company's stockholders or at a Floor Price of IPO price of P14.82
December 1 - 10, 2014	3,269,245	15% discount on the 3-mos average of Volume Weighted Average Price (VWAP) as of the date of approval by the Parent Company's stockholders or at a Floor Price of IPO price of P13.75

Of the total shares available under the ESPP, employees subscribed to 1,229,700 shares at P14.10 per share, 1,059,200 shares at P14.82 per share and 1,367,200 shares at P13.75 per share for a total of P17,338,770, P15,697,344 and P18,799,000 in 2017, 2015 and 2014, respectively, shown as part of issued share capital in Note 20.

In 2018, the Parent Company recognized share based compensation expense and an adjustment to share based compensation reserves which amounted to P8,650,722 and P112,915, respectively, pertaining to 2017 equity-settled share based compensation.

The share-based compensation expense recognized from the ESPP amounted to P3,061,953 and nil in 2017 and 2016, respectively, included in employee benefits in Note 26 and shown under equity as share-based compensation reserve.

29. DIVIDENDS

On June 30, 2017, a cash dividend was declared by the Parent Company's Board of Directors to stockholders of record as of July 15, 2017 for a total amount of six hundred thirty-seven million six hundred six thousand five hundred forty-seven (P637,606,547).

On July 3, 2018, a cash dividend was declared by the Parent Company's Board of Directors to stockholders of record as of July 17, 2018 for a total amount of P637,606,547.

On July 1, 2019, a cash dividend was declared by the Parent Company's Board of Directors to stockholders of record as of July 31, 2019 for a total amount of P637,606,547 on all ordinary shares of issued and outstanding consisting of the following:

a. Regular cash dividend of P0.10 per share; and

b. Special cash dividend of P0.08 per share.

The Parent Company declared the following dividends to its equity shareholders:

	Date of Declaration	Date of Record	Dividends Per Share	Total Dividends
2019				
Cash dividends	**July 1, 2019**	**July 31, 2019**	**P0.18**	**P637,606,547**
Total dividends declared				**P637,606,547**
2018				
Cash dividends	July 3, 2018	July 17, 2018	P0.18	P637,606,547
Total dividends declared				P637,606,547
2017				
Cash dividends	June 30, 2017	July 15, 2017	P0.18	P637,606,547
Stock dividends				
Total dividends declared				P637,606,547

Of the total cash dividend declared, the dividends paid to CPGI in 2019 and 2018 amounted to and P438,092,637 and P437,238,467 respectively as disclosed in Note 27.

The cash dividends declared in 2019, 2018 and 2017 were paid on August 16, 2019, August 1, 2018, August 23, 2017, respectively.

30. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	2019	2018	2017
Profit for the year	**P3,148,597,010**	P2,834,272,860	P2,551,896,670
Weighted average number of common shares	**3,542,156,120**	3,542,156,120	3,542,156,120
Basic and diluted earnings per share	**P 0.889**	P 0.8001	P 0.7204

The calculation of the weighted average number of shares is shown below:

	2019	2018	2017
January 1, Balance	**3,542,156,120**	3,542,156,120	3,541,028,895
Weighted average number of shares: Issued for the year	**-**	-	1,127,225
December 31, Balance	**3,542,156,120**	3,542,156,120	3,542,156,120

As at December 31, 2019, 2018, and 2017, the Parent Company has no potential dilutive shares, accordingly, basic earnings per share of P0.889, P0.8001, and P0.7204 in 2019, 2018, and 2017, respectively, are the same as diluted earnings per share.

31. COMMITMENTS AND CONTINGENCIES

Credit Facilities

The credit facilities of the Group with several major banks are basically short-term omnibus lines intended for working capital use. Included in these omnibus bank line are revolving promissory note line, import letters of credit and trust receipts line, export packing credit line, domestic and foreign bills purchase line, and foreign exchange line.

The credit facilities extended to the Group as at December 31, 2013 included a surety provision where loans obtained by the Group and its related parties, CPGI and PMCI, are covered by cross-corporate guarantees. As at December 31, 2019, the total credit line facility amounted to P10,551,000,000 of which P5,520,008,587 is already used, as disclosed in Note 17.

Capital Commitments

As at December 31, 2019 and 2018, the Group has construction-in progress relating to its ongoing civil works and installation of new machinery and equipment as part of the plant expansion and upgrade of the Group as follows:

	2019	2018
GTC	**P138,824,506**	P 71,527,268
CPFI	**465,211,048**	47,035,639
CPAVI	**26,216,800**	41,854,383
CPFPVI	**-**	400,000
SMDC	**87,655,086**	-
	P717,907,440	P160,817,290

The construction is expected to be completed in 2020 and has remaining estimated costs to complete as follows:

	2019	2018
CPAVI	**P 34,931,413**	P 87,587,250
CPFI	**312,130,510**	73,431,666
GTC	**251,267,575**	70,111,191
AWI	**-**	39,454,339
SMDC	**12,720,614**	35,157,824
CPFPVI	**-**	5,876,997
CPNA	**-**	3,968,694
	P611,050,112	P315,587,961

The Group shall finance the remaining estimated costs from internally generated cash from operations.

Others

There are other commitments, guarantees, litigations and contingent liabilities that arise in the normal course of the Group's operations which are not reflected in the accompanying consolidated financial statements. As at December 31, 2019, Management is of the opinion that losses, if any, from these commitments and contingencies will not have a material effect on the Group's consolidated financial statements.

32. LEASE AGREEMENTS

The Group as a Lessee

The Group leased land, building, warehouses, office spaces, plant and equipment with an average lease term is 1 to 10 years. The Group has options to purchase the equipment for a nominal amount at the end of the lease terms. The Group's lease obligations are secured by the lessors' title to the leased assets.

Rental expenses charged to cost of goods sold under factory overhead and operating expenses in relation to short-term and low value leases are recognized as follows:

	2019
Cost of goods sold – rental expense	**P268,267,060**
Operating expenses – rental expense	**96,447,847**
Other expenses – rental expense	**5,263,070**
Total Rental Expense	**P369,977,977**

Under PAS 17, the Group had operating lease commitments for future minimum lease payments under non-cancellable operating leases as follows:

	2018
Not later than one year	P302,532,173
Later than one year but not later than five years	536,208,839
Later than five years	108,713,718
	P947,454,730

The lease liabilities of the Group in relation to the right of use assets recorded in accordance to PFRS 16 fall due as follows:

	2019
Not later than one year	**P269,082,105**
Later than one year but not later than five years	**423,847,134**
Later than five years	**60,255,945**
Present value of Lease Liabilities	**P753,185,184**

Presented in the consolidated statements of financial position as:

	2019
Current	**P269,082,105**
Non-Current	**484,103,079**
Total Lease Liabilities	**P753,185,184**

Interest rates underlying all obligations are fixed at respective contract dates ranging from 5.35% to 7.29% in 2019. Total finance cost for these leases amounting to P43,949,415 in 2019 was included as part of finance costs presented in the consolidated statements of comprehensive income.

The borrowings in relation to lease contracts entered by the Group are included in the Group's consolidated financial statements as:

	2019	2018
Current borrowings	**P269,082,105**	P -
Non-current borrowings	**484,103,079**	-
	P753,185,184	P -

Escalation clause ranges from 5% to 8% every two years. As at December 31, 2019 and 2018, total refundable security deposits recognized in the consolidated statements of financial position as part of non-current assets amounted to P56,121,740 and P60,907,539, respectively, as disclosed in Note 16.

The Group as a lessor

In 2019, the Group leases out its warehouse under an operating lease agreement with CNPF equivalent to 1,500 square meters. Rental receipts amounting to P200 per square meter of P500,000 per month, commencing on October 2018 and expiring on October 2019, and was extended from November 2019 to October 2020. Warehouse rental income earned during 2019 amounted to P5,500,000. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew.

33. INCOME TAXES

Components of income tax expense charged to profit or loss are as follows:

	Note	**2019**	2018	2017
Current tax expense		**P1,002,756,220**	P905,936,468	P744,527,595
Deferred tax expense (benefit)	34	**(112,724,225)**	(138,070,930)	25,710,930
		P 890,031,995	P767,865,538	P770,238,525

A reconciliation of tax on pretax income computed at the applicable statutory rate to tax expense reported in the consolidated statements of comprehensive income is presented below.

	2019	2018	2017
Accounting profit	**P4,038,629,005**	P3,602,138,398	P3,322,135,195
Tax on pretax income at 30%	**P1,211,588,702**	P1,080,641,519	P 996,640,559
Adjustment for income subjected to lower and higher income tax rate	**(1,088,802)**	(1,092,512)	(12,570)
Tax effects of:			
Income exempted from income tax	**(121,496,275)**		(315,090,228)
Interest income subject to final tax	**(2,065,913)**	(651,716)	(2,646,009)
Effects of using OSD instead of itemized deductions	**(157,952,993)**	(186,406,125)	(149,160,774)
Nontaxable income	**(965,298)**	(8,816,636)	
Effects of previously unrecognized deferred tax asset	**(10,964,392)**	5,450,440	4,250,655
Income under income tax holiday	**(27,962,843)**	(152,944,181)	(23,928,658)
Non-deductible expenses	**939,808**	31,684,749	260,185,550
	P 890,031,995	P 767,865,538	P 770,238,525

The details of Group's net operating loss carry-over which mainly pertains to CPAVI are as follows:

Year of Incurrence	Year of Expiry	Beginning Balance	Application	Expired	**Balance**
2016	2019	P 3,305,409	P -	P3,305,409	**P -**
2017	2020	30,045,494	30,045,494	-	**-**

34. DEFERRED TAXES

Deferred Tax Assets

The Group recognized the deferred tax assets related to the following temporary differences as at December 31, 2019 and 2018:

	Allowance for write-down of inventory	Unrealized foreign currency loss	Allowance for doubtful accounts	Excess of contribution over retirement expense	Post-employment benefit obligation	Accrued expenses	Others	Total
Deferred Tax Assets								
Balance, January 1, 2018	P10,467,321	P 815,869	P29,046,370	P 6,628,179	P33,911,706	P 9,201,533	P 5,179,800	P 95,250,778
Charged to profit or loss for the year	9,802,383	26,570,109	(2,134,310)	2,851,095	(2,365,796)	88,198,014	7,593,675	130,515,170
Charged to OCI	-	-	-	-	(6,671,361)	-	-	(6,671,361)
Balance, December 31, 2018	20,269,704	27,385,978	26,912,060	9,479,274	24,874,549	97,399,547	12,773,475	219,094,587
Charged to profit or loss for the year	24,795,697	(5,680,476)	(11,964,021)	2,509,231	(3,668,164)	108,237,311	(1,154,569)	113,084,510
Charged to OCI					27,502,222			27,502,222
Balance, December 31, 2019	**P45,065,401**	**P21,705,502**	**P14,948,039**	**P11,988,505**	**P48,708,607**	**P205,636,858**	**P11,618,906**	**P359,681,319**

Deferred tax assets amounting to nil and P5,450,440 as at December 31, 2019 and 2018, respectively, were not recognized in the consolidated statements of financial position, due to the evaluation by Management that it is not probable that future taxable profit will be available against which deferred tax assets can be utilized.

The following are the composition of unrecognized deferred tax assets:

	2019	2018
NOLCO	**P5,450,440**	P5,450,440
Accrued expenses	**-**	-
Advance billings	**-**	-
	P -	P5,450,440

Deferred Tax Liability

The deferred tax liability recognized by the Group pertains to unrealized foreign exchange gain detailed as follows:

	Unrealized foreign exchange gain
Balance, January 1, 2018	P 7,555,760
Charged to profit or loss for the year	(7,555,760)
Balance, December 31, 2018	-
Charged to profit or loss for the year	360,285
Balance, December 31, 2019	**P 360,285**

35. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial assets and financial liabilities as at December 31, 2019 and 2018 are shown below:

	2019		2018	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P1,607,844,054**	**P1,607,844,054**	P 1,676,474,926	P 1,676,474,926
Trade receivables - net	**5,942,182,397**	**5,942,182,397**	5,506,420,673	5,506,420,673
Due from related parties	**261,588,910**	**261,588,910**	122,847,147	122,847,147
Security deposits	**64,329,977**	**64,329,977**	76,190,217	76,190,217
Deposits on utilities	**1,725,791**	**1,725,791**	2,698,657	2,698,657
	P7,877,671,129	**P7,877,671,129**	P 7,384,631,620	P 7,384,631,620
Financial Liabilities				
Borrowings	**P5,520,008,587**	**P5,520,008,587**	P 6,312,500,000	P 6,312,500,000
Trade and other payables	**6,576,894,781**	**6,576,894,781**	5,889,271,522	5,889,271,522
Due to related parties	**19,706,847**	**19,706,847**	10,581,741	10,581,741
	P12,116,610,215	**P12,116,610,215**	P12,212,353,263	P12,212,353,263

**The trade receivables exclude the advances to suppliers, advances to officers and employees, and other statutory receivables, as disclosed in Note 9.*
***The trade and other payables are net of government liabilities, due to employees and officers, and other payables, as disclosed in Note 18.*

As at December 31, 2019 and 2018, other payables amounted to P16,579,583 and P65,721,213, respectively, presented as part of non-trade payables in Note 18.

Fair values were determined using the fair value hierarchy below:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the assets or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at December 2019 and 2018, the fair values of cash and cash equivalents, trade and other receivables, due from related parties and financial liabilities were determined under level 2 criteria which were derived from inputs other than quoted prices included within level 1. Fair values of security deposit, and deposits on utilities were determined under level 3.

The Group considers that the carrying amounts of financial assets and liabilities recognized in the consolidated financial statements approximate their fair values. Further, there has been no change to the valuation technique during the year.

36. FINANCIAL RISK MANAGEMENT

Financial Risk Management Objectives and Policies

The Group's activities expose it to a variety of financial risks: market risk (which include foreign currency exchange risk and interest rates risk), credit risk and liquidity risk. The Group's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Group. The policies for managing specific risks are summarized below:

Market risk

Market risk happens when the changes in market prices, such as foreign exchange rates, interest rates will affect the Group's profit or the value of its holdings of financial instruments. The objective and management of this risk are discussed below.
Foreign currency exchange risk

Foreign currency exchange risk arises when an investment's value changes due to movements in currency exchange rate. Foreign exchange risk also arises from future commercial transactions and recognized assets and liabilities that are denominated in a currency that is not the Group's functional currency.

The Group undertakes certain transactions denominated in US Dollar (USD) and Chinese Yuan (CNY), hence, exposures to exchange rate fluctuations arise with respect to transactions denominated in such currency. Significant fluctuation in the exchange rates could significantly affect the Group's financial position.

The net carrying amounts of the Group's foreign currency denominated monetary assets and financial liabilities at the end of each reporting period are as follows:

	2019	2018
Cash and cash equivalents	**P 451,553,141**	P 477,407,488
Trade and other receivables	**1,267,284,853**	1,746,810,933
Trade and other payables	**(921,496,272)**	(1,317,661,788)
	P 797,341,722	P 906,556,633

The following table demonstrates the sensitivity to a reasonably possible change, based on prior year percentage change in exchange rates in Philippine peso (PHP) rate to USD with all other variables held constant, of the Group's income before income tax (due to changes in the fair value of financial assets and liabilities).

	Change in currency	Effect on income/equity
December 31, 2019		
Philippine Peso	**+/-5.65%**	**P45,049,807**
December 31, 2018		
Philippine Peso	+/-5.65%	P51,220,450

The following table details the Group's sensitivity to a 5.65% and 5.65% increase and decrease in the functional currency of the Group against the US Dollar. The sensitivity rate used in reporting foreign currency risk internally to key management personnel is 5.65% and 5.65% and it represents Management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for a 5.65% and 5.65% change in foreign currency rate. The sensitivity analysis includes all of the Group's foreign currency denominated monetary assets and liabilities. A positive number below indicates an increase in profit when the functional currency of the Group strengthens 5.65% and 5.65% against the relevant currency.

For a 5.65% and 5.65% decline of the functional currency of the Group against the relevant currency, there would be an equal and opposite impact on the profit as shown below:

	2019 Effect in profit and loss	2018 Effect in profit and loss
Cash and cash equivalents	**(P25,512,752)**	(P26,973,523)
Trade and other receivables	**(71,601,594)**	(98,694,818)
Trade and other payables	**52,064,539**	74,447,891
	(P45,049,807)	(P51,220,450)

Further, the Management assessed that the sensitivity analysis is not a representative of the currency exchange risk.

Interest rate risk

Interest rate risk refers to the possibility that the value of a financial instrument will fluctuate due to change in the market interest rates.

The primary source of the Group's interest rate risk relates to cash and cash equivalents, advances to employees, and borrowings. Interest rates are disclosed in Notes 8, 9, and 17, respectively. These balances are short-term in nature and with the current interest rate level, any variation in the interest will not have a material impact on profit or loss of the Group.

The Group has no established policy is managing interest rate risk. Management believes that fluctuations on the interest rates will not have significant effect on the Group's financial performance.

Credit risk

Credit risk refers to the possibility that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Group trades only with recognized, credit worthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The Group does not grant credit terms without the specific approval of the credit departments under the direction of the credit committee. Moreover, the credit committee regularly reviews the age and status of outstanding accounts.

Trade receivables consist of a large number of customers, spread across geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and when appropriate, credit guarantee insurance cover is purchased. The remaining financial assets does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets. There is no concentration of credit risk to any other counterparty at any time during the year.

The table below shows the Group's maximum exposure to credit risk:

	2019	2018
Cash in banks and cash equivalents	**P1,547,335,902**	P1,522,234,054
Trade receivables	**5,942,182,397**	5,506,420,673
Due from related parties	**261,588,909**	122,847,147
Security deposits	**64,329,976**	76,190,217
Deposits on utilities	**1,725,791**	2,698,657
	P7,817,162,975	P7,230,390,748

The amount of trade receivables presented is gross of collections received but not applied against individual customer balances pending identification of the collections against specific customers amounting to P299,556,305 and P511,799,497 as at December 31, 2019 and 2018, respectively.

In order to minimize credit risk, the Group has tasked its credit management committee to develop and maintain the Group's credit risk grading to categorize exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the credit management committee uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. The Group's current credit risk grading framework comprises the following categories:

Category	**Description**	**Basis for recognizing expected credit losses**
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12m ECL
Doubtful	Amount is >120 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit-impaired
In default	Amount is more than one year past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written-off

The tables below detail the credit quality of the Group's financial assets and other items, as well as the Group's maximum exposure to credit risk by credit risk rating grades:

	Notes	Internal credit rating	12m or lifetime ECL?	Gross carrying amount (i)	Loss allowance	Net carrying amount
2019						
Cash in banks and cash equivalents	8	Performing	12m ECL	**P1,547,335,902**	**P -**	**P1,547,335,902**
Trade receivables	9	(i)	Lifetime ECL (simplified approach)	**5,985,029,736**	**42,847,339**	**5,942,182,397**
Due from related parties	28	Performing	12m ECL	**261,588,910**		**261,588,910**
Security deposits	12	Performing	12m ECL	**64,329,976**		**64,329,976**
Deposits on utilities	12	Performing	12m ECL	**1,725,791**		**1,725,791**
				P7,860,010,315	**P42,847,339**	**P7,817,162,976**
2018						
Cash in banks and cash equivalents	8	Performing	12m ECL	P1,522,234,054	P -	P1,522,234,054
Trade receivables	9	(i)	Lifetime ECL (simplified approach)	5,592,361,654	85,940,981	5,506,420,673
Due from related parties	28	Performing	12m ECL	122,847,147	-	122,847,147
Security deposits	12	Performing	12m ECL	76,190,217	-	76,190,217
Deposits on utilities	12	Performing	12m ECL	2,698,657	-	2,698,657
				P7,316,331,729	P85,940,981	P7,230,390,748

(i) For trade receivables, the Group has applied the simplified approach in PFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on the market interest rate plus the inflation rate to be applied to the receivable from the customers grouped under "others" from over 120 days. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Note 9 includes further details on the loss allowance for these assets respectively.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows, inclusive of principal and interest, of financial liabilities, based on the earliest date on which the Group can be required to pay.

	Weighted Average Rate	Less than One Year	More than One Year	Total
2019				
Trade and other payables	**n/a**	**P6,576,894,781**	**P -**	**P 6,576,894,781**
Borrowings	**5.10%**	**2,433,508,587**	**3,086,500,000**	**5,520,008,587**
Due to related parties	**n/a**	**19,706,847**		**19,706,847**
		P9,030,110,215	**P3,086,500,000**	**P12,116,610,215**
2018				
Trade and other payables	n/a	P5,889,271,522	P -	P 5,889,271,522
Borrowings	3.28%	3,209,500,000	3,103,000,000	6,312,500,000
Due to related parties	n/a	10,581,741	-	10,581,741
		P9,109,353,263	P3,103,000,000	P12,212,353,263

Government payables, which are not considered financial liabilities, are excluded in the carrying amount of trade and other payables for the purpose of presenting the liquidity risk.

37. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to increase the value of shareholder's investment and maintain high growth by applying free cash flows to selective investments that would further the Group's growth. The Group sets strategies with the objective of establishing a versatile and resourceful financial management and capital structure. The Group's overall strategy remains unchanged from 2018.

The BOD has overall responsibility for monitoring working capital in proportion to risk. Financial analytical reviews are made and reported in the Group's financial reports for the BOD's review on a regular basis. In case financial reviews indicate that the working capital sourced from the Group's own operations may not support future operations of projected capital investments, the Group obtains financial support from its related parties.

The Group's management aims to maintain certain financial ratios that it deems prudent such as debt-to-equity ratio (not to exceed 2.5:1) and current ratio (at least 1.0:1). The Group regularly reviews its financials to ensure the balance between equity and debt is monitored.

In addition, when the Group is able to meet its targeted capital ratios and has a healthy liquidity position, the Group aims to pay dividends to its shareholders of up to 30% of previous year's net income.

The Group's debt-to-equity and current ratio as at December 31, 2019 and 2018 are as follows:

	2019	2018
Total liabilities	**P13,434,453,801**	P13,612,730,649
Total equity	**19,154,317,747**	16,724,571,731
Debt-to-equity ratio	**0.70:1**	0.81:1
Total current asset	**P21,514,823,423**	P21,041,653,171
Total current liabilities	**9,703,465,412**	10,352,650,819
Current ratio	**2.22:1**	2.03:1

Pursuant to the PSE's rules in minimum public ownership, at least 10% of the issued and outstanding shares of a listed company must be owned and held by the public. As at December 31, 2019 and 2018, the public ownership is 31.29% and 31.31%, respectively.

38. EVENTS AFTER THE REPORTING PERIOD

On March 11, 2020 the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The management cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact our consolidated financial position, consolidated results of operations, and consolidated cash flows for the year ending 2020 onwards.

39. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Group have been approved and authorized for issuance by the Board of Directors on April 14, 2020.

* * *

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

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

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

We have audited the consolidated financial statements of Century Pacific Food, Inc. and Subsidiaries (the "Group") as at December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017 in accordance with Philippine Standards on Auditing, on which we have rendered an unqualified opinion dated April 14, 2020.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplementary information on the attached schedules showing the reconciliation of the retained earnings available for dividend declaration, the map showing the relationships between and among the Group and its related parties, and the other supplementary information shown in Schedules A to H as at December 31, 2019, as required by the Securities and Exchange Commission under the Revised SRC Rule 68, are presented for purposes of additional analysis and are not a required part of the basic financial statements. These information are the responsibility of the Group's management and have been subjected to the auditing procedures applied in our audit except for the conglomerate map which we have audited only to the extent disclosed in the consolidated financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

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

By:

Bonifacio F. Lumacang, Jr.
Partner
CPA License No. 0098090
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BIR A.N. 08-002552-18-2018, issued on January 26, 2018; effective until January 26, 2021
PTR No. A-4689422, issued on January 2, 2020, Taguig City

Taguig City, Philippines
April 14, 2020

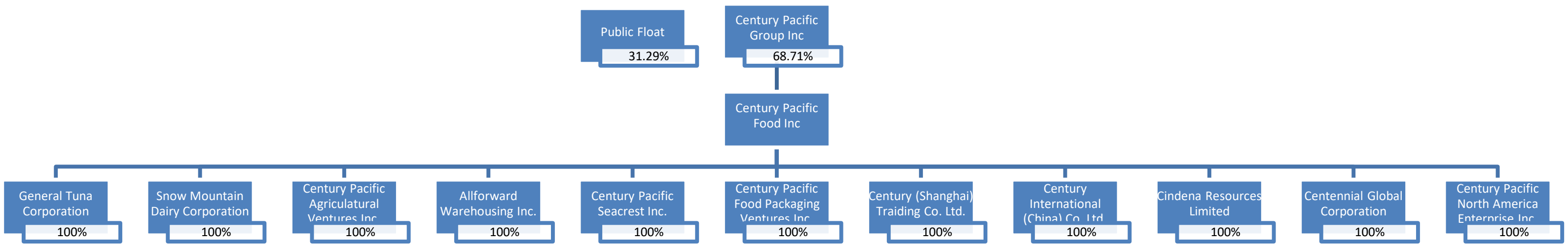
Deloitte.

RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DECLARATION
As at December 31, 2019

CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES
7th Floor Centerpoint Bldg., Julia Vargas St., Ortigas Center Pasig City

Items	Amount
Unappropriated Retained earnings, beginning	P8,164,100,569
Adjustments:	
Deferred tax assets	(219,094,587)
Remeasurement of retirement benefit obligation - net of tax	45,000,305
Appropriated retained earnings	(1,599,300,000)
Unappropriated Retained earnings, as adjusted, beginning	6,390,706,287
Net Income based on the face of AFS	3,084,425,160
Less: Non-actual losses	
Change in remeasurement of retirement benefit obligation - net of tax	64,171,850
Change in deferred tax assets	(140,586,732)
Net Income Actual/Realized	3,008,010,278
Adjustments:	
Dividend declarations during the year	(637,606,547)
Reversal of appropriated retained earnings	240,784,514
Unappropriated Retained Earnings, as Adjusted, End	**P9,001,894,532**

CENTURY PACIFIC FOOD INC.
CONGLOMERATE MAP
AS OF DECEMBER 31, 2019



CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES
Additional Requirements for Issuers of Securities to the Public
Required by the Securities and Exchange Commission
As at December 31, 2019

TABLE OF CONTENTS

CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES
Schedule A - Financial Assets
As of December 31, 2019

HTM Investments	Name of Issuing Entity	Face Value	Amount Shown in Balance Sheet	Income Received and Accrued
Total			-	-

CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES
Schedule B - Amounts Receivable from Employees
As of December 31, 2019

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Amounts Written-off	Current	Non-Current	Balance at end of Period
Employees	P55,210,173	P1,075,088,412	1,083,128,610	P -	P47,169,974	P -	P47,169,974

CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES
Schedule C - Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
As of December 31, 2019

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Amounts Written-off	Current	Non-Current	Balance at end of Period
Subsidiaries:							
General Tuna Corporation	179,727,359	P138,935,163		P -	P318,662,522	P -	P318,662,522
Snow Mountain Dairy Corporation	(131,392,896)	898,903,082		P -	767,510,186	P -	767,510,186
Allforward Warehousing, Inc.	54,819,315		26,490,009	P -	28,329,306	P -	28,329,306
Century Pacific Agri Ventures Inc	602,647,657		695,559,887	P -	(92,912,230)	P -	(92,912,230)
Century Pacific Seacrest Inc	197,794,095		172,389,997.39	P -	25,404,098	P -	25,404,098
Century Pacific Food Packaging Ventures Inc.	489,320,386		94,887,415	P -	394,432,971	P -	394,432,971
Century Pacific North America Enterprise Inc.	85,817,706	18,343,333		P -	104,161,039	P -	104,161,039
Century International (China) Co., Ltd.	56,377,962	89,623,625		P -	146,001,587	P -	146,001,587
Centennial Global Corporation	(50,004,439)			P -	(50,004,439)	P -	(50,004,439)
Total	**P1,485,107,145**	**P1,145,805,205**	**P989,327,308**	**P -**	**P1,641,585,041**	**P -**	**P1,641,585,041**

CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES
Schedule D - Intangible Assets
As of December 31, 2019

Description	Beginning Balance	Additions at Cost	Charged to Cost and Expenses	Charged to Other Accounts	Other Changes	Ending Balance
Goodwill	P29,153,251,999	P -	P -	P -	P -	P29,153,251,999
Trademark	P101,474,888	-	-	-	-	P101,474,888
Trademark License	P509,208,213	-	(21,515,840.03)	-	-	487,692,373
Total	**P3,526,008,292**	**P -**	**(P21,515,840.03)**	**P -**	**P -**	**P29,742,419,260**

CENTURY PACIFIC FOOD INC. AND SUBSIDIARIES
Schedule E - Long Term Debt
As of December 31, 2019

Bank	Beginning Balance	Availment	Payment	Ending Balance	Current	Non Current
Security Bank	P1,127,000,000	P -	P11,500,000	P1,115,500,000	P11,500,000	P1,104,000,000
Metrobank	492,500,000.00	-	5,000,000	487,500,000	5,000,000	482,500,000
BPI	1,500,000,000.00	-		1,500,000,000	-	1,500,000,000
Total	**P3,119,500,000**	**P -**	**P16,500,000**	**P3,103,000,000**	**P16,500,000**	**P3,086,500,000**

CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES
Schedule F - Indebtedness to Related Parties
As of December 31, 2019

Name of Related Party	Balance at Beginning of Period	Balance at End of Period
Total	**-**	**-**

CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES
Schedule G - Guarantee of Securities of Other Issuers
As of December 31, 2019

Name of Issuing entity of securities guaranteed by the Company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of Guarantee
Total			-	-

CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES
Schedule H - Capital Stock
As of December 31, 2019

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares reserved for options, warrants, conversion and other rights	Number of Shares Held By		
				Related Parties	Directors, Officers and Employees	Others
Ordinary Shares	6,000,000,000	3,542,258,595	-	2,433,876,481	2,890,607	1,105,491,507

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INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Century Pacific Food, Inc. and Subsidiaries (the "Group") as at December 31, 2019 and 2018 and for each of the three years in the year ended December 31, 2019, and have issued our report thereon dated April 14, 2020. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

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Taguig City, Philippines
April 14, 2020

Deloitte.

FINANCIAL SOUNDNESS INDICATORS
CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES
As of December 31, 2019

Ratio	Formula	Current Year	Prior Year
Current ratio	Total Current Assets divided by Total Current Liabilities Total Current Assets 21,514,823,423 Divide by: Total Current Liabilities 9,703,465,412 Current Ratio 2.22	2.22x	2.03x
Quick/Acid test ratio	Quick Assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities Total Current Assets 21,514,823,423 Less: Inventories (11,781,872,041) Biological Assets (33,380,356) Prepayments and other Current Assets (829,609,933) Quick assets 8,869,961,092 Divide by: Total Current Liabilities 9,703,465,412 Quick/Acid test ratio 0.91	0.91x	0.86x
Debt-to-equity ratio	Total Liabilities divided by Total Equity Total Liabilties 13,434,453,801 Divide by: Total Equity 19,154,317,747 Debt-to-equity ratio 0.70	0.70x	0.81x
Asset-to-equity ratio	Total Assets divided by Total Equity Total Assets 32,588,771,548 Divide by: Total Equity 19,154,317,747 Asset-to-equity ratio 1.70	1.70x	1.81x
Interest rate coverage ratio	Earnings before Interest and Taxes (EBIT) divided by Interest Expense EBIT 6,591,159,291 Divide by: Interest Expenses 369,427,817 Interest rate coverage ratio 17.84	11.93x	19.30x
Working capital turnover	Net Sales divided by Working Capital (Current Assets less Current Liabilities) Net Sales 40,560,362,956 Divide by: Working capital Current Assets 21,514,823,423 Less: Current Liabilities (9,703,465,412) Working Capital 11,811,358,011 Working Capital Turnover 3.43	3.43x	3.54x
Return on equity	Profit before Taxes (PBT) divided by Total Equity PBT 4,038,629,005 Divide by: Total Equity 19,154,317,747 Return on equity 21.08%	21.08%	21.54%
Return on assets	Profit from operations divided by Total Assets Profit from Operations 4,038,629,005 Divide by: Total Assets 32,588,771,548 Return on assets 12.39%	13.53%	12.52%
Net profit margin	Profit before Taxes (PBT) divided by Net Sales PBT 4,038,629,005 Divide by: Net Sales 40,560,362,956 Net profit margin 9.96%	9.96%	9.51%
Operating profit margin	Profit from Operations divided by Net Sales Profit from Operations 4,038,629,005 Divide by: Net Sales 40,560,362,956 Net profit margin 9.96%	10.87%	10.03%