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, 2020 and 2019, 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.

The Board of Directors is responsible for overseeing the Group'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

Signature: Christopher T. Po
Chairman of the Board

Signature: Teodoro Alexander Po
Chief Executive Officer

Signature: Richard Kristoffer S. Manapat
Chief Financial Officer

Signed this __ day of ____, 2021.

SUBSCRIBED AND SWORN to before me this 16 April 2021 in Pasig City by the following:

Christopher T. Po with Passport No. P8631182A issued at DFA Manila, valid until 05 Sep 2028
Teodoro Alexander Po with Passport No. P3975398A issued at DFA NCR North, valid until 08 Aug 2022
Richard Kristoffer S. Manapat with UMID No. CRN-0111-1445113-3

Doc. No. 248;
Page No. 51;
Book No. I;
Series of 2021.

ARLEO ANTONIO R. MAGTIBAY JR.
Appointment No. 177 (2019-2020)
Notary Public for Pasig City, Pateros, and San Juan
Until 30 June 2021
Unit 424, Strata 100 Bldg.
F. Ortigas Jr. Road, Ortigas Center, Pasig City
Roll No. 61659
PTR No. 7233545; 01.05.21; Pasig City
IBP No. 143329; 01.08.21; RSM
MCLE Compliance No. VI-0011536; 04.14.22

CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES

Financial Statements
December 31, 2020 and 2019
and
Independent Auditors' Report

7th Floor Centerpoint Building, Julia Vargas St., Ortigas Center
Pasig City, Metro Manila, Philippines

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C S 2 0 1 3 2 0 7 7 8

Company Name

C E N T U R Y P A C I F I C F O O D , I N C . A N D
S U B S I D I A R I E S

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

7 T H F L O O R C E N T E R P O I N T B L D G . ,
J U L I A V A R G A S S T . , O R T I G A S
C E N T E R , P A S I G C I T Y , M E T R O
M A N I L A

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S	C R M D	N . A .

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
N.A.	8633-8555	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	8687-1195	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.

NavarroAmper&Co.

Navarro Amper & Co.
19th Floor Six/NEO Building
5th Avenue corner 26th Street
Bonifacio Global City, Taguig 1634
Philippines

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www.deloitte.com/ph

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 audited the consolidated financial statements of Century Pacific Food, Inc. and Subsidiaries (the "Group") as at and for the year ended December 31, 2020, on which we have rendered the attached report, dated April 14, 2021.

In compliance with Revised Securities Regulation Code 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. 08-002552-18-2020, issued on December 28, 2020; effective until December 27, 2023
PTR No. A-5047290, issued on January 4, 2021, Taguig City

Taguig City, Philippines
April 14, 2021

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SEC Accreditation No. 0001-FR-5

INDEPENDENT AUDITOR'S 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, 2020 and 2019, 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, 2020, 2019 and 2018, 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, 2020 and 2019, and of its financial performance, and cash flows for the years ended December 31, 2020, 2019 and 2018, 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	
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 balance of goodwill amounting to P2.92 billion is material to the consolidated financial statements and represents 8.04% of the consolidated total assets of the Group as at December 31, 2020. In addition, the Management conducts annual impairment test to assess the recoverability of the carrying value 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, 2020 is disclosed in Note 12 to the consolidated financial statements.	Our audit procedures were focused on performing a detailed understanding of the Management's assessment process and challenging the key assumptions and judgments as follows: 1. We assessed the appropriateness and reasonableness of the Group's position on the impairment assessment of goodwill including consideration of various factors such as historical business performance, current year developments, current risk evaluations, business plans, outlook, revenue potential and other market considerations. 2. We engaged our internal valuation specialist to review and assess the appropriateness of the valuation methodology and key assumptions used in the impairment analysis, in particular the discount rates and terminal growth rates by comparing the expectations to those used by Management. 3. We also compared the discount rate, earnings before interest, taxes, depreciation, and amortization margins, and growth rates to the historical performance of the cash-generating unit (CGU), management plans and analysts' reports on market outlook. 4. We also considered the adequacy and appropriateness of the related disclosures in the financial statements.

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, 2020, 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, 2020 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the 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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TIN 005299331

By:

Bonifacio F. Lumacang, Jr.
Partner
CPA License No. 0098090
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PTR No. A-5047290, issued on January 4, 2021, Taguig City

Taguig City, Philippines
April 14, 2021

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31	
	Notes	**2020**	2019
ASSETS			
Current Assets			
Cash and cash equivalents	8	**P 1,229,381,273**	P 1,607,844,054
Trade and other receivables - net	9	**7,599,984,172**	7,000,528,129
Due from related parties	27	**280,788,885**	261,588,910
Inventories - net	10	**14,313,100,885**	11,781,872,041
Biological assets	14	**65,726,630**	33,380,356
Prepayments and other current assets - net	11	**484,492,819**	829,609,933
Total Current Assets		**23,973,474,664**	21,514,823,423
Non-current Assets			
Property, plant and equipment - net	15	**7,290,756,893**	6,414,543,344
Intangible assets - net	12	**3,448,276,612**	3,504,492,460
Right-of-use assets - net	13	**678,300,084**	705,437,893
Deferred tax assets	34	**752,107,229**	359,681,319
Other non-current assets	16	**133,450,144**	89,793,109
Total Non-current Assets		**12,302,890,962**	11,073,948,125
		P36,276,365,626	P32,588,771,548
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	18	**P 9,670,565,636**	P 6,832,729,150
Borrowings - current portion	17	**3,533,466,680**	2,433,508,587
Income tax payable		**194,877,487**	148,438,723
Due to related parties	27	**75,894,675**	19,706,847
Lease liabilities- current portion	32	**271,207,134**	269,082,105
Total Current Liabilities		**13,746,011,612**	9,703,465,412
Non-Current Liabilities			
Borrowings - net of current portion	17	**-**	3,086,500,000
Retirement benefit obligation	19	**618,902,329**	160,025,025
Lease liabilities - net of non current portion	32	**465,842,247**	484,103,079
Deferred tax liability	34	**9,398,845**	360,285
Total Non-current Liabilities		**1,094,143,421**	3,730,988,389
		14,840,155,033	13,434,453,801
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		**23,818,317**	25,440,484
Retained earnings		**12,894,434,195**	10,610,919,182
		21,436,210,593	19,154,317,747
		P36,276,365,626	P32,588,771,548

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	**2020**	2019	2018
Net Sales	21	**P48,301,741,084**	P40,560,362,956	P37,885,300,679
Cost of Goods Sold	22	**36,374,034,421**	30,836,294,070	29,737,566,156
Gross Profit		**11,927,706,663**	9,724,068,886	8,147,734,523
Other Income	23	**615,688,399**	536,291,593	535,516,845
		12,543,395,062	10,260,360,479	8,683,251,368
Operating Expenses	24	**6,350,811,842**	5,332,626,089	4,720,581,843
Finance Costs	17,32	**261,151,374**	369,427,817	196,861,598
Other Expenses	25	**803,600,697**	519,677,568	163,669,529
		7,415,563,913	6,221,731,474	5,081,112,970
Profit Before Tax		**5,127,831,149**	4,038,629,005	3,602,138,398
Income Tax Expense	33	**1,248,387,296**	890,031,995	767,865,538
Profit for the Year		**3,879,443,853**	3,148,597,010	2,834,272,860
Other Comprehensive Income (Loss)				
Item that will not be Reclassified Subsequently to Profit or Loss				
Remeasurement gain (loss) on retirement benefit obligation - net of tax	19	**(320,715,746)**	(64,171,850)	15,556,508
Item that will be Reclassified Subsequently to Profit or Loss				
Exchange differences on translating foreign operations		**(1,622,167)**	(17,072,597)	2,770,342
		(322,337,913)	(81,244,447)	18,326,850
Total Comprehensive Income		**P 3,557,105,940**	P 3,067,352,563	P 2,852,599,710
Basic and Diluted Earnings Per Share		**P1.0952**	P0.8890	P0.8001

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, 2020 , 2019 and 2018

	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, 2018 (as previously restated)		**P3,542,258,595**	**P4,928,095,509**	**P8,324,313**	**P30,628,942**	**P39,742,739**	**P5,934,065,745**	**P -**	**P14,483,115,843**
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:									-
Cash dividends	29	-	-	-	-	-	(637,606,547)	-	(637,606,547)
Equity-settled share-based compensation	28	-	8,763,637.00	(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
Balance, January 1, 2019 (as adjusted)		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		3,542,258,595	4,936,859,146	8,211,398	30,628,942	25,440,484	9,252,403,696	1,358,515,486	19,154,317,747
Profit for the year		-	-	-	-	-	3,879,443,853	-	3,879,443,853
Other comprehensive income:									
Currency translation adjustment		-	-	-	-	(1,622,167)	-	-	(1,622,167)
Remeasurement of retirement benefit obligation - net of tax		-	-	-	-	-	(320,715,746)	-	(320,715,746)
Total Comprehensive Income		-	-	-	-	(1,622,167)	3,558,728,107	-	3,557,105,940
Transactions with owners:									
Cash dividends	29	-	-	-	-	-	(1,275,213,094)	-	(1,275,213,094)
Appropriation of retained earnings		-	-	-	-	-	(2,253,635,800)	2,253,635,800	-
Balance, December 31, 2020		**P3,542,258,595**	**P4,936,859,146**	**P8,211,398**	**P30,628,942**	**P23,818,317**	**P9,282,282,909**	**P3,612,151,286**	**P21,436,210,593**

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	**2020**	2019	2018
Cash Flows from Operating Activities				
Profit before tax		**P5,127,831,149**	P4,038,629,005	P3,602,138,398
Adjustments for:				
Depreciation and amortization	12,13,15	**1,106,149,015**	932,365,731	726,908,805
Finance costs	17,32	**261,151,374**	369,427,817	196,861,598
Provision on slow moving inventories	10	**83,254,371**	72,394,430	94,774,003
Loss on impairment of input VAT	11	**9,316,412**	5,538,547	50,880,193
Retirement benefit expense	19	**70,397,959**	38,685,892	41,694,411
Provision on write-down	10	**391,036,678**	185,817,650	22,065,037
Loss (Gain) on disposal of property, plant and equipment - net	15	**(2,503,626)**	31,630,206	2,098,022
Allowance for expected loss	9	**9,270,257**	5,794,328	14,125,264
Provisions on inventory obsolescence	24	**-**	-	92,972,821
Loss on impairment of goodwill	12	**-**	-	36,957,396
Share based compensation expense	28	**-**	-	8,650,722
Impairment loss of trademark		**34,700,000**	-	-
Interest income	23	**(35,206,519)**	(8,082,061)	(7,579,050)
Gain from sale of scrap - net	23	**(107,664,525)**	(15,150,463)	(123,654,220)
Unrealized foreign exchange loss (gain) - net		**41,100,997**	(31,083,986)	44,741,545
Reversal of allowance for sales return	9	**(3,446,268)**	(48,887,970)	(4,659,690)
Reversal of accruals	19	**(107,184,824)**	(125,718,029)	(71,759,813)
Reversal of allowance of inventory	10	**(373,327,170)**	(192,375,933)	(28,616,691)
Operating cash flows before working capital changes		**6,504,875,280**	5,258,985,164	4,698,598,751
Decrease (Increase) in:				
Trade and other receivables		**(605,209,506)**	119,292,471	(1,800,951,571)
Due from related parties		**(19,199,975)**	(138,741,763)	62,914,412
Inventories		**(2,524,528,199)**	(176,845,510)	(4,625,110,543)
Biological assets		**(32,346,274)**	9,473,395	(20,129,879)
Prepayments and other current assets		**335,800,702**	(347,649,729)	(41,599,054)
Other non-current assets		**(43,657,035)**	2,683,773	(32,551,162)
Increase (Decrease) in:				
Trade and other payables		**2,955,682,590**	(23,410,693)	1,954,459,654
Due to related parties		**88,515,508**	9,125,107	(11,232,702)
Finance lease obligation		**-**	-	99,522,472
Exchange differences on translating operating assets and liabilities		**-**	(17,072,597)	20,504,761
Cash generated from operations		**6,659,933,091**	4,695,839,618	304,425,139
Contribution to the retirement fund	19	**(48,612,624)**	(48,612,624)	(48,612,624)
Income tax paid		**(1,468,959,658)**	(974,189,582)	(681,338,695)
Interest received		**35,136,001**	7,731,582	7,095,123
Net cash from (used in) operating activities		**5,177,496,810**	3,680,768,994	(418,431,057)
Cash Flows from Investing Activities				
Acquisitions of property, plant and equipment	15	**(1,736,384,126)**	(1,774,163,199)	(1,307,707,845)
Proceeds from sale of property, plant and equipment		**2,503,626**	4,250,055	77,958,840
Net cash used in investing activities		**(1,733,880,500)**	(1,769,913,144)	(1,229,749,005)
Cash Flows from Financing Activities				
Proceeds from borrowings	17	**5,551,000,000**	4,986,000,000	4,050,000,000
Repayments of borrowings	17	**(7,537,541,907)**	(5,778,491,413)	(1,445,500,000)
Dividends paid	29	**(1,275,213,094)**	(637,606,547)	(637,606,547)
Finance costs paid		**(264,635,783)**	(363,634,829)	(190,802,503)
Payment of lease liabilities	32	**(295,688,307)**	(185,753,933)	-
Net cash from (used in) financing activities		**(3,822,079,090)**	(1,979,486,722)	1,776,090,950
Net Increase (Decrease) in Cash and Cash Equivalents		**(378,462,781)**	(68,630,872)	127,910,888
Cash and Cash Equivalents, Beginning		**1,607,844,054**	1,676,474,926	1,548,564,038
Cash and Cash Equivalents, End	8	**P1,229,381,273**	P1,607,844,054	P1,676,474,926

See Notes to Consolidated Financial Statements.

1. CORPORATE INFORMATION

Century Pacific Food, Inc. (the "Parent Company") was incorporated and registered with the Philippine Securities 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 68.71% owned subsidiary of Century Pacific Group, Inc. (CPGI) the ultimate parent, as at December 31, 2020 and 2019, 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), General Odyssey Inc (GOI and Century Pacific Solar Inc (CPSolar) 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, 2020 and 2019 are as follows:

Name of Subsidiary	Ownership Interest **2020**	2019
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%
General Odyssey Inc (GOI)	**100%**	-
Century Pacific Solar Inc (CP Solar)	**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, 2020 and 2019 and the results of its operations for the years ended December 31, 2020, 2019 and 2018, as translated to the Group's presentation currency, are as follows:

	2020	2019
Financial Position		
Current assets	**P4,315,675,831**	P3,584,769,432
Non-current assets	**1,265,275,471**	976,627,267
Total Assets	**5,580,951,302**	4,561,396,699
Current liabilities	**2,760,934,265**	1,913,384,179
Non-current liabilities	**97,152,491**	39,406,549
Total Liabilities	**P2,858,086,756**	1,952,790,728
Equity	**P2,722,864,546**	P2,608,605,971

	2020	2019	2018
Results of Operations			
Revenue	**P6,007,349,439**	P6,393,918,056	P6,636,521,686
Cost and expenses	**5,865,074,075**	5,968,133,955	6,266,779,627
Profit for the year	**P 142,275,364**	P 425,784,101	P 369,742,059

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, 2020 and 2019 and the results of its operations for the years ended December 31, 2020, 2019, and 2018 are as follows:

	2020	2019
Financial Position		
Current assets	**P2,042,747,471**	P3,926,413,678
Non-current assets	**652,236,210**	629,634,109
Total Assets	**2,694,983,681**	4,556,047,787
Current liabilities	**505,108,396**	2,885,215,085
Non-current liabilities	**49,980,675**	60,776,010
Total Liabilities	**555,089,071**	2,945,991,094
Equity	**P2,139,894,610**	P1,610,056,693

	2020	2019	2018
Results of Operations			
Revenue	**P9,898,001,543**	P8,725,013,878	P6,072,863,729
Cost and expenses	**9,357,992,454**	8,508,463,882	5,939,540,597
Profit for the year	**P 540,009,089**	P 216,549,996	P 133,323,132

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, 2020 and 2019 and the results of its operations for the years ended December 31, 2020, 2019, and 2018 are as follows:

	2020	2019
Financial Position		
Current assets	**P128,239,608**	P103,387,395
Non-current assets	**559,208,676**	559,118,008
Total Assets	**687,448,284**	662,505,403
Current liabilities	**18,081,486**	95,983,601
Non-current liabilities	**16,626,603**	252,064
Total Liabilities	**34,708,809**	96,235,665
Equity	**P652,740,195**	P566,269,738

	2020	2019	2018
Results of Operations			
Revenue	**P196,083,925**	P195,253,134	P164,259,622
Cost and expenses	**109,613,467**	81,524,716	76,639,482
Profit for the year	**P 86,470,458**	P113,728,418	P 87,620,140

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.

Significant information on the audited statements of financial position of CPAVI as at December 31, 2020 and 2019 and the results of its operations for the years ended December 31, 2020, 2019 and 2018 are as follows:

	2020	2019
Financial Position		
Current assets	**P1,706,298,146**	P1,408,387,380
Non-current assets	**2,147,422,899**	2,176,677,649
Total Assets	**3,853,721,045**	3,585,065,029
Current liabilities	**516,740,257**	564,427,021
Non-current liabilities	**48,992,378**	15,785,065
Total Liabilities	**565,732,635**	580,212,086
Equity	**P3,287,988,410**	P3,004,852,943

	2020	2019	2018
Results of Operations			
Revenue	**P3,616,037,666**	P3,003,799,935	P3,400,599,076
Cost and expenses	**3,321,063,136**	2,531,668,005	2,992,798,341
Profit for the year	**P 294,974,530**	P 472,131,930	P 407,800,735

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.
The significant information on the audited statements of financial position of CPSI as at December 31, 2020 and 2019 and the results of its operations for the years ended December 31, 2020, 2019 and 2018 are as follows:

	2020	2019
Financial Position		
Current assets	**P110,932,793**	P 131,263,494
Non-current assets	**111,474,788**	111,474,788
Total Assets	**222,407,581**	242,738,282
Total Liabilities	**124,672,701**	168,459,603
Equity	**P 97,734,880**	P 74,278,679

	2020	2019	2018
Results of Operations			
Revenue	**P1,392,036,077**	P1,096,328,236	P1,254,236,199
Cost and expenses	**272,129,985**	216,327,886	240,089,293
Profit for the year	**P1,119,906,092**	P 880,000,350	P1,014,146,906

CGC

CGC was incorporated in the British Virgin Islands (BVI) on November 13, 2006. CGC is a company limited by shares.

The significant information on the unaudited statements of financial position of CGC as at December 31, 2020 and 2019 are as follows:

	2020	2019
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 2020, 2019, and 2018.

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.

The significant information on the audited statements of financial position of CPFPVI as at December 31, 2020 and 2019, and the results of its operations for the years ended December 31, 2020, 2019 and 2018 is as follows:

	2020	2019
Financial Position		
Current assets	**P1,405,686,988**	P 899,189,465
Non-current assets	**802,117,723**	845,328,570
Total Assets	**2,207,804,711**	1,744,518,035
Current liabilities	**620,069,260**	694,767,183
Non-current liabilities	**2,563,384**	2,558,383
Total liabilities	**622,632,644**	697,325,566
Equity	**P1,585,172,067**	P1,047,192,469

	2020	2019	2018
Results of Operations			
Revenue	**P2,211,214,721**	P1,444,549,922	P1,386,618,900
Cost and expenses	**1,673,235,122**	1,150,079,587	1,138,124,353
Profit for the year	**P 537,979,599**	P 294,470,335	P 248,494,547

GOI

GOI was incorporated in the Philippines and was registered with SEC on July 27, 2020. GOI is engaged in the business to buy and sell, process, can, pack, manufacture, market, produce, distribute, import and export, and deal in all kinds of feeds. On July 27, 2020 the Parent Company acquired 100% interest in GOI for a total consideration of P1,000,000.

The significant information on the audited statements of financial position of GOI as at December 31, 2020 and the results of its operations for the year ended December 31, 2020 are as follows:

	2020
Financial Position	
Current assets	**P1,000,000**
Noncurrent assets	**37,562**
Total assets	**1,037,562**
Current liabilities	**125,207**
Total liabilities	**125,207**
	P 912,355

	2020
Results of Operations	
Revenue	**P -**
Cost and expenses	**87,645**
Profit for the year	**(P87,645)**

CP Solar

CP Solar was incorporated in the Philippines and was registered with SEC on August 10, 2020. CP Solar is engaged in the business of exploration, development, and utilization of renewable energy sources, including the generation and distribution of power. On August 10, 2020 the Parent Company acquired 100% interest in CPSI for a total consideration of P2,000,000.

The significant information on the audited statements of financial position of CP Solar as at December 31, 2020 and the results of its operations for the years ended December 31, 2020 are as follows:

	2020
Financial Position	
Current assets	**P2,012,021**
Noncurrent asset	**246,535**
Total assets	**2,258,556**
Current liabilities	**439,732**
Total liabilities	**439,732**
	P1,818,824

	2020
Results of Operations	
Revenue	**P -**
Cost and expenses	**181,175**
Profit for the year	**P181,175**

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, 2020 and 2019, and the result of its operations for the years ended December 31, 2020, 2019 and 2018, as translated to the Group's presentation currency are as follows:

	2020	2019
Financial Position		
Current assets	**P121,854,056**	P95,321,469
Non-current assets	**623,603**	885,651
Total Assets	**122,477,659**	96,207,120
Total Liabilities	**168,399,493**	145,300,083
Deficit	**(P 45,921,834)**	(P49,092,963)

	2020	2019	2018
Results of Operations			
Revenue	**P223,272,368**	P219,351,897	P203,507,056
Cost and expenses	**219,534,165**	212,650,224	208,684,732
Profit (Loss) for the year	**P 3,738,203**	P 6,701,673	(P 5,177,676)

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, 2020 and 2019, and the result of its operations for the years ended December 31, 2020, 2019 and 2018, as translated to the Group's presentation currency are as follows:

	2020	2019
Financial Position		
Current assets	**P35,770,934**	P45,102,428
Non-current assets	**-**	-
Total Assets	**35,770,934**	45,102,428
Total Liabilities	**693,294**	3,444,921
Equity	**P35,077,640**	P41,657,507

	2020	2019	2018
Results of Operations			
Revenue	**P -**	P11,190,545	P185,238,262
Cost and expenses	**6,969,778**	61,607,663	216,351,780
Loss for the year	**(P6,969,778)**	(P50,417,118)	(P 31,113,518)

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, 2020 and 2019 are as follows:

	2020	2019
Financial Position		
Total Non-current Asset	**P100**	P100
Equity	**P100**	P100

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.

The significant information on the unaudited statements of financial position of CPNA as at December 31, 2020 and 2019 and the results of its operations for the years ended December 31, 2020 and 2019 as translated are as follows:

	2020	2019
Financial Position		
Current assets	**P401,080,534**	P150,895,844
Non-current assets	**6,727,204**	8,032,504
Total assets	**407,807,738**	158,928,348
Total liabilities	**362,947,525**	136,050,042
Equity	**P 44,860,213**	P 22,878,306

	2020	2019	2018
Results of Operations			
Revenue	**P304,084,639**	P202,394,126	P126,297,809
Cost and expenses	**280,657,728**	202,216,992	127,812,719
Profit (loss) for the year	**P 23,426,911**	P 177,314	(P 1,514,370)

4. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The Group adopted all accounting standards and interpretations as at December 31, 2020. 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, were assessed to be applicable to the consolidated financial statements, are as follows:

Amendments to PFRS 16, *COVID-19-Related Rent Concessions*

Amendment to PFRS 16 provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to PFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying PFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and

c) There is no substantive change to other terms and conditions of the lease.

The amendments are effective for annual periods beginning on or after June 1, 2020. Earlier application is permitted, including in financial statements not authorized for issue at May 28, 2020.

The amendments did not have a significant impact on the consolidated financial statements since there are no rent concessions that occurred as direct consequence of COVID-19.

Amendments to PFRS 3, *Definition of a 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 amendments are being applied by the Group and has no significant impact on the consolidated financial statements.

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 amendments are being applied by the Group and has no significant impact on the consolidated financial statements.

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 interpretation did not have a significant impact on the consolidated financial statements since the Group does not have cryptographic assets.

New Accounting Standards Effective after the Reporting Period Ended December 31, 2020

The Group will adopt, to the extent applicable, the following standards when these become effective

PFRS 17 — *Insurance Contracts*

PFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes PFRS 4 Insurance Contracts.

PFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

An amendment issued on June 2020 and adopted by FRSC on August 2020 addresses concerns and implementation challenges that were identified after PFRS 17 was published.

PFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start if the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

The standard (incorporating the amendments) is effective for periods beginning on or after January 1, 2023. Earlier application is permitted.

The future adoption of the standard will not have a significant impact on the Group's consolidated financial statements as the Group does not issue insurance contracts.

Amendments to PFRS 3, *References to the Conceptual Framework*

The amendments update PFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to PFRS 3 a requirement that, for obligations within the scope of PAS 37, an acquirer applies PAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

The amendments also add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after January 1, 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

The Management of the Group is still evaluating the impact of the amendments on the Group's consolidated financial statements.

Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between and Investor and Its Associate or Joint Venture*

The amendments to PFRS 10 and PAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted.

The Management of the Group is still evaluating the impact of the amendments on the consolidated financial statements.

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

The amendments to PAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted.

The Management of the Group is still evaluating the impact of the amendments on the consolidated financial statements.

Amendments to PAS 16, *Property, Plant and Equipment – Proceeds before Intended Use*

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognizes such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with PAS 2 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. PAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after January 1, 2022, with early application permitted.

The Management of the Group is still evaluating the impact of the amendments on the consolidated financial statements.

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

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

The Management of the Group is still evaluating the impact of the amendments on the consolidated financial statements.

Annual Improvements to PFRS Standards 2018-2020 Cycle

Amendments to PFRS 1 – *Subsidiary as a first-time adopter*

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in PFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to PFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in PFRS 1:D16(a).

The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

The Management of the Group is still evaluating the impact of the amendments on the consolidated financial statements.

Amendments to PFRS 9 – *Fees in the '10 per cent' test for derecognition of financial liabilities*

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

The Management of the Group is still evaluating the impact of the amendments on the consolidated financial statements.

Amendments to PFRS 16 – *Lease Incentives*

The amendment removes the illustration of the reimbursement of leasehold improvements.

As the amendment to PFRS 16 only regards an illustrative example, no effective date is stated.

The Management of the Group is still evaluating the impact of the amendments on the consolidated financial statements.

Amendments to PAS 41 – *Taxation in fair value measurements*

The amendment removes the requirement in PAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in PAS 41 with the requirements of PFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pretax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

The amendment is applied prospectively, i.e. for fair value measurements on or after the date an entity initially applies the amendment.

The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

The Management of the Group is still evaluating the impact of the amendments on the consolidated financial statements.

New Accounting Standards Effective in 2020 - Adopted by FRSC but pending for approval by the BOA

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.

PIC Q&As Amended

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.

PIC Q&A Withdrawn

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 Management of the Group is still evaluating the potential impact of the amendments.

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 Management of the Group is still evaluating the potential impact of the 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 future adoption of the interpretation will have no effect on the Grpup's consolidated financial statements since the Company is not classified as a non-bank financial institutions under non-stock savings and loan associations.

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) <u>Accounting for ARO at lease commencement date</u>

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) <u>Change in ARO after initial recognition</u>

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 upon approval by the FRSC.

The future adoption of the interpretation will have no effect on the Group’s consolidated financial statements since the Group does not have leased property with any related ARO.

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 upon approval by the FRSC.

The Management of the Group is still evaluating the potential impact of the interpretation.

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 upon approval by the FRSC.

The Management of the Group is still evaluating the potential impact of the interpretation.

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 Management of the Group is still evaluating the potential impact of the interpretation.

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 noncancellable 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 upon approval by the FRSC.

The Management of the Group is still evaluating the potential impact of the interpretation.

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 upon approval by the FRSC.

The Management of the Group is still evaluating the potential impact of the interpretation.

PIC Q&A No. 2020-01, *Conforming Changes to PIC Q&As – Cycle 2020*

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&As Amended</u>

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

PIC Q&A Amended	Amendment
Framework 4.1 and PAS 1.25 – Financial statements prepared on a basis other than going concern	References to *The Conceptual Framework for Financial Reporting* have been updated due ot the revised framework effective January 1, 2020
PIC Q&A No. 2016-03: Accounting for common areas and the related subsequent costs by condominium corporations	References to *The Conceptual Framework for Financial Reporting* have been updated due ot the revised framework effective January 1, 2020
PIC Q&A No. 2011-03: Accounting for intercompany loans	References to *The Conceptual Framework for Financial Reporting* have been updated due ot the revised framework effective January 1, 2020
PIC Q&A No. 2017-08: PFRS 10 – Requirement to prepare consolidated financial statements where an entity disposes of its single investment in a subsidiary, associate or joint venture	References to *The Conceptual Framework for Financial Reporting* have been updated due ot the revised framework effective January 1, 2020
PIC Q&A No. 2018-14: PFRS 15 – Accounting for cancellation of real estate sales	References to *The Conceptual Framework for Financial Reporting* have been updated due ot the revised framework effective January 1, 2020

PIC Q&A Withdrawn

PIC Q&A Withdrawn	Basis for Withdrawal
PIC Q&A No. 2011-06: Acquisition of investment properties – asset acquisition or business combination?	With the amendment to PFRS 3 on the definition of a business effective January 1, 2020, there is additional guidance in paragraphs B7A-B12D of PFRS 3 in assessing whether acquisition of investment properties is an asset acquisition or business combination (i.e. optional concentration test and assessment of whether an acquired process is substantive)

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

The Management of the Group is still evaluating the potential impact of the interpretation.

PIC Q&A No. 2020-02, *Conclusion on PIC QA 2018-12E: On certain materials delivered on site but not yet installed*

The interpretation provides guidance on the treatment of the customized materials in recognizing revenue using a cost-based input method.

For each performance obligation satisfied over time, entity shall recognize the revenue by measuring towards complete satisfaction. In such case, materials that are customized, even if uninstalled, are to be included in the measurement of progress in completing its performance obligations.

However, in the case of uninstalled materials that are not customized, revenue should only be recognized upon installation or use in construction. Revenue cannot be recognized even up to the extent of cost unless it met all the criteria listed in the standards.

The Management of the Group is still evaluating the potential impact of the interpretation.

PIC Q&A No. 2020-03, *On the accounting of the difference when the percentage of completion is ahead of the buyer's payment*

The interpretation clarifies that recognition of either contract asset or receivable is acceptable in case the revenue recognized based on percentage of completion (POC) is ahead of the buyer's payment as long as this is consistently applied in transactions of the same nature and disclosure requirements of PFRS 15 for contract assets or receivables, as applicable, are complied.

The Management of the Group is still evaluating the potential impact of the interpretation.

PIC Q&A No. 2020-04(Addendum to PIC Q&A 2018-12-D), *PFRS 15 - Step 3 - Requires and Entity to Determine the Transaction Price for the Contract*

The interpretation clarifies that, in case of mismatch between the POC and schedule of payments, there is no significant financing component if the difference between the promised consideration and the cash selling price of the goods or service arises for the reasons other than the provision of finance to either the customer or the entity, and the difference between those amounts is proportional to the reason for the difference.

The Management of the Group is still evaluating the potential impact of the interpretation.

PIC Q&A No. 2020-05, PFRS 15 - Accounting for Cancellation of Real Estate Sales

The interpretation provided guidance on the accounting for cancellation of real estate sales and the repossession of the property. They provided three(3) approaches as follows:

1. The repossessed property is recognized at its fair value less cost to repossess
2. The repossessed property is recognized at its fair value plus repossession cost
3. Accounted as modification of contract

Either of the above mentioned approaches are acceptable as long as its applied consistently. All approaches above should consider payments to buyers required under the Maceda Law and the write-off of any unamortized portion of cost of obtaining a contract in its determination of gain/loss from repossession.

The Management of the Group is still evaluating the potential impact of the interpretation.

PIC Q&A No. 2020-06, PFRS 16 - Accounting for payments between and among lessors and lessees

The interpretation provides for the treatment of payments between and among lessors and lessees as follows:

		Treatments in the financial statements of			
	Transaction	Lessor	Old lessor	New Lessee	Basis
1	Lessor pays old lessee - lessor intends to renovate the building	i. Recalculate the revised leased payments (net of the one-off amount to be paid) and amortize over the revised lease term. ii. If net payable, recognize as expense unless the amount to be paid qualifies as capitalizable cost under PAS 16 or PAS 40; in which case it is capitalized as part of the carrying amount of the associated property if it meets the definition of construction costs under PAS 16 or PAS 40.	i. Recognize in profit and loss at the date of modification the difference between the proportionate decrease in the right-of-use asset based on the remaining right-of-use asset for the remaining period and remaining lease liability calculated as the present value of the remaining lease payments discounted using the original discount rate of the lease. ii. Recognize the effect of remeasurement of the remaining lease liability as an adjustment to the right-of use-asset by referring to the revised lease payments (net of any amount to be received from the lessor)and using a revised discount rate. iii. Revisit the amortization period of right-of-use asset and any related leasehold improvement following the shortening of the term.		• PFRS 16; par. 87 • PAS 16; pars. 6, 16-17 • PAS 40; par. 21 • PFRS 16; par. 45 • Illustrative example 18 issued by IASB • PAS 16; pars. 56-57

2	Lessor pays old lessee - new lease with higher quality lessee	Same as Item 1	Same as Item 1		Same as Item 1 PFRS 16 par. 83
3	Lessor pays new lessee - an incentive to occupy	i. Finance lease: • If made after commencement date, incentive payable is credited with offsetting debit entry to the net investment lease. • If paid at or prior to commencement date, included in the calculation of gain or loss on disposal on finance lease. ii. Operating lease add the initial direct costs to the carrying amount of underlying asset and recognize as expense over the lease term either on a straight-line basis of another systematic basis.		i. Record as a deduction to the cost of the right-of-use asset. ii. Lease incentive receivable is also included as reduction in measurement of lease liability. iii. When lessee receives the payment of lease incentive, the amount received is debited with a credit entry to gross up the lease liability.	• PAS 16; par. 68 • PAS 16; par. 71 • PFRS 16; par. 83 • PFRS 16; par. 24
4	Lessor pays new lessee - building alterations specific to the lessee with no further value to lessor	Same as Item 3		i. Same as in fact pattern 1C. ii. Capitalize costs incurred by the lessee for alterations to the building as leasehold improvement in accordance with PAS 16 or PAS 40.	• Same as in fact pattern 1C. • PAS 40; par. 21 • PAS 16; pars. 16-17
5	Old lessee pays lessor to vacate the leased premises early	Recognize as income immediately, unless it was within the original contract and the probability criterion was previously met, in which case, the amount would have already been recognized as income using either a straight-line basis or	Recognize as expense immediately unless it was within the original contract and the probability criterion was previously met, in which case, the financial impact would have been recognized already as part of the lease liability.		• PAS 16 • PAS 38 • PFRS 16; par. 18

		another systematic basis.			
6	Old lessee pays new lessee to take over the lease		Recognize as an expense immediately.	Recognize as income immediately .	• PAS 16 • PAS 38 • PFRS 16; Appendix A
7	New lessee pays lessor to secure the right to obtain a lease agreement	i. If finance lease, recognize gain or loss in the profit or loss arising from the derecognition of underlying assets ii. If operating lease, recognize as deferred revenue and amortize over the lease term on a straight-line basis or another systematic basis.		Recognize as part of the cost of the right-of-use asset.	PFRS 16; par. 24 • PAS 16; par. 71 • PFRS 16; par 81
8	New lessee pays old lessee to buy out the lease agreement		Recognize as again immediately. Any remaining lease liability and right-of-use asset will be derecognized with net amount through P&L.	Account for as initial direct cost included in the measurement of the right-of-use asset.	• PFRS 16; Appendix A • PFRS 16; Example 13 in par. IE5 • PFRS 16; par. 24

The Management of the Group is still evaluating the potential impact of the interpretation.

PIC Q&A No. 2020-07, PAS 12 – Accounting for the Proposed Changes in Income Tax Rates under the Corporate Recovery and Tax Incentives for Enterprises Act (CREATE) Bill

The interpretation explained the details of the CREATE bill and its impact on the financial statements once passed.

Interpretation discussed that impact on the financial statements ending December 31, 2020 are as follows:

- Current and deferred taxes will still be measured using the applicable income tax rate as of December 31, 2020
- If the CREATE bill is enacted before financial statements' issue date, this will be a non-adjusting event but the significant effects of changes in tax rates on current and deferred tax assets and liabilities should be disclosed
- If the CREATE bill is enacted after financial statements' issue date but before filing of the income tax return, this is no longer a subsequent event but companies may consider disclosing the general key feature of the bill and the expected impact on the FS

For the financial statements ending December 31, 2021, the impact are as follows:

- Standard provides that component of tax expense(income) may include "any adjustments recognized in the period for current tax of prior periods" and "the amount of deferred tax expense(income) relating to changes in tax rates or the imposition of new taxes"
- An explanation of changes in the applicable income tax rates to the previous accounting period is also required to be disclosed
- The provision for current income tax for the year 2021 will include the difference between income tax per 2020 financial statements and 2020 income tax return

- Deferred tax assets and liabilities as of December 31, 2021, will be remeasured using the new tax rates
- Any movement in deferred taxes arising from the change in tax rates that will form part of the provision for/benefit from deferred taxes will be included as well in the effective tax rate reconciliation

The Management of the Group is still evaluating the potential impact of the interpretation.

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:

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

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

Equity-settled share-based payments

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.

At end of each reporting period, the Group revises its estimate of the number of equity instruments expected to be exercised. 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. The valuation of the share based compensation reserve is determined by the number of share options exercised multiplied by the intrinsic value which is the difference between fair value of the shares at grant date and the exercise price.

Employee Benefits

Short-term benefits

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.

Service income

Service income is recognized over time in which the 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.

Leases

<u>The Group as lessee</u>

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:
- 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 property, plant and equipment. 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.

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.

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 (Panda 1 and 2) 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 operations under Panda 1 and 2 are entitled for ITH up to February 28, 2020 and June 30, 2023, respectively. 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.

<u>Determination of functional and presentation currency</u>

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.

<u>Significant increase of credit risk</u>

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, 2020 and 2019, 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.

Due to the absence of implicit interest rate in each lease contract, the Company uses its incremental borrowing rate. The rate is equal to the effective interest rate of an external bank loan obtained by the Company. Such rate was used since the lease payments are included in the funding received by the Company from the banks as part of the financing activities.

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.

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:

Probability of default (PD)

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, 2020 and 2019, 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.

Loss given default (LGD)

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 and considers the reverse repurchase rate and inflation rate to determine the LGD, as disclosed in Note 36.

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 trade receivables recognized in the Group's consolidated statements of financial position amounted to P7,599,984,174 and P7,000,528,129 as at December 31, 2020 and 2019, respectively which is net of the related allowance for expected credit losses amounting to P48,671,328 and P42,847,339 as at December 31, 2020 and 2019, respectively, as shown in Note 9.

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, 2020 and 2019, the carrying amounts of the Group's property, plant and equipment amounted to P7,290,756,893 and P6,414,543,344, respectively, as disclosed in Note 15. Total accumulated depreciation as at December 31, 2019 and 2018 amounted to P4,365,700,047 and P3,558,377,128 respectively, as disclosed in Note 15.

As at December 31, 2020 and 2019, the carrying amounts of the Group's right-of-use assets amounted to P678,300,084 and P705,437,893, respectively, as disclosed in Note 13. Total accumulated depreciation as at December 31, 2020 and 2019 amounted to P530,536,220 and P315,973,675, respectively, as disclosed in Note 13.

As at December 31, 2020 and 2019, the carrying amounts of the Group's intangible assets from licensing agreement amounted to P466,176,533 and P487,692,373 respectively, as disclosed in Note 12. Total accumulated amortization as at December 31, 2020 and 2019 amounted to P71,719,467 and P50,203,627 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 P14,313,100,885 and P11,781,872,041 as at December 31, 2020 and 2019, 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. The Group used the following, but not limited to, as key estimates in determining the value-in-use: Discount rate, EBITDA, and growth rates. Discount rate used to calculate the present value of the free cashflow to the firm is the determined weighted average capitalization cost (WACC) for the five-year projection and with consideration of the inflation rate in the free cashflow to the Group for the residual years. Based on the management's assessment, the value in use is assessed to be higher than the carrying value of the CGU and hence no impairment is required in 2020 and 2019.

The carrying amount of goodwill as at December 31, 2020 and 2019 amounted to P2,915,325,199 as shown in Note 12.

Asset impairment

The Group identified impairment indicators present for trademarks and input VAT and performed an impairment review for these assets to determine the recoverable amount and the extent of the impairment loss.

Total carrying amounts of trademarks as at December 31, 2020 and 2019 are disclosed in Notes 12. The Group recognized P34,700,000 impairment loss on trademarks in 2020, and nil for the years 2019 and 2018 as disclosed in Note 25.

Moreover, impairment loss on input VAT amounting to P9,316,412, P5,538,547, P5,823,633 were recognized in 2020, 2019 and 2018, respectively, as disclosed in Note 11. The amounts pertain mainly to CPAVI.

In 2019, reversal of impairment loss on property, plant and equipment of AWI amounting to P5,184,818 was recognized, as disclosed in Note 23. None was recognized in 2020.

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 2020, 2019 and 2018 amounted to P70,087,891 and P38,685,892 and P41,694,411 respectively, and retirement benefit obligation as at December 31, 2020 and 2019 amounted to P618,902,329 and P160,025,025 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.

Deferred tax assets recognized in the consolidated statements of financial position as at December 31, 2020 and 2019 amounted to P752,107,229 and P359,681,319, respectively, as disclosed in Note 34.

Estimation of lease term

When estimating the lease term of the respective lease arrangement, Management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

If a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee, the above assessment will be reviewed further.

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, 2020, 2019 and 2018 are as follows:

	Segment Revenue	Segment Profit Before Tax
2020		
Canned and processed fish	**P15,935,223,188**	**P 838,377,406**
Canned meat	**12,383,595,068**	**1,549,909,501**
Milk	**10,548,290,713**	**308,406,055**
Tuna export	**6,007,349,439**	**248,249,295**
Coco water	**3,704,633,600**	**338,313,104**
Packaging	**2,211,214,721**	**662,020,085**
Corporate	**12,017,090,258**	**2,260,715,806**
Segment total	**62,807,396,987**	**6,205,991,252**
Eliminations	**(14,505,655,903)**	**(1,078,160,103)**
	P48,301,741,084	**P5,127,831,149**
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	2,078,534,131
Segment total	52,645,647,828	5,273,138,433
Eliminations	(12,085,284,872)	(1,234,509,428)
	P40,560,362,956	P4,038,629,005
2018		
Canned and processed fish	P12,493,671,620	P 417,615,243
Canned meat	9,561,159,515	943,014,380
Milk	5,707,060,556	53,249,472
Tuna export	6,636,521,686	535,094,321
Coco water	3,541,148,756	388,489,971
Packaging	1,386,618,900	297,550,010
Corporate	8,010,699,721	1,930,854,056
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

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, 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, 2020 and 2019 are as follows:

	2020		2019	
	Assets	**Liabilities**	Assets	Liabilities
Canned and processed Fish	**P8,098,476,229**	**P2,926,208,852**	P 7,700,221,184	P 2,239,983,073
Canned meat	**4,957,919,512**	**3,090,820,687**	4,757,246,743	2,083,980,608
Milk	**9,774,875,950**	**4,947,957,317**	6,970,719,444	3,731,702,799
Tuna export	**5,580,951,302**	**2,858,086,756**	4,561,396,699	1,952,790,728
Coco water	**3,921,750,774**	**618,105,962**	3,638,400,239	592,965,322
Packaging	**2,207,804,711**	**622,632,644**	1,744,518,035	697,325,566
Corporate	**11,580,875,162**	**5,370,008,788**	10,815,728,533	5,468,244,837
Segment total	**46,122,653,640**	**20,433,821,006**	40,188,230,877	16,766,992,933
Eliminations	**(9,846,288,014)**	**(5,593,665,973)**	(7,599,459,329)	(3,332,539,132)
	P36,276,365,626	**P14,840,155,033**	P32,588,771,548	P13,434,453,801

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, 2020, 2019 and 2018 are as follows:

	Additions to Property, Plant, and Equipment	Depreciation and Amortization	Interest Income	Finance Costs
2020				
Canned and processed fish	**P 763,410,756**	**P 144,789,997**	**P 120,786**	**P 3,497,508**
Packaging	**2,277,424**	**56,662,694**	**95,404**	**340,966**
Canned meat	**75,219,858**	**187,904,259**	**59,266**	**10,699,028**
Milk	**162,283,921**	**105,625,292**	**256,105**	**42,036,672**
Tuna export	**447,873,678**	**194,515,141**	**1,757,672**	**24,133,190**
Coco water	**198,206,867**	**255,086,619**	**304,302**	**4,846,176**
Corporate	**87,111,622**	**161,565,013**	**32,612,984**	**175,597,834**
	P1,736,384,126	**P1,106,149,015**	**P35,206,519**	**P261,151,374**
2019				
Canned and processed fish	P 498,517,833	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	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	190,499,834	252,155,358	946,006	6,187,068
Corporate	194,246,183	158,754,201	5,749,456	281,420,064
	P1,774,163,199	P932,365,731	P8,082,061	P369,427,817
2018				
Canned and processed fish	P 110,682,493	P 74,962,425	P 107,199	P -
Packaging	270,501,646	36,160,152	64,905	-
Canned meat	70,502,093	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	307,663,230	301,655	6,059,095
Corporate	125,905,897	47,501,523	2,781,191	178,865,455
	P1,307,707,845	P726,908,805	P7,579,050	P196,861,598

Geographical Information

The Group operates in three principal geographical areas: Philippines, United States of America and China.

The Group's revenue from continuing operations from external customers by location of operation and information about its non-current assets by location of assets are detailed below

	Revenue from external customers For the year ended December 31		Non-current assets December 31	
	2020	2019	**2020**	2019
Philippines	**P47,774,384,077**	P40,127,426,388	**P12,295,540,155**	P11,065,029,970
USA	**304,084,639**	202,394,126	**6,727,204**	8,032,504
China	**223,272,368**	230,542,442	**623,603**	885,651
	P48,301,741,084	P40,560,362,956	**P12,302,890,962**	P11,073,948,125

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:

	2020	2019
Cash on hand	**P 27,242,934**	P 60,508,152
Cash in banks	**1,054,018,005**	1,504,022,717
Cash equivalents	**148,120,334**	43,313,185
	P1,229,381,273	P1,607,844,054

Cash on hand includes petty cash fund and undeposited collections.

Cash in banks earned average interest rate ranging from 0.10% to 0.125% and from 0.10% to 0.35% and per annum in 2020 and 2019, 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 1.32% to 2.25% in 2020 and from 1.01% to 5.0% in 2019. These placements are from excess cash and can be withdrawn anytime.

Interest income earned from bank deposits and placements amounted to P 33,939,292, P6,781,847 and P6,427,927 in 2020, 2019, and 2018, respectively, as disclosed in Note 23.

9. TRADE AND OTHER RECEIVABLES – net

The Group's trade and other receivables consist of:

	2020	2019
Trade receivables from third parties	**P6,243,691,205**	P5,985,029,736
Allowance for expected credit losses	**(33,558,388)**	(24,288,131)
Allowance for sales return	**(15,112,940)**	(18,559,208)
	6,195,019,877	5,942,182,397
Advances to suppliers	**1,181,909,910**	786,574,073
Advances to officers and employees	**49,196,728**	47,169,974
Others	**173,857,657**	224,601,685
	P 7,599,984,172	P7,000,528,129

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.

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 P1,267,227 in 2020 and P1,386,641 in 2019 and P1,151,103 in 2018 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 expected credit losses and allowance for sales returns as at December 31 are as follows:

	Notes	Expected Credit Losses	Allowance for Sales Return	2020
Balance, January		P24,288,131	P18,559,208	**P42,847,339**
Expected Credit Loss	24	9,270,257	-	**9,270,257**
Write off		-	-	**-**
Reversal		-	(3,446,268)	**(3,446,268)**
Balance, December 31		P33,558,388	P15,112,940	**P48,671,328**
				2019
Balance, January		P18,493,803	P67,447,178	P85,940,981
Expected Credit Loss	24	5,794,328	-	5,794,328
Write off		-	-	-
Reversal		-	(48,887,970)	(48,887,970)
Balance, December 31		P24,288,131	P18,559,208	P42,847,339

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 estimated credit losses required in excess of those that were already provided.

10. **INVENTORIES** - net

Details of the Group's inventories are as follows:

	2020	2019
Finished goods	**P6,338,087,442**	P 5,594,397,614
Work in process	**162,276,236**	76,621,972
Raw materials	**7,675,369,911**	5,910,396,114
Spare parts and supplies	**421,509,561**	383,634,727
	14,597,243,150	11,965,050,427
Allowance for obsolescence	**(284,142,265)**	(183,178,386)
	P14,313,100,885	P11,781,872,041

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

Cost of inventories recognized as expense in 2020, 2019 and 2018 amounted to P 36,374,034,421, P30,836,294,070 and P29,737,566,156, respectively, as disclosed in Note 22.

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

	Notes	2020	2019	2018
Balance, January 1		**P183,178,386**	P117,342,239	P 55,521,218
Provision on slow moving inventories	22, 24	**83,254,371**	72,394,430	94,774,003
Provision on write-down	25	**391,036,678**	185,817,650	22,065,037
Write off		**-**	-	(26,401,328)
Reversal		**(373,327,170)**	(192,375,933)	(28,616,691)
Balance, December 31		**P284,142,265**	P183,178,386	P117,342,239

The Group has recognized value write-down inventories which amounted to P391,036,678, P185,817,650, and P22,065,037 in 2020, 2019 and 2018, 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:

	2020	2019
Input value-added tax (VAT) – net	**P336,577,746**	P564,377,793
Prepaid taxes	**79,198,545**	167,851,940
Prepaid insurance	**9,557,430**	10,431,023
Prepaid rent	**3,438,969**	8,650,873
Others	**62,707,558**	90,302,145
	491,480,248	841,613,774
Allowance for VAT claims	**(6,987,429)**	(12,003,841)
	P484,492,819	P829,609,933

Input VAT as at December 31, 2020 and 2019 are presented net of output VAT of nil and P1,423,595 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, CPAVI 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 2020 and 2019 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 P9,316,412, P5,538,547 and P5,823,633 as disclosed in Note 25.

Others pertain to advance payments related to maintenance on software and system used by the Group.

The Group's application for tax appeal with the BIR is still ongoing as at December 31, 2020.

Movement in the allowance for VAT claims are as follows:

	Note	**2020**	2019	2018
Balance, January 1		**P12,003,841**	P 6,465,294	P19,887,888
Provision	25	**9,316,412**	5,538,547	5,823,633
Write off		**(14,332,824)**	-	(19,246,227)
Balance, December 31		**P 6,987,429**	P12,003,841	P 6,465,294

12. INTANGIBLE ASSETS

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

	2020	2019
Goodwill	**P2,915,325,199**	P2,915,325,199
Licensing agreement	**466,176,533**	487,692,373
Trademarks	**66,774,880**	101,474,888
	P3,448,276,612	P3,504,492,460

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:

	2020	2019
CPAVI	**P2,915,325,199**	P2,915,325,199

In 2018, the Group assessed that the goodwill arising from the acquisition of CIC and CST was fully impaired. It was determined that the carrying amount of the CGU exceeded its recoverable amount considering the value in use 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 equal to the amount recognized as goodwill amounting to P36,957,396 was recognized in 2018, as disclosed in Note 25.

Based on Management review of recoverable amount, goodwill arising from the acquisition of CPAVI is not impaired as at December 31, 2020 and 2019. CPAVI's primary purpose, the CGU, is to engage in the business of converting and processing input raw materials derived from fruits, vegetables and other agricultural products, such as drilled, deshelled and pared coconuts, into finished products and distributing, and exporting the same.

The Company performs an impairment review on goodwill annually.

The structure of the impairment review is at CGU level.

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. 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 2.4% and 15% per annum growth rate in 2020 and 2019, respectively which is the projected long-term average growth rate for the international leisure goods market.

Critical assumptions in the impairment review is as follows.

- Discount rate – discount rate reflects the current market assessment of the risks specific to the CGU and estimated based on the weighted average cost of capital for CGU. The Group has used a discount rate of 12.7% and 11.6% per annum in 2020 and 2019, respectively.
- Earnings before interest, taxes, depreciation and amortization (EBITDA) margins – the margins have been estimated based on past experience after considering incremental revenue arising out of income from sale of coconut-based products. Margins will be positively impacted from the increased inflow of revenues and other initiatives driven by the Group, whereas factors like failure to meet commitment per contract in buying or producing of the products may impact the margins negatively.
- Growth rates – In line with the long-term average growth rates of the coconut industry in the country in which the entity operates and are consistent with the internal/external sources of information. The Group has used growth rate of 33% in 2021, this is taking into consideration the Group's expansion plan to meet the higher demand as a result of the additional production of coconut milk product line starting 2021 and the renewed contracts with the existing customers which is expected to grow the CGU's business significantly starting 2021and a steady growth rate of 1% to 2% thereafter.

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.

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 supported the growth of the Parent Company's branded businesses, as well as expand its presence into adjacent shelf-stable categories.

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 purchased from the plant machinery and equipment (the "assets") that can be used to manufacture the licensed products.

As at December 31, 2020, 2019 and 2018, royalty fee expense to ConAgra amounted to P21,639,909, P18,044,879 and P15,225,661, as disclosed in Note 24.

In 2020, the remaining useful life of the intangible asset acquired is 21.33 years.

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

	Note	
Cost		
Balance, January 1, 2019		P537,896,000
Addition		-
Balance, December 31, 2019		537,896,000
Additions		-
Balance, December 31, 2020		**537,896,000**
Accumulated Depreciation		
Balance, January 1, 2019		28,687,787
Amortization	24	21,515,840
Balance, December 31, 2019		50,203,627
Amortization	24	21,515,840
Balance, December 31, 2020		**71,719,467**
Carrying Amount, December 31, 2020		**P466,176,533**
Carrying Amount, December 31, 2019		P487,692,373

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 recognized P34,700,000 impairment loss on trademarks in 2020, and nil for the years 2019 and 2018 as disclosed in Note 25.

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

Movements in the carrying amounts of the Group's Right of Use Assets 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	P854,746,706
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
Additions	103,155,224	3,286,325	72,787,024	50,483,138	229,711,711
Termination	(6,306,881)	(1,059,134)	(15,795,176)	(19,125,784)	(42,286,975)
Balance, December 31, 2020	**700,789,353**	**48,217,155**	**282,360,418**	**177,469,378**	**1,208,836,304**
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
Depreciation	160,642,466	9,883,980	51,046,997	35,216,835	256,790,278
Termination	(6,306,881)	(1,059,134)	(29,039,299)	(5,822,419)	(42,227,733)
Balance, December 31, 2020	**P282,031,073**	**P17,484,833**	**P155,162,901**	**P 75,857,413**	**P530,536,220**
Carrying Amount December 31, 2020	**P418,758,280**	**P30,732,322**	**P127,197,517**	**P101,611,965**	**P678,300,084**
Carrying Amount December 31, 2019	P476,245,522	P37,329,977	P92,213,367	P99,649,027	P705,437,893

The Management believes that there is no indication of impairment on the carrying amount of its Right-of-use assets as at December 31, 2020.

Amounts recognized in profit or loss

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

	2020	2019
Cost of goods sold - depreciation expense	**P150,770,805**	P144,816,285
Operating expenses - depreciation expense	**98,609,155**	98,609,155
Other expenses - depreciation expense	**7,410,318**	7,410,318
Total Depreciation Expense of Right of Use Assets	**P256,790,278**	P250,835,758

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.

	2020	2019
Balance, January 1	**P 33,380,356**	P 42,853,751
Purchased fingerlings	**147,706,093**	33,223,057
Consumed feeds	**33,629,983**	96,068,590
Direct labor	**375,429**	1,257,578
Overhead	**3,137,020**	1,074,926
Total cost	**218,228,881**	174,477,902
Decreases due to harvest	**(152,502,251)**	(141,097,546)
Balance, December 31	**P 65,726,630**	P 33,380,356

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, 2020 and 2019, 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, 2019	P54,346,495	P2,365,690,532	P5,034,330,564	P65,154,154	P453,255,008	P116,844,022	P 316,412,352	P 8,406,033,127
Additions	848,435	88,180,888	565,818,079	5,369,790	47,908,052	12,232,842	1,053,805,113	1,774,163,199
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	5,783,416,262	70,526,749	507,290,795	129,110,569	684,082,953	9,972,920,472
Additions	452,008	26,727,570	295,066,903	5,735,656	44,285,575	4,347,038	1,359,769,376	1,736,384,126
Reclassifications	960,000	530,166,188	1,016,368,240	3,400,471	12,022,099	621,541	(1,563,538,539)	-
Disposals	(158,464)	(1,612,481)	(29,643,690)	(58,903)	(366,578)	(3,393,929)	(17,613,612)	(52,847,657)
Balance, December 31, 2020	**58,146,005**	**3,3,296,881,959**	**7,065,207,715**	**79,603,973**	**563,231,891**	**130,685,219**	**462,700,178**	**11,656,456,940**
Accumulated Depreciation and Impairment Losses								
Balance, January 1, 2019	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	-	701,117,291
Reclassification	-	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
Depreciation	1,932,437	164,145,225	567,749,634	8,844,397	65,465,755	19,705,448	-	827,842,896
Reclassifications	-	-	635,160	-	(635,160)	-	-	-
Disposal	(144,495)	(1,474,964)	(14,812,731)	(15,722)	(624753)	(3,447,312)	-	(20,519,977)
Balance, December 31, 2020	**P50,212,767**	**P 901,518,640**	**P2,856,872,408**	**P61,932,683**	**P407,057,761**	**P 88,105,788**	**P -**	**P 4,365,700,047**
Carrying Amounts As at December 31, 2020	**P 7,933,238**	**P2,395,363,319**	**P4,208,335,307**	**P17,671,290**	**P156,174,130**	**P 42,579,431**	**P 462,700,178**	**P 7,290,756,893**
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	P 6,414,543,344

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

	Notes	2020	2019	2018
Cost of goods sold	22	**P770,227,299**	P638,174,865	P638,585,720
Operating expenses	24	**57,608,710**	62,924,774	66,807,245
Reimbursable expenses		**6,887**	17,653	-
		P827,842,896	P701,117,292	P705,392,965

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.

The Group recognized loss on sale of certain equipment amounting to P269,848, P34,610,707 and P2,098,022 in 2020, 2019, and 2018, respectively, as disclosed in Note 25 and and gain amounting to P2,773,474, P2,980,501 and nil in 2020, 2019 and 2018, respectively, as disclosed in Note 23.

Management believes that there is no indication of impairment loss on its property, plant and equipment as at December 31, 2019 and 2020.

16. OTHER NON-CURRENT ASSETS

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

	Note	2020	2019
Security deposits	32	**P 87,345,066**	P64,329,977
Returnable containers		**35,743,734**	17,447,561
Deposits on utilities		**5,211,224**	1,725,791
Others		**5,150,120**	6,289,780
		P133,450,144	P89,793,109

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, 2020 and 2019.

17. BORROWINGS

This account is composed of:

	2020	2019
Current	**P3,533,466,680**	P2,433,508,587
Non-current	**-**	3,086,500,000
	P3,533,466,680	P5,520,008,587

Movements in the Group's borrowings are as follows:

	2020	2019
Balance, January 1	**P5,520,008,587**	P6,312,500,000
Additions	**5,551,000,000**	4,986,000,000
Repayments	**(7,537,541,907)**	(5,778,491,413)
	P3,533,466,680	P5,520,008,587

The Company's borrowings are composed of unsecured bank loans at amortized cost.

a. 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 2020 and 2019. Outstanding balance amounted to P1,104,000,000 as of December 2020 which will be due in less than 12 months.

b. In, 2016, the Parent Company entered into a long-term and unsecured loan amounting to P500,000,000 due on April 21, 2021 payable annually with interest rate of 4.25% per annum. Repayment of these loans amounted to P7,500,00 and P5,000,000 in 2020 and 2019. The outstanding balance of this loan amounted to P480,000,000 as at December 31, 2020 which will be due in less than 12 months.

c. In 2018, the Parent Company entered into a long-term loan and unsecured peso loan amounting to P1,500,000,000 due on July 11, 2023 interest is payable annually with rate of 5.85% per annum. The loan has been fully paid in 2020.

d. In 2020, the Parent Company entered into short-term and unsecured peso loans from local bank amounting to 2,950,000,000 with maturity date of less than 12 months with interest ranging from 3.125% to 4.500%. Repayments of the short-term loans amounted to 1,400,000,000 in 2020. The outstanding balance of this loan amounted to P1,550,000,000 as at December 31, 2020 which will be due in less than 12 months.

e. In 2020, 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%. The outstanding balance of this loan amounted to P 399,466,680 as at December 31, 2020 which will be due in less than 12 months.

f. In 2020 SMDC entered into an unsecured peso loans from local banks amounting P400,000 to with maturity date of less than 12 months with interest rates ranging from 3.80 to 7% per annum. Loans has been fully paid in 2020.

Total finance costs incurred on these loans amounted to P 215,645,210, P325,478,402 and P190,802,503 in 2020, 2019 and 2018, respectively, as presented in the consolidated statements of comprehensive income.

Total accrued interest payable on these loans amounted to P14,897,506 and P68,734,154 as at December 31, 2020 and 2019, 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:

	2020	2019
Trade payables to third parties	**P4,375,180,898**	P3,687,910,262
Accrued expenses	**4,851,881,944**	2,741,844,194
Withholding taxes payable	**235,126,519**	136,744,967
Non-trade payables	**193,732,982**	66,874,097
Others	**14,643,293**	199,355,630
	P9,670,565,636	P6,832,729,150

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:

	Note	2020	2019
Product-related cost		**P2,980,123,845**	P1,370,811,789
Advertising and promotion		**1,426,031,754**	1,118,282,530
Employee benefits		**72,019,929**	101,701,678
Professional cost		**287,276,511**	10,454,464
Interest	17	**14,897,506**	68,734,154
Rent		**45,278,337**	17,668,455
Utilities		**6,967,336**	12,865,484
Others		**19,286,726**	41,325,640
		P4,851,881,944	P2,741,844,194

Reversals of accruals pertaining to long-outstanding liability to third party vendors amounting to P107,184,824, P125,718,029 and P71,759,813 were made in 2020, 2019 and 2018, 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, 2020, 2019 and 2018, 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, 2020.

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 2020		Valuation at 2019		Valuation at 2018	
	Discount Rate	**Expected Rate of Salary Increase**	Discount Rate	Expected Rate of Salary Increase	Discount Rate	Expected Rate of Salary Increase
CPFI	**3.95%**	**6.00%**	5.24%	4.00%	7.52%	4.00%
GTC	**3.95%**	**6.00%**	5.24%	4.00%	7.52%	4.00%
SMDC	**3.95%**	**6.00%**	5.24%	4.00%	7.52%	4.00%
CPAVI	**3.95%**	**6.00%**	5.24%	4.00%	7.52%	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:

	2020	2019	2019
Service costs:			
Current service cost	**P62,800,854**	P 34,308,653	P36,461,217
Net interest expense	**7,287,037**	4,377,239	5,233,194
Components of defined benefit costs recognized in profit or loss	**70,087,891**	38,685,892	41,694,411
Remeasurement on the net defined benefit asset:			
(Gain)/Loss on plan assets (excluding amounts included in net interest expense)	**15,795,087**	(20,695,314)	14,819,902
Effect of asset ceiling	**6,148,440**	(64,632)	60,103
Actuarial (gains) losses:			
from changes in financial assumptions from experience	**305,713,517**	100,112,888	(65,547,706)
adjustments	**109,744,993**	12,321,121	28,429,832
Components of defined benefit costs recognized in other comprehensive income	**437,402,037**	91,674,063	(22,237,869)
	P507,489,928	P130,424,587	P19,456,542

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

	2020	2019
Present value of retirement benefit obligation	**P947,256,761**	P452,006,056
Fair value of plan assets	**(334,502,872)**	(291,981,031)
Effect of the asset ceiling - SMDC	**6,148,440**	-
Retirement benefit obligation	**P618,902,329**	P160,025,025

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:

	2020	2019
Balance, January 1	**P452,006,056**	P291,649,515
Current service cost	**62,800,854**	34,308,653
Interest cost	**23,685,117**	21,957,251
Benefits paid	**(6,693,776)**	(8,343,372)
Remeasurement loss:		
from changes in financial assumption	**305,713,517**	100,112,888
from changes in experience adjustment	**109,744,993**	12,321,121
Balance, December 31	**P947,256,761**	P452,006,056

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

	2020	2019
Balance, January 1	**P291,981,031**	P213,431,933
Contributions paid into the plan	**48,612,624**	48,612,624
Interest income	**16,398,080**	17,584,532
Benefits paid	**(6,693,776)**	(8,343,372)
Return on plan assets (excluding amounts included in net interest expense/income)	**(15,795,087)**	20,695,314
Balance, December 31	**P334,502,872**	P291,981,031

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

	2020	2019
Cash and cash equivalents	**P 6,455,905**	P 27,105,212
Debt instruments - government bonds	**216,389,908**	190,525,109
Debt instruments - other bonds	**7,827,367**	10,018,414
Unit investment trust funds	**82,321,157**	54,327,258
Others (market gains or losses, accrued receivables, etc.)	**21,508,535**	10,106,038
	P334,502,872	P292,082,031

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, 2020 and 2019 are as follows:

	2020	2019
Interest income	**P16,398,080**	P17,584,532
Remeasurement loss	**(15,795,087)**	20,695,314
Actual return	**P 602,993**	P38,279,846

Movements in the OCI relating to retirement obligation for 2020, 2019 and 2018 are as follows:

	2020	2019	2018
Accumulated OCI, beginning	**P155,960,213**	P 64,286,150	P86,524,019
Actuarial losses on DBO	**415,458,510**	112,434,009	(37,117,874)
Remeasurement losses on plan assets	**15,795,987**	(20,695,314)	14,819,902
Effect of asset ceiling	**6,148,440**	(64,632)	60,103
	437,402,037	91,674,063	(22,237,869)
Accumulated OCI, end	**P593,363,150**	P155,960,213	P64,286,150

Amounts of OCI, net of tax recognized in the consolidated statements of comprehensive income for 2020, 2019 and 2018 are computed below:

	2020	2019	2018
Actuarial losses on DBO	**P415,458,510**	P112,434,009	(P37,117,874)
Remeasurement losses on plan assets	**15,795,087**	(20,695,314)	14,819,902
Effect of asset ceiling	**6,148,440**	(64,632)	60,103
	437,402,037	91,674,063	(22,237,869)
Deferred tax	**116,686,291**	27,502,213	6,681,361
OCI, net of tax	**P320,715,746**	P 64,171,850	(P15,556,508)

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 2020 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**	**12.5**
SMDC	**685,056**	**30.5**
GTC	**4,535,736**	**16.2**
CPAVI	**1,502,328**	**20.3**

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, 2020 and 2019:

	Impact on post-employment defined benefit obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
2020			
CPFI			
Discount rate	+/- 1%	111,933,094	(92,393,487)
Salary increase rate	+/- 1%	108,428,294	(91,552,406)
SMDC			
Discount rate	+/- 1%	22,978	16,314
Salary increase rate	+/- 1%	22,206	16,176
GTC			
Discount rate	+/- 1%	15,177,686	(12,326,400)
Salary increase rate	+/- 1%	14,698,859	(12,215,139)
CPAVI			
Discount rate	+/- 1%	10,591,838	(8,226,839)
Salary increase rate	+/- 1%	10,250,663	(8,154,247)
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)

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

	2020		2019	
	Number of Shares	**Amount**	Number of Shares	Amount
Authorized:				
At P1 par value	**6,000,000,000**	**6,000,000,000**	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

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, 2020 and 2019 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

The Company's Board of Directors (BOD) authorized to appropriate from the 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 and its subsidiaries.

	2020	2019
CPFI	**P1,074,460,909**	P1,159,355,648
CPAVI	**725,807,409**	84,128,298
CPFPVI	**712,356,109**	115,031,540
GTC	**643,661,859**	-
SMDC	**400,000,000**	-
AWI	**55,865,000**	-
Balance, December 31	**P3,612,151,286**	P1,358,515,486

Appropriation in 2019 was reversed upon completion of the project in 2020.

21. NET SALES

	2020	2019	2018
Sales	**P54,962,504,209**	P45,976,906,330	P42,742,112,669
Sales discount	**(3,150,546,558)**	(2,736,739,619)	(2,489,712,070)
Variable considerations	**(1,144,916,550)**	(785,179,059)	(882,195,175)
Considerations payable to a customer	**(2,365,300,017)**	(1,894,624,696)	(1,484,904,745)
	P48,301,741,084	P40,560,362,956	P37,885,300,679

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

	2020	2019	2018
Variable Considerations:			
Sales returns	**P 538,232,250**	P418,546,344	P544,202,955
Contractual trade terms	**425,849,701**	251,665,398	283,405,159
Price adjustments	**60,530,573**	12,638,731	26,595,727
Prompt payment discount	**120,304,026**	102,328,586	27,991,334
	P1,144,916,550	P785,179,059	P882,195,175
Considerations Payable to a Customer:			
Trade promotions	**P2,120,921,527**	P1,660,455,343	P1,321,591,920
Display allowance	**88,470,922**	84,698,257	87,688,787
Distribution program	**46,987,541**	62,032,552	39,649,082
Other trade promotions	**108,920,027**	87,438,544	35,974,956
	P2,365,300,017	P1,894,624,696	P1,484,904,745

22. COST OF GOODS SOLD

The Group's cost of goods sold consists of:

	Note	2020	2019	2018
Raw materials used		**P34,940,027,618**	P26,675,416,000	P28,044,364,550
Direct labor		**2,078,533,942**	1,450,063,783	1,395,352,671
Factory overhead		**4,021,764,098**	3,348,472,230	3,133,018,494
Provisions for slow moving inventories	10	**74,267,890**	9,737,244	47,024,856
Total manufacturing cost		**41,114,593,548**	31,483,689,257	32,619,760,571
Changes in finished goods		**(4,740,559,127)**	(647,395,187)	(2,882,194,415)
		P36,374,034,421	P30,836,294,070	P29,737,566,156

23. OTHER INCOME

The Group's other income consists of:

	Notes	2020	2019	2018
Reversal of allowance for inventory obsolescence	10	**P236,896,318**	P 192,375,933	P 28,616,691
Foreign currency gain		**-**	-	184,310,016
Gain from sale of scrap		**107,664,525**	15,150,463	123,654,220
Reversal of accruals	18	**107,184,824**	125,718,029	71,759,813
Service income	27	**43,433,358**	57,645,388	50,679,793
Interest income	7,8 ,9	**35,206,519**	8,082,061	7,579,050
Marketing support and reimbursements		**24,779,436**	62,682,715	29,011,908
Commission income		**-**	-	20,910,557
Shared services fee	27	**13,800,000**	14,200,000	14,200,000
Gain on sale of property, plant and equipment	15	**2,773,474**	2,980,501	-
Reversal of impairment loss	6	**-**	5,184,818	-
Rental income		**-**	-	2,780,000
Others		**43,949,945**	52,271,685	2,014,797
		P615,688,399	P536,291,593	P535,516,845

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

24. OPERATING EXPENSES

The Group's operating expenses consist of:

	Notes	2020	2019	2018
Advertising and trade promotion		**P 1,918,652,901**	P1,610,234,923	P1,332,081,122
Freight and handling		**1,685,152,882**	1,427,537,717	1,271,775,083
Salaries and employee benefits	26	**1,422,494,782**	993,298,422	863,538,633
Travel and entertainment		**110,237,103**	179,539,042	177,461,067
Depreciation and amortization	12,13, 15	**177,733,705**	166,915,584	88,323,085
Outside services		**149,216,711**	163,631,296	145,800,680
Taxes and licenses		**139,911,379**	148,879,518	87,508,148
Legal and professional fees		**181,958,235**	145,454,938	126,294,861
Repairs and maintenance		**110,952,789**	101,856,212	68,068,174
Rent	32	**105,042,504**	98,877,716	194,174,763
Supplies		**64,300,244**	66,135,483	67,849,836
Provisions for slow moving inventories	10	**8,986,481**	62,657,186	92,972,821
Utilities		**89,805,547**	53,595,287	82,142,979
Royalties	12	**30,169,950**	28,144,008	35,204,024
Insurance		**16,979,298**	18,931,345	19,143,439
Expected Credit Losses	9	**9,270,257**	5,794,328	14,125,264
Fees and dues		**10,956,722**	-	7,824,521
Others		**118,990,352**	61,143,084	46,293,343
		P6,350,811,842	P5,332,626,089	P4,720,581,843

Part of the royalties amounting to P8,530,041, P10,099,129 and P19,978,363 in 2020, 2019 and 2018, 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	2020	2019	2018
Loss on inventory write-down	10	**P391,036,678**	P185,817,650	P22,065,037
Foreign currency Loss		**174,174,228**	131,988,441	-
Reimbursables		**52,837,945**	58,387,557	-
Penalties and other taxes		**50,531,194**	14,758,875	-
Loss on impairment of trademark	12	**34,700,000**	-	-
Documentary stamp tax		**30,784,527**	20,783,462	19,690,515
Input tax for government sales		**10,441,225**	26,287,790	16,873,126
Bank charges		**5,835,534**	4,225,504	9,622,675
Provision on impairment of input tax	11	**9,316,412**	5,538,547	5,823,633
Loss on disposal of property, plant and equipment	15	**269,848**	34,610,707	2,098,022
Loss on impairment of TCC	11	-	-	45,056,560
Goodwill impairment	12	**-**	-	36,957,396
Others		**43,673,106**	37,279,035	5,482,565
		P803,600,697	P519,677,568	P163,669,529

26. EMPLOYEE BENEFITS

Aggregate employee benefits expense comprised of:

	Notes	2020	2019	2018
Cost of goods sold:				
Short-term benefits		**P 393,977,584**	P 308,896,697	P 289,361,819
Post-employment benefits	19	**19,806,239**	8,746,963	7,583,775
		413,783,823	317,643,660	296,945,594
Operating expenses:				
Short-term benefits		**1,372,213,130**	963,359,513	829,427,997
Post-employment benefits	19	**50,281,652**	29,938,929	34,110,636
	24	**1,422,494,782**	993,298,442	863,538,633
		P1,835,969,509	P1,310,942,102	P1,160,484,227

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
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, 2020 and 2019 are as follows:

		Amount of Transactions During the Year			Outstanding Receivable (Payable)	
Related Party Category	**Notes**	**2020**	2019	2018	**2020**	2019
Ultimate Parent Company						
Sale of inventories	a	**P -**	P -	P -	**P -**	P -
Service fee	c	**107,746**	-	75,276	**-**	-
Sale of fixed assets	f		-	50,900	**-**	-
Cost reimbursements	c		585,955	1,833,126	**10,066,123**	26,338
Rental expense	e	**68,106,971**	45,145,379	44,029,749	**(33,735,104)**	(4,442,390)
Dividends	29	**803,304,000**	438,092,637	437,238,467		-
Miscellaneous deposit	h	**-**	-	-	**10,148,520**	14,024,067
Cash advance	g	**-**	-	-	**-**	-
Fellow Subsidiaries						
Shared services fee	d	**13,800,000**	14,200,000	14,200,000	**-**	-
Sale of inventories	a	**341,424,585**	305,193,172	255,344,779	**259,725,092**	246,689,355
Purchase of inventories	b	**80,036,909**	125,958,838	82,515,908	**(42,159,571)**	(15,264,457)
Service fee	c	**43,325,612**	57,059,433	50,604,517	**-**	-
Cost reimbursements	c	**27,205,209**	29,886,276	33,071,723	**-**	-
Rental expense	e	**3,133,623**	3,095,988	4,158,603	**-**	-
Miscellaneous deposit	h	**-**	-	-	**849,150**	849,150
Sale of property, plant and equipment	f	**774,719**	19,976	526,424	**-**	-
Retirement Fund						
Contributions from the employer	19	**48,612,624**	48,612,624	48,612,624	**-**	-
Due from Related Parties					**P 280,788,885**	P261,588,910
Due to Related Parties					**(P 75,894,675)**	(P 19,706,847)

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, 2020 and 2019, 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 P43,433,358, P57,059,433, and P50,679,793 in 2020, 2019 and 2018, respectively, as disclosed in Note 23. Shared cost reimbursement from related parties amounted to P27,205,209, P30,472,231 and P34,904,849 in 2020, 2019 and 2018, 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 P13,800,000, P14,200,000 and P14,200,000 in 2020, 2019 and 2018, 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 and RRC for the use of the office space in Centerpoint, Ortigas and Land in Zamboanga. Total rental expense related on this lease agreement amounted to P71,240,594, P48,241,367 and P48,188,352 in 2020, 2019 and 2018, respectively, presented as part of rental expense disclosed in Note 24.

f. The Group entered into sale of property, plant and equipment to PMCI for 774,719 in 2020, 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 2020 and 2019, 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, 2020 and 2019 amounted to P10,997,670 and P14,873,217 respectively.

Total amount of receivables to the Ultimate Parent and Fellow Subsidiaries as at December 31, 2020 and 2019 amounted to P280,788,885 and P2,238,968,256, respectively. Total amount of intercompany payables to Ultimate Parent and Fellow Subsidiaries as at December 31, 2020 and 2019 amounted to P 75,894,675 and P2,236,797,086 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*:

	2020	2019	2018
Short-term employee benefits	**P851,844,534**	P522,809,016	P443,159,765
Post-employment benefit	**26,293,802**	15,972,818	14,064,316
	P878,138,336	P538,781,834	P457,224,081

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, 2020 and 2019, as disclosed in Note 28.

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, 2020, 2019 and 2018, 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

Details of the share options outstanding during the year are as follows.

	2020		2019	
	Number of share options	**Weighted Average exercise price in PHP**	Number of share options	Weighted Average exercise price in PHP
Outstanding at beginning of year	**4,213,145**	**14.41**	4,213,145	14.41
Granted during the year	**-**	**-**	-	-
Forfeited during the year	**-**	**-**	-	-
Exercised during the year	**-**	**-**	-	-
Expired during the year	**-**	**-**	-	-
Outstanding at the end c the year	**4,213,145**		4,213,145	
Exercisable at the end o the year	**4,213,145**		4,213,145	

Of the total shares available under the ESPP, employees subscribed to 1,229,700 shares at P14.10 per share, 400,000 at P16.54 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, P6,616,000, P15,694,380 and P18,779,000 in 2017, 2016, 2015 and 2014. There were no share options offered for purchase or subscription from the management in 2020, 2019, and 2018. Accordingly, the share options has no expiry if the employee is eligible and will exercise the right to purchase or subscribe specified number of shares at a specified option price once offer is available.

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.

29. DIVIDENDS

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 June 30, 2020, a cash dividend was declared by the Company's Board of Directors to stockholders of record as of July 30, 2020 for a total amount of P1,275,213,094

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

	Date of Declaration	Date of Record	Date of Payment	Dividends Per Share	Total Dividends
2020					
Cash dividends	**June 30, 2020**	**July 30, 2020**	**August 14, 2020**	**P0.36**	**P1,275,213,094**
Total dividends declared					**P1,275,213,094**
2019					
Cash dividends	July 1, 2019	July 31, 2019	August 16, 2019	P0.18	P637,606,547
Total dividends declared					P637,606,547
Cash dividends	July 3, 2018	July 17, 2018	August 1, 2018	P0.18	P637,606,547
Total dividends declared					P637,606,547

Of the total cash dividend declared, the dividends paid to CPGI in 2020 and 2019 amounted to P803,304,000 and P401,652,000 respectively. Dividends paid to the public amounted to P471,909,094 and P235,954,547 in 2020 and 2019, respectively.

30. EARNINGS PER SHARE

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

	2020	2019	2018
Profit for the year	**P 3,879,443,861**	P3,148,597,010	P2,834,272,860
Weighted average number of common shares	**3,542,156,120**	3,542,156,120	3,542,156,120
Basic and diluted earnings per share	**1.10**	P 0.889	P 0.8001

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

	2020	2019	2018
January 1, Balance	**3,542,156,120**	3,542,156,120	3,542,156,120
Weighted average number of shares: Issued for the year	**-**	-	-
December 31, Balance	**3,542,156,120**	3,542,156,120	3,542,156,120

As at December 31, 2020, 2019, and 2018, the Parent Company has no potential dilutive shares, accordingly, basic earnings per share of P1.10, P0.889 and P0.8001 in 2020, 2019, and 2018, 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, 2020, 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, 2020 and 2019, 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:

	2020	2019
GTC	**P118,763,280**	P138,824,506
CPFI	**164,584,125**	465,211,048
CPAVI	**201,165,094**	26,216,800
CPFPVI	**852,060**	-
SMDC	**1,900,000**	87,655,086
Solar	**168,889**	-
	P487,433,448	P717,907,440

The construction is expected to be completed in 2021 and has remaining estimated costs to complete as follows:

	2020	2019
CPAVI	**P 484,718,428**	P 34,931,413
CPFI	**415,190,615**	312,130,510
GTC	**287,134,010**	251,267,575
AWI	**-**	-
SMDC	**-**	12,720,614
CPFPVI	**-**	-
CPNA	**-**	-
	P1,187,043,053	P611,050,112

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, 2020, 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:

	2020	2019
Cost of goods sold – rental expense	**P321,690,086**	268,267,060
Operating expenses – rental expense	**105,042,504**	96,447,847
Other expenses – rental expense	**2,810,543**	5,263,070
Total Rental Expense	**P429,543,133**	P369,977,977

The lease liabilities of the Group in relation to the right of use assets recorded in accordance to PFRS 16 based on undiscounted cash flows fall due as follows:

	2020	2019
Not later than one year	**P382,939,799**	P249,009,334
Later than one year but not later than five yea	**940,772,290**	523,193,440
Later than five years	**668,650,068**	80,943,399
Present value of Lease Liabilities	**P1,992,362,157**	P853,146,173

Presented in the consolidated statements of financial position as:

	2020	2019
Current	**P271,207,134**	P269,082,105
Non-current	**465,842,247**	484,103,079
	P737,049,381	P753,185,184

Interest rates underlying all obligations are fixed at respective contract dates ranging from 3.16% to 7.32% and 5.35% to 7.29% in 2020 and 2019, respectively. Total finance cost for these leases amounting to P45,506,164 and P43,949,415 in 2020 and 2019 was included as part of finance costs presented in the consolidated statements of comprehensive income.

As at December 31, 2020 and 2019, total refundable security deposits recognized in the consolidated statements of financial position as part of non-current assets amounted to P87,345,066 and P60,907,539, respectively, as disclosed in Note 16.

33. INCOME TAXES

Components of income tax expense charged to profit or loss are as follows:

	Note	2020	2019	2018
Current tax expense		**P1,515,088,355**	P1,002,756,220	P905,936,468
Deferred tax benefit	34	**(266,701,059)**	(112,724,225)	(138,070,930)
		P1,248,387,296	P 890,031,995	P767,865,538

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.

	2020	2019	2018
Accounting profit	**P 5,127,831,156**	P4,038,629,005	P3,602,138,398
Tax on pretax income at 30%	**P1,538,349,347**	P1,211,588,702	P1,080,641,519
Adjustment for income subjected to lower and higher income tax rate	**-**	(1,088,802)	(1,092,512)
Tax effects of:			
Income exempted from income tax	**(6,058,601)**	(121,496,275)	-
Interest income subject to final tax	**(10,193,718)**	(2,065,913)	(651,716)
Effects of using OSD instead of itemized deductions	**(235,108,756)**	(157,952,993)	(186,406,125)
Nontaxable income	**(5,371)**	(965,298)	(8,816,636)
Effects of previously unrecognized deferred tax asset	**(111,316)**	(10,964,392)	5,450,440
Income under income tax holiday	**(77,803,837)**	(27,962,843)	(152,944,181)
Non-deductible expenses	**39,319,548**	939,809	31,684,749
	P1,248,387,296	P 890,031,995	P 767,865,538

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, 2020 and 2019:

	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, 2019	P20,269,704	P27,385,978	P26,912,060	P 9,479,274	P 24,874,549	P 97,399,547	P12,773,475	P219,094,587
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	45,065,401	21,705,502	14,948,039	11,988,505	48,708,607	205,636,858	11,618,906	359,681,319
Charged to profit or loss for the year	26,945,336	7,965,158	1,786,322	1,825,531	19,505,614	246,878,630	13,504,819	275,739,620
Charged to OCI					116,686,291			116,686,291
Balance, December 31, 2020	**P 72,010,737**	**P29,670,660**	**P16,734,361**	**P10,162,974**	**P145,889,284**	**P452,515,488**	**P25,123,725**	**P752,107,229**

Deferred tax assets amounting to nil and P5,450,440 as at December 31, 2020 and 2019, 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:

	2020	2019
NOLCO	**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, 2019	P -
Charged to profit or loss for the year	360,285
Balance, December 31, 2019	360,285
Charged to profit or loss for the year	9,038,560
Balance, December 31, 2020	**P9,398,845**

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, 2020 and 2019 are shown below:

	2020		2019	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P 1,229,381,273**	**P 1,229,381,273**	P 1,607,844,054	P 1,607,844,054
Trade receivables - net	**6,365,280,912**	**6,365,280,912**	6,166,784,082	6,166,784,082
Due from related parties	**280,788,885**	**280,788,885**	261,588,910	261,588,910
Security deposits	**87,345,066**	**87,345,066**	64,329,977	64,329,977
Deposits on utilities	**5,211,224**	**5,211,224**	1,725,791	1,725,791
	P 7,968,007,360	**P 7,968,007,360**	P 8,102,272,814	P 8,102,272,814
Financial Liabilities				
Borrowings	**P 3,533,466,680**	**P 3,533,466,680**	P 5,520,008,587	P 5,520,008,587
Trade and other payables	**9,397,595,932**	**9,397,595,932**	6,679,404,600	6,679,404,600
Due to related parties	**75,894,675**	**75,894,675**	19,706,847	19,706,847
	P13,006,957,287	**P13,006,957,287**	P12,219,120,034	P12,219,120,034

**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, 2020 and 2019, the total statutory receivables amounted to P3,596,624 and nil respectively, presented as part of others in Note 8.

As at December 31, 2020 and 2019, other payables amounted to P37,843,185 and P16,579,583 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 2020 and 2019, 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:

	2020	2019
Cash and cash equivalents	**P 213,324,440**	P 451,553,141
Trade and other receivables	**2,124,814,306**	1,267,284,853
Trade and other payables	**(446,103,390)**	(921,496,272)
	P1,892,035,356	P 797,341,722

Breakdown of Group's foreign currency denominated monetary assets and liabilities at the end of each reporting period are as follows:

	2020		2019	
	USD	**CNY**	USD	CNY
Cash and cash equivalents	**162,249,308**	**51,075,132**	397,186,658	54,366,483
Trade and other receivables	**2,089,072,715**	**35,741,591**	1,266,327,126	957,727
Trade and other payables	**(276,958,119)**	**(169,145,271)**	(772,751,268)	(148,745,004)
	1,974,363,904	**(82,328,548)**	890,762,516	(204,069,214)

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, 2020		
Philippine Peso	+/-5.65%	106,899,998
December 31, 2019		
Philippine Peso	+/-5.65%	P45,049,807

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:

	2020 Effect in profit and loss	2019 Effect in profit and loss
Cash and cash equivalents	**(P12,052,831)**	(P25,512,752)
Trade and other receivables	**(120,052,008)**	(71,601,594)
Trade and other payables	**25,204,842**	52,064,539
	P106,899,997	(P45,049,807)

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 confirmed to 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.

Trade receivables consist of a large number of customers, spread across geographical areas. 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:

	2020	2019
Cash in banks and cash equivalents	**P1,229,381,273**	P1,607,844,054
Trade receivables	**6,365,280,912**	6,166,784,082
Due from related parties	**280,788,885**	261,588,910
Security deposits	**87,345,066**	64,329,977
Deposits on utilities	**5,211,224**	1,725,791
	P7,968,007,360	P8,102,272,814

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 P213,717,061 and P299,556,305 as at December 31, 2020 and 2019, 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
2020						
Trade receivables	9	(i)	Lifetime ECL (simplified approach)	**P6,413,952,240**	**P48,671,328**	**P6,365,280,912**
Due from related parties	28	Performing	12m ECL	**280,788,885**	**-**	**280,788,885**
Security deposits	12	Performing	12m ECL	**87,345,066**	**-**	**87,345,066**
Deposits on utilities	12	Performing	12m ECL	**5,211,224**	**-**	**5,211,224**
				P6,787,297,415	**48,671,328**	**P 6,738,626,087**
2019						
Trade receivables	9	(i)	Lifetime ECL (simplified approach)	P6,209,631,421	P42,847,339	P6,166,784,082
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
				P6,537,276,098	P42,847,339	P6,494,428,759

(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
2020				
Trade and other payables	n/a	**P 9,397,595,932**	**P -**	**P 9,397,595,932**
Borrowings	3.75%	**3,548,364,186**	**-**	**3,548,364,186**
Due to related parties	n/a	**75,894,675**	**-**	**75,894,675**
		P13,021,854,793	**P -**	**P13,021,854,793**
2019				
Trade and other payables	n/a	P 6,679,404,600	P -	P 6,679,404,600
Borrowings	4.79%	2,502,242,741	3,086,500,000	5,588,742,741
Due to related parties	n/a	19,706,847	-	19,706,847
		P 9,201,354,188	P3,086,500,000	P12,287,854,199

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 2019.

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, 2020 and 2019 are as follows:

	2020	2019
Total liabilities	**P14,840,155,033**	P13,434,453,801
Total equity	**21,436,210,592**	19,154,317,747
Debt-to-equity ratio	**0.69:1**	0.70:1
Total current asset	**23,973,474,666**	P21,514,823,423
Total current liabilities	**13,746,011,612**	9,703,465,412
Current ratio	**1.74:1**	2.22:1

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, 2020 and 2019, the public ownership is 31.21% and 31.29% respectively.

38. EVENTS AFTER THE REPORTING PERIOD

On March 26, 2021, the President signed into law the Republic Act (RA) 11534 also known as "Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE" Act which reduced the corporate income tax rates and rationalized the current fiscal incentives by making it time-bound, targeted and performance-based. CREATE Act introduces reforms in the areas of corporate income tax, value-added tax, and tax incentives, aside from providing COVID-19 related reliefs to taxpayers.

The salient provisions of the CREATE Act applicable to the Company are as follows:

1. Effective July 1, 2020, domestic corporations with total assets not exceeding P100 million and net taxable income of P5 million and below shall be subject to 20% income tax rate while the other domestic corporations and resident foreign corporations will be subject to 25% tax income tax rate;
2. Minimum corporate income tax (MCIT) rate is reduced to from 2% to 1% from July 1, 2020 to June 30, 2023;
3. Repeal of the improperly accumulated earnings tax

The significant estimated effects of the changes computed without regard to the specific date when specific sales, purchases and other transactions occur as provided for under Section 27(A) of the CREATE Act are as follows:

	As of December 31,2020	Under the CREATE bill	Impact
Income tax expense	P1,516,147,095	P1,388,257,601	P127,889,494
Income tax payable	194,877,487	62,874,832	132,002,655
Prepaid income tax	1,321,269,608	1,153,833,742	167,435,866
Deferred tax assets	752,107,229	719,479,204	32,628,025
Deferred tax liabilities	P 9,398,845	P 7,946,423	P 1,452,422

39. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Group were approved and authorized for issuance by the Board of Directors on April 14, 2021.

* * *

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

INDEPENDENT AUDITOR'S 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, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018 in accordance with Philippine Standards on Auditing, on which we have rendered an unqualified opinion dated April 14, 2021.

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, 2020, 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. Such information are the responsibility of Management and have been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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. 08-002552-18-2020, issued on December 28, 2020; effective until December 27, 2023
PTR No. A-5047290, issued on January 4, 2021, Taguig City

Taguig City, Philippines
April 14, 2021

Annex A

Reconciliation of Retained Earnings
Available for Declaration
As at December 31, 2020

CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES
7th Floor Centerpoint Bldg., Julia Vargas St., Ortigas Center Pasig City

Items	Amount
Unappropriated Retained Earnings, beginning	P10,610,919,182
Adjustments:	
Deferred tax assets	(359,681,319)
Remeasurement of retirement benefit obligation - net of tax	109,172,155
Appropriation of retained earnings	(1,358,515,486)
Unappropriated Retained Earnings, available for dividend distribution, beginning of the year	P9,001,894,532
Net Income during the period closed to Retained Earnings	3,557,105,940
Less: Non-actual/Unrealized Income Net of Tax	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	(71,710,164)
Net Income actual earned/realized during the period	3,485,395,776
Less:	
Dividend declarations during the period	(1,275,213,094)
Appropriations of Retained Earnings during the period	(2,253,635,800)
TOTAL RETAINED EARNINGS, END OF THE YEAR AVAILABLE FOR DIVIDEND DECLARATION	**P8,958,441,414**

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

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, 2020 and 2019, and for each of the three years in the year ended December 31, 2020, and have issued our report thereon dated April 14, 2021. 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, 2020 and 2019, and for each of the three years in the year ended December 31, 2020 and no material exceptions were noted.

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
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PTR No. A-5047290, issued on January 4, 2021, Taguig City

Taguig City, Philippines
April 14, 2021

Deloitte.

FINANCIAL SOUNDNESS INDICATORS
As of December 31, 2020

CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES
7TH Floor Centerpoint Bldg., Julia Vargas St., Ortigas Center, Pasig City

Ratio	Formula	Current Year	Prior Year
Current ratio	Total Current Assets divided by Total Current Liabilities Total Current Assets 23,973,474,664 Divide by: Total Current Liabilities 13,746,011,612 Current Ratio 1.74	1.74x	2.22x
Quick/Acid test ratio	Quick Assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities Total Current Assets 23,973,474,664 Less: Inventories (14,313,100,885) Biological Assets (65,726,630) Prepayments and other Current Assets (484,492,819) Quick assets 9,110,154,330 Divide by: Total Current Liabilities 13,746,011,612 Quick/Acid test ratio 0.66	0.66x	0.91x
Debt-to-equity ratio	Total Liabilities divided by Total Equity Total Liabilties 14,840,155,033 Divide by: Total Equity 21,436,210,593 Debt-to-equity ratio 0.69	0.69x	0.70x
Asset-to-equity ratio	Total Assets divided by Total Equity Total Assets 36,276,365,626 Divide by: Total Equity 21,436,210,593 Asset-to-equity ratio 1.69	1.69x	1.70x
Interest rate coverage ratio	Earnings before Interest and Taxes (EBIT) divided by Interest Expense EBIT 5,388,982,523 Divide by: Interest Expenses 261,151,374 Interest rate coverage ratio 20.64	20.64x	11.93x
Working capital turnover	Net Sales divided by Working Capital (Current Assets less Current Liabilities) Net Sales 48,301,741,084 Divide by: Working capital Current Assets 23,973,474,664 Less: Current Liabilities (13,746,011,612) Working Capital 10,227,463,052 Working Capital Turnover 4.72	4.72x	3.43x
Return on equity	Profit before Taxes (PBT) divided by Total Equity PBT 5,127,831,149 Divide by: Total Equity 21,436,210,593 Return on equity 23.92%	23.91%	21.08%
Return on assets	Profit from operations divided by Total Assets Profit from Operations 5,127,831,149 Divide by: Total Assets 36,276,365,626 Return on assets 14.14%	14.14%	12.39%
Net profit margin	Profit before Taxes (PBT) divided by Net Sales PBT 5,127,831,149 Divide by: Net Sales 48,301,741,084 Net profit margin 10.62%	10.62%	9.96%
Operating profit margin	Profit from Operations divided by Net Sales Profit from Operations 5,127,831,149 Divide by: Net Sales 48,301,741,084 Net profit margin 10.62%	10.62%	9.96%

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, 2020

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CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES
Schedule A - Financial Assets
As of December 31, 2020

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, 2020

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	47,169,974	327,481,811	325,455,058	-	49,196,727	-	49,196,727

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, 2020

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	P 318,662,522	P -	P 27,074,021	P -	P 291,588,501	-	P 291,588,501
Snow Mountain Dairy Corporation	767,510,186	-	2,380,732,302	-	(1,613,222,115)	-	(1,613,222,115)
Allforward Warehousing, Inc.	28,329,306	-	31,682,995	-	(3,353,689)	-	(3,353,689)
Century Pacific Agri Ventures Inc	(92,912,230)	-	115,161,715	-	(208,073,945)	-	(208,073,945)
Century Pacific Seacrest Inc	25,404,098	-	26,072,195	-	(668,097)	-	(668,097)
Century Pacific Food Packaging Ventures Inc.	394,432,971	-	285,479,831	-	108,953,140	-	108,953,140
General Odyssey Inc.	-	-	984,793	-	(984,793)	-	(984,793)
Century Pacific Solar Inc.	-	-	2,000,000	-	(2,000,000)	-	(2,000,000)
Century Pacific North America Enterprise Inc.	104,161,039	-	5,896,482	-	98,264,558	-	98,264,558
Century International (China) Co., Ltd.	146,001,587	-	13,080,302	-	132,921,285	-	132,921,285
Centennial Global Corporation	(50,004,439)	-	-	-	(50,004,439)	-	(50,004,439)
Total	**P1,641,585,040**	**P -**	**P2,888,164,635**	**P -**	**(P1,246,579,594)**	**P -**	**(P1,246,579,594)**

CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES
Schedule D - Intangible Assets
As of December 31, 2020

Description	Beginning Balance	Additions at Cost	Charged to Cost and Expenses	Charged to Other Accounts	Other Changes	Ending Balance
Goodwill	P2,915,325,191	P -	P -	P -	P -	P2,915,325,191
Trademark	101,474,888	-	(34,700,000)	-	-	66,774,888
Trademark License	487,692,373	-	(21,515,840)	-	-	466,176,533
Total	**P3,504,492,452**	**P -**	**(P56,215,840)**	**P -**	**P -**	**P3,448,276,612**

CENTURY PACIFIC FOOD INC. AND SUBSIDIARIES
Schedule E - Long Term Debt
As of December 31, 2020

Bank	Beginning Balance	Availment	Payment	Ending Balance	Current	Non Current
Security Bank	P1,115,500,000	P -	P 11,500,000	P1,104,000,000	P1,104,000,000	P -
Metrobank	487,500,000	-	7,500,000	P480,000,000	480,000,000	-
BPI	1,500,000,000	-	1,500,000,000	-	-	-
Total	**P3,103,000,000**	**P -**	**P1,519,000,000**	**P1,104,000,000**	**P1,584,000,000**	**P -**

CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES
Schedule F - Indebtedness to Related Parties
As of December 31, 2020

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, 2020

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, 2020

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	-	2,433,960,781	2,870,807	1,105,427,007

CENTURY PACIFIC FOOD INC.
CONGLOMERATE MAP
AS OF DECEMBER 31, 2020