

SECURITIES AND EXCHANGE COMMISSION

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

1. For the quarterly period ended **September 30, 2018**
2. Commission identification number **CS201320778**
3. BIR Tax Identification No. **008-647-589-000**
4. **Century Pacific Food, Inc.**  
Exact name of issuer as specified in its charter
5. **Pasig City, Philippines**  
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code:  (SEC Use Only)
7. **7/F Centerpoint Bldg., Julia Vargas Ave. Garnet Rd. Ortigas Center Pasig City, 1604**  
Address of issuer's principal office Postal Code
8. **+632 - 633 - 8555**  
Issuer's telephone number, including area code
9. **Not Applicable**  
Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	<b>Common Stock P1 par value</b>
Number of shares of common stock outstanding	<b>3,542,258,595 Shares</b>

11. Are any or all of the securities listed on a Stock Exchange?  
Yes [] No []

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

**Main Board of the Philippine Stock Exchange, Common Shares**

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)  
Yes [] No []

(b) has been subject to such filing requirements for the past ninety (90) days.  
Yes [] No []

## PART I – FINANCIAL INFORMATION

### Item 1. Financial Statements

The unaudited interim consolidated financial statements of Century Pacific Food, Inc. and its wholly owned subsidiaries General Tuna Corporation, Snow Mountain Dairy Corporation, Allforward Warehousing Inc., Century Pacific Agricultural Ventures Inc., Century Pacific Food Packaging Ventures Inc., Century Pacific Seacrest Inc., Centennial Global Corporation, Century International (China) Co Ltd, Century (Shanghai) Trading Co Ltd, Cindena Resources Ltd, and Century Pacific North America Enterprise Inc. (collectively, the “Company” or “CNPF”) as of and for the period ended September 30, 2018, and the comparative period in 2017 is attached to this 17-Q report, comprising of the following:

- 1.1 Consolidated Balance Sheets as of September 30, 2018, and December 31, 2017
- 1.2 Consolidated Statement of Income for the period ended September 30, 2018, and September 30, 2017
- 1.3 Consolidated Statement of Cash Flows for the period ended September 30, 2018, and September 30, 2017
- 1.4 Consolidated Statement of Changes in Shareholder’s Equity for the period ended September 30, 2018, and September 30, 2017
- 1.5 Notes to Consolidated Financial Statements for the period ended September 30, 2018

### Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations (Based on the unaudited consolidated financial statements for the period ended September 30, 2018)

#### *Business Overview*

Century Pacific Food, Inc. (CNPF) is the largest producer of canned food in the Philippines. It owns a portfolio of well-known and trusted brands in the canned and processed fish, canned meat, and dairy and mixes business segments. These brands include *Century Tuna*, *555*, *Blue Bay*, *Fresca*, *Argentina*, *Swift*, *Wow*, *Lucky 7*, *Angel*, *Birch Tree*, *Kaffe de Oro*, and *Home Pride*, which have established leading market positions locally and a growing presence abroad. CNPF exports its branded products overseas, particularly where there are huge Filipino communities such as the United States and the Middle East. The Company is also the Philippines’ largest exporter of original equipment manufacturer (OEM) tuna and coconut products.

CNPF traces its history from the Century Pacific Group, a focused branded food company for 40 years. Century Pacific Group began in 1978 when Mr. Ricardo S. Po established Century Canning Corporation as an exporter of canned tuna. In subsequent years, Century Canning Corporation then expanded and diversified into other food-related businesses. Establishing market leading positions, it built a multi-brand, multi-product portfolio catering to a broad and diverse customer base and supported this with a distribution infrastructure with nationwide reach, directly serving hundreds of thousands of retail outlets and food service companies.

In October 2013, the Po Family reorganized the Century Pacific Group to maximize business synergies and shareholder value. It incorporated CNPF, carving out the branded canned seafood, meat, dairy, mixes, and OEM tuna export businesses, folding them into CNPF. On January 1, 2014, CNPF commenced business operations under the new corporate set-up.

CNPF manages its food business through operating divisions and wholly-owned subsidiaries.

The canned and processed fish segment is CNPF's largest business segment. It produces and markets a variety mix of tuna, sardine, other fish, and seafood-based products under the *Century Tuna*, *555*, *Blue Bay*, *Fresca*, and *Lucky 7* brands.

The canned meat segment, CNPF's second largest segment, produces corned beef, meat loaf, luncheon meat, and other meat-based products which are sold under the *Argentina*, *Swift*, *555*, *Shanghai*, and *Wow* brands.

The dairy and mixes segment is comprised of products such as evaporated milk, condensed milk, full cream and fortified powdered milk, and all-purpose creamer under the *Angel* and *Birch Tree* brands, coffee mix under the *Kaffe de Oro* brand, and flavor mixes under the *Home Pride* brand.

The tuna export segment produces OEM canned tuna, pouched tuna, and vacuum-packed frozen tuna loin products for overseas markets including North America, Europe, Asia, Australia, and the Middle East.

The coconut segment, through wholly-owned subsidiary Century Pacific Agricultural Ventures, Inc., produces high value organic-certified and conventional coconut products for both export and domestic markets. These products include retail-packaged coconut water, organic virgin coconut oil, desiccated coconuts, coconut flour, and coconut milk. It currently also has other coconut-based products under development.

During 2016, CNPF acquired the license to the *Kamayán* trademark in North America, one of the top names in the U.S. market for shrimp paste – a popular condiment in Philippine cuisine locally known as *bagoong*. The Company also acquired distribution companies in China which sell *Century Tuna*, the leading canned tuna brand in China.

In May 2017, CNPF also acquired the Philippine license for *Hunt's*, the country's number one pork and beans brand. *Hunt's* product lineup currently includes pork and beans, tomato-based spaghetti sauce, tomato sauce, and marinade sauce.

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

- CNPF's consolidated net income after tax for the nine months ended September 30, 2018, totaled P2.37 billion, representing a 7% growth versus the net income after tax of P2.21 billion reported during the first nine months of 2017. Income performance can be mainly attributed to the sustained double-digit growth in branded revenues, as well as the healthy profit performance of its original equipment manufacturer (OEM) business. This was achieved despite higher input costs, particularly for key raw materials and packaging.
- Consolidated net revenue for the nine months ended September 30, 2018, grew by 17% to P29.48 billion. Revenue performance can be largely attributed to the maintained double-digit growth of the branded businesses, owing to the Company's various demand-generating activities and improvements in product distribution.
- CNPF's cost of sales consists primarily of raw material and packaging costs, manufacturing costs, and direct labor costs. Cost of sales for the nine months ended September 30, 2018, reached P21.84 billion, 16% higher compared to the same period last year.

- CNPF's consolidated gross profit for the nine months ended September 30, 2018, amounted to P7.64 billion, an 18% increase from the same period in 2017. This represents a gross profit margin of 25.9% or an improvement of 0.2 ppts over the gross profit margin during the same period last year.
- CNPF's total operating expense, which is comprised of selling, distribution, marketing, and administrative expenses, totaled P4.82 billion or a 16.4% cost-to-sales ratio in the first nine months of 2018. This represents a 1.7-ppt increase versus the cost-to-sales ratio of 14.6% during the same period in 2017.
- Other income and expense is comprised of gains or losses on transactions relating to foreign currency exchange, to sale of scrap and PPE, losses on inventory write down, management fees, and miscellaneous items. For the nine months ended September 30, 2018, CNPF posted consolidated net other income of P338 million. Gains on transactions relating to foreign currency exchange, to sale of scrap or PPE, and other miscellaneous income accounted for the bulk of this net other income.
- Consequently, CNPF's consolidated operating income for the nine months ended September 30, 2018, reached P3.16 billion compared to last year's operating income of P2.99 billion. The resulting 10.7% operating income-to-sales ratio is lower relative to the 11.8% posted during the same period in 2017.
- CNPF's financing cost is comprised of interest expense from short-term and long-term borrowings, bank charges, and other financing costs. For the nine months ended September 30, 2018, financing costs amounted to P126 million. This is 72% higher compared to the same period last year mainly due to the increase in short-term borrowing rates and higher outstanding short-term loans.
- Consolidated EBITDA (earnings before interest, taxes, depreciation, and amortization) for the nine months ended September 30, 2018, amounted to P3.69 billion. This implies a contraction in EBITDA margin to 12.5% from 13.3% during the same period last year.
- The Company's income tax expense totaled P662 million for the nine months ended September 30, 2018, 6% lower versus the same period in 2017. CNPF's effective tax rate of 21.8% is 2.3 ppts lower compared to last year's.

### ***Financial Condition***

The Company's financial stability and financial position as of September 30, 2018, is as follows:

- Cash and cash equivalents reached P882 million as of September 30, 2018. Operating activities registered a P401 million total outflow primarily due to a significant increase in working capital investments. Net cash used in investing amounted to P915 million, while net cash generated by financing activities was P649 million.
- Current ratio stood at 2.15 times as of end September 2018, comparing to last year's ratio of 2.21 times. The cash conversion cycle was higher at 118 days from 96 days a year ago. As of end September 2018, accounts receivable and inventory days stood at 57 and 145 respectively, while

accounts payable came in at 84 days. Net working capital to total assets ratio is measured at 0.38 times, marginally higher than last year's level of 0.35 times.

- Property, plant and equipment - net registered at P5.33 billion as of end September 2018. Capital expenditures for the first nine months of the year totaled P942 million, consisting of the installation of new equipment and machinery at the different manufacturing facilities of the Company.
- As of end September 2018, the Company's total interest-bearing debt amounted to P5.12 billion in interest-bearing debt, P2.25 billion of which was incurred for the acquisition of Century Pacific Agricultural Ventures, Inc.
- Total stockholders' equity grew by P1.74 billion from P14.48 billion as of end December 2017 to P16.22 billion as of end September 2018, representing mainly the net income earned during the nine-month period ending September 30, 2018, less the dividend declaration of P638 million during the same period.
- Gearing ratio, measured as total interest-bearing debt over total equity, stood at 0.32 times as of end September 2018, higher compared to 0.26 times as of end September 2017. Net of cash available, net gearing is 0.26 times as of end September 2018 – higher than the previous year's 0.15 times.

#### Key Performance Indicators (KPIs)

	<b>Unaudited Nine Months Ended September 30, 2018</b>	<b>Unaudited Nine Months Ended September 30, 2017</b>
Gross Profit Margin	26%	26%
Before Tax Return on Sales	10%	12%
Return on Sales	8%	9%
Interest-Bearing Debt-to-Equity	0.32X	0.21X
Current Ratio	2.15X	2.21X

#### **Notes:**

1 *Gross Profit margin = Gross Profit / Net Revenue*

2 *Before Tax Return on Sales = Net Profit Before Tax / Net Revenue*

3 *Return on Sales = Net Profit After Tax / Net Revenue*

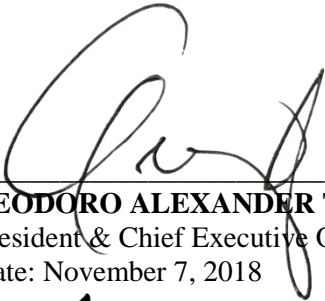
4 *Interest-Bearing Debt-to-Equity = Loans Payable / Total Stockholders' Equity*

5 *Current Ratio = Total Current Assets / Total Current Liabilities*

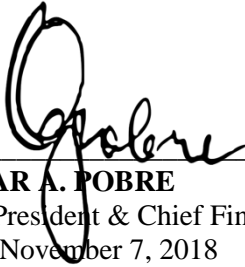
## SIGNATURES

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

### **CENTURY PACIFIC FOOD, INC.**



**TEODORO ALEXANDER T. PO**  
President & Chief Executive Officer  
Date: November 7, 2018



**OSCAR A. POBRE**  
Vice President & Chief Finance Officer  
Date: November 7, 2018

**CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

(Amounts in Philippine Peso)

	<b>Unaudited</b> <b>September 30, 2018</b>	<b>Audited</b> <b>December 31, 2017</b>
<b><u>Assets</u></b>		
Current Assets		
Cash and cash equivalents	882,242,251	1,548,564,038
Trade and Other Receivables - net	6,016,060,677	5,329,148,100
Inventories - net	11,533,323,301	6,995,169,799
Biological Assets	32,303,859	22,723,872
Due from Related Parties	165,597,941	185,761,558
Prepayments and other current assets	754,034,634	602,626,780
Total Current Assets	19,383,562,662	14,683,994,148
Property, plant & equipment - net	5,329,370,767	4,935,811,422
Intangible Assets	3,568,344,654	3,584,481,534
Deferred Tax assets	99,021,966	95,250,779
Other non-current assets	88,547,318	59,925,720
Total Non-current Assets	9,085,284,705	8,675,469,455
<b>Total Assets</b>	<b>28,468,847,367</b>	<b>23,359,463,603</b>
<b><u>Liabilities &amp; Stockholders' Equity</u></b>		
Liabilities		
Current Liabilities		
Trade and Other Payables	6,677,913,551	5,031,476,188
Due to Related Parties	50,534,435	21,814,442
Income Tax Payable	298,112,518	-
Notes Payable	2,009,500,000	2,088,500,000
Total Current Liabilities	9,036,060,505	7,141,790,630
Long Term Loan	3,111,250,000	1,619,500,000
Retirement Benefit Payable	94,889,606	107,501,371
Deferred Tax liability	7,509,760	7,555,761
Total Non Current Liabilities	3,213,649,365	1,734,557,132
Total Liabilities	12,249,709,870	8,876,347,762
Stockholders' Equity		
Share Capital	3,542,258,595	3,542,258,595
Share Premium	4,928,095,509	4,928,095,509
Currency translation adjustments	44,279,121	39,742,739
Retained Earnings	7,665,551,016	5,934,065,743
Share-based compensation reserve	8,324,313	8,324,313
Appraisal Increment / Other Reserves	30,628,942	30,628,942
Total Stockholders' Equity	16,219,137,496	14,483,115,841
<b>Total Liabilities &amp; Stockholders' Equity</b>	<b>28,468,847,367</b>	<b>23,359,463,603</b>

**CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

(Amounts in Philippine Peso)

	<b>For the Nine Months Ended September 30, 2018</b>	<b>For the Nine Months Ended September 30, 2017</b>	<b>For the Three Months Ended September 30, 2018</b>	<b>For the Three Months Ended September 30, 2017</b>
Net Revenue	29,476,845,566	25,270,213,987	10,152,643,426	9,222,316,709
Cost of Good Sold	21,835,005,220	18,772,443,517	7,617,371,033	7,003,591,273
<b>Gross Profit</b>	<b>7,641,840,346</b>	<b>6,497,770,470</b>	<b>2,535,272,393</b>	<b>2,218,725,436</b>
Other Income (Expense)	338,254,806	190,573,422	105,551,423	73,033,863
Operating Expenses	4,823,104,633	3,698,692,296	1,575,617,041	1,318,199,229
<b>Operating Income</b>	<b>3,156,990,518</b>	<b>2,989,651,595</b>	<b>1,065,206,775</b>	<b>973,560,070</b>
Financing Cost	126,282,022	73,248,610	54,423,564	25,917,944
<b>Net Profit before tax</b>	<b>3,030,708,496</b>	<b>2,916,402,985</b>	<b>1,010,783,211</b>	<b>947,642,125</b>
Income Tax Expense (Benefit)	661,616,680	703,846,725	212,945,339	203,913,979
<b>Net Profit after Tax</b>	<b>2,369,091,816</b>	<b>2,212,556,260</b>	<b>797,837,871</b>	<b>743,728,146</b>
Other Comprehensive Income	4,536,384	5,632,359	(369,940)	2,879,084
<b>Total Comprehensive Income</b>	<b>2,373,628,200</b>	<b>2,218,188,618</b>	<b>797,467,931</b>	<b>746,607,230</b>
<b>Basic and Diluted Earnings Per Share</b>	<b>0.6688</b>	<b>0.6246</b>	<b>0.2252</b>	<b>0.2100</b>



**CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES**  
**CONSOLIDATED CHANGES IN EQUITY**  
(Amounts in Philippine Peso)

	<u>Revaluation Reserves</u>						
	<u>Capital Stock</u>	<u>Additional Paid-in Capital</u>	<u>Shared Based</u>	<u>Reserves</u>	<u>Foreign Currency Translation Gain</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance at January 1, 2018							
As previously reported	3,542,258,595	4,928,095,509	8,324,314	30,628,942	39,742,737	5,934,065,747	14,483,115,844
Adjustments							-
As stated	3,542,258,595	4,928,095,509	8,324,314	30,628,942	39,742,737	5,934,065,747	14,483,115,844
Transactions with owners							
Cash Dividends						(637,606,547)	(637,606,547)
	-	-	-	-	-	(637,606,547)	(637,606,547)
Total comprehensive income							
Net profit for the year						2,369,091,816	2,369,091,816
Foreign currency translation gain					4,536,384		4,536,384
Total other comprehensive income	-	-	-	-	4,536,384	2,369,091,816	2,373,628,200
<b>Balance as of September 30, 2018</b>	<b>3,542,258,595</b>	<b>4,928,095,509</b>	<b>8,324,314</b>	<b>30,628,942</b>	<b>44,279,121</b>	<b>7,665,551,016</b>	<b>16,219,137,497</b>
Balance at January 1, 2017							
As previously reported	3,541,028,895	4,911,986,439	5,262,361	30,628,942	34,922,860	4,014,996,312	12,538,825,809
Adjustments					527,430		527,430
As stated	3,541,028,895	4,911,986,439	5,262,361	30,628,942	35,450,289	4,014,996,312	12,539,353,238
Transactions with owners							
Issuance of shares during the year	1,229,700	16,109,070	3,061,953				20,400,723
Cash Dividends						(637,606,547)	(637,606,547)
	1,229,700	16,109,070	3,061,953	-	-	(637,606,547)	(617,205,824)
Total comprehensive income							
Net profit for the year						2,212,556,260	2,212,556,260
Foreign currency translation gain					5,632,359		5,632,359
Total other comprehensive income	-	-	-	-	5,632,359	2,212,556,260	2,218,188,618
<b>Balance as of September 30, 2017</b>	<b>3,542,258,595</b>	<b>4,928,095,509</b>	<b>8,324,314</b>	<b>30,628,942</b>	<b>41,082,648</b>	<b>5,589,946,025</b>	<b>14,140,336,032</b>

**CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
(Amounts in Philippine Peso)

	<b>Unaudited</b> <b>September 30, 2018</b>	<b>Unaudited</b> <b>September 30, 2017</b>
<b>Cash Flows from Operating Activities</b>		
Profit before tax	3,030,708,496	2,916,402,985
Adjustments for :		
Depreciation and amortization	537,245,303	382,592,011
Adjustments on Foreign Currency Translation	4,536,384	6,159,788
Shared based compensation expense	-	3,061,953
Finance Costs	126,282,022	73,248,610
Operating cash flows before working capital changes	3,698,772,205	3,381,465,347
Decrease (increase) in trade and other receivables	(686,912,577)	(1,764,288,775)
Decrease (increase) in inventory	(4,547,733,488)	385,757,961
Decrease (increase) in related party	48,883,611	(95,731,237)
Decrease (increase) in prepayments and other current assets	(151,407,854)	(47,751,510)
Decrease (increase) in deferred tax asset	(3,771,187)	24,291,530
Decrease (increase) in retirement assets	-	(1,054,772)
Decrease (increase) in non current assets	(28,621,597)	11,732,857
Increase (decrease) in trade and other payables	1,646,437,364	342,903,477
Increase (decrease) in income tax payables	298,112,518	12,780,076
Increase (decrease) in retirement payable	(12,611,765)	(13,355,768)
Increase (decrease) in deferred tax liability	(46,001)	0
Increase (decrease) in other non current liabilities	-	-
Cash generated from operations	261,101,229	2,236,749,187
Income taxes paid	(661,616,680)	(703,846,725)
Net Cash From Operating Activities	(400,515,451)	1,532,902,462
<b>Cash Flows from Investing activities</b>		-
Acquisition of property and equipment	(941,885,020)	(844,476,779)
Disposal of property and equipment	27,217,255	
Acquisition of trademark	-	(214,230,000)
Investment in Securities	-	12,890,266
Net Cash From (Used in) Investing Activities	(914,667,766)	(1,045,816,514)
<b>Cash Flows from Financing Activities</b>		
Proceeds (Repayment) of interest - bearing loans	1,412,750,000	718,000,000
Dividends Payment	(637,606,547)	(637,606,547)
Proceeds from issuance of shares	0	17,338,770
Interest paid	(126,282,022)	(73,248,610)
Net Cash From (Used in) Financing Activities	648,861,431	24,483,613
<b>Net Increase in cash and Cash Equivalents</b>	<b>(666,321,787)</b>	<b>511,569,562</b>
<b>Cash and Cash Equivalents at Beginning of Period</b>	<b>1,548,564,038</b>	<b>695,627,006</b>
<b>Cash and Cash Equivalents at End of Period</b>	<b>882,242,251</b>	<b>1,207,196,568</b>

## **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.

The Parent Company is a 68.66% owned subsidiary of Century Pacific Group, Inc. (CPGI) the ultimate parent, as of December 31, 2017.

CPGI is a corporation registered with the Philippine SEC and domiciled in the Philippines.

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

### **2. FINANCIAL REPORTING FRAMEWORK AND BASIS OF PRESENTATION AND PREPARATION**

#### **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 (PFRS), 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
- retirement benefit obligation recognized as the net of the present value of the obligation and 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 PAS 17, *Leases*, 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 and Presentation Currency**

These consolidated financial statements are presented in Philippine Peso, the currency of the primary economic environment in which the Group operates. All amounts are presented in the nearest peso, except when otherwise indicated.

#### Functional currency

The separate financial statements of General Tuna Corporation (GTC) are presented in United States (US) Dollar, the currency of the primary economic environment in which it operates. In addition, the separate financial statements of Century International (China) Co. Ltd. (CIC), Century (Shanghai) Trading Co. Ltd. (CST) and Cindena Resources Limited (CRL) are presented in Chinese Yuan, the currency of the primary economic environment in which these companies operate.

#### Presentation currency

The financial statements of GTC, CIC, CST and CRL are presented in Philippine Peso as its presentation currency. GTC translated its financial position and results of operations from US Dollar to Philippine Peso, while CIC, CST and CRL translated its financial position from Chinese Yuan to Philippine Peso 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, 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.

## Subsidiaries

Details of the Company's subsidiaries as of September 30, 2018, are as follows:

Subsidiary	Business	% Ownership	Country of Residence
Snow Mountain Dairy Corporation (SMDC)	Producing, canning, freezing, preserving, refining, packing, buying and selling wholesale and retail, food products including all kinds of milk and dairy products, fruits and vegetable juices and other milk or dairy preparation and by-products.	100	Philippines
General Tuna Corporation (GTC)	Manufacturing and exporting of OEM canned, pouched and frozen tuna products.	100	Philippines
Allforward Warehousing Inc. (AWI)	Operating warehouse facilities	100	Philippines
Century Pacific Agricultural Ventures, Inc. (CPAVI)	Manufacturing high value organic-certified and conventional coconut products for both export and domestic markets.	100	Philippines
Century Pacific Seacrest Inc. (CPSI)	Developing, maintaining, licensing and administering marks and all kinds of intellectual property	100	Philippines
Centennial Global Corporation (CGC)	Trademark holding company	100	BVI
Century Pacific Food Packaging Ventures, Inc. (CPFPVI)	Manufacturing tin cans and other packaging materials	100	Philippines
Century International (China) Company Limited (CIC)	Marketing and distribution of canned food products	100	China
Century (Shanghai) Trading Company Limited (CST)	Marketing and distribution of canned food products	100	China
Cindena Resources Limited (CRL)	Trademark holding company	100	BVI
Century Pacific North America Enterprise Inc. (CPNA)	Marketing and distribution of various food products	100	USA

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.

## CNPF

The significant stand-alone information on the financial statements of CNPF as at September 30, 2018, and December 31, 2017 are as follows:

	As of September 30, 2018	As of December 31, 2017
Financial position:		
Current assets	14,444,772,579	12,286,846,553
Non-current assets	8,901,495,920	8,838,438,182
Total assets	23,346,268,499	21,125,284,734
Current liabilities	7,482,520,659	7,774,234,762
Non-current liabilities	3,196,487,237	1,717,901,641
Total liabilities	10,679,007,896	9,492,136,403
Equity	12,667,260,603	11,633,148,331

## SMDC

SMDC was incorporated in the Philippines and was registered with the Philippine 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 financial statements of SMDC as at September 30, 2018, and December 31, 2017 are as follows:

	As of September 30, 2018	As of December 31, 2017
Financial position:		
Current assets	2,584,584,390	1,787,447,971
Non-current assets	325,971,359	301,666,445
Total assets	2,910,555,749	2,089,114,416
Current liabilities	1,496,930,826	827,122,572
Non-current liabilities	171,264	-
Total liabilities	1,497,102,090	827,122,572
Equity	1,413,453,659	1,261,991,844

## **GTC**

GTC was incorporated in the Philippines and was registered with the Philippine 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 financial statements of GTC as at September 30, 2018, and December 31, 2017 are as follows:

	As of September 30, 2018	As of December 31, 2017
Financial position:		
Current assets	2,614,000,483	3,013,833,370
Non-current assets	731,674,557	764,637,480
Total assets	3,345,675,040	3,778,470,850
Current liabilities	1,210,503,876	1,879,279,301
Non-current liabilities	11,762,883	12,169,420
Total liabilities	1,222,266,760	1,891,448,721
Equity	2,123,408,280	1,887,022,129

## **AWI**

AWI was incorporated in the Philippines and was registered with the Philippine 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.

AWI started its commercial operations on September 1, 2015, by leasing out its dry warehouse.

On August 25, 2015, AWI registered its Cold Storage Facilities with Board of Investments (BOI) for Income Tax Holiday (ITH) provided under Article 39(a) of Executive Order No. 226, otherwise known as the Omnibus Investments Code of 1987, as amended by R.A 7918. AWI is entitled for ITH from March 1, 2016, to February 28, 2020. Other income that arises outside from the registered activities of the Company and local services in excess of 30% is subject to the statutory rate of 30%.

The construction of the cold storage warehouse facility was completed on June 30, 2016, and AWI started to lease out the cold storage facility on the same date.

The significant information on the financial statements of AWI as at September 30, 2018, and December 31, 2017 are as follows:

	As of September 30, 2018	As of December 31, 2017
Financial position:		
Current assets	93,900,657	84,842,029
Non-current assets	407,787,145	403,125,480
Total assets	501,687,802	487,967,509
Current liabilities	71,894,949	122,058,155
Non-current liabilities	396,222	396,222
Total liabilities	72,291,171	122,454,377
Equity	429,396,631	365,513,132

### **CPAVI**

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

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

The significant information on the financial statements of CPAVI as at September 30, 2018, and December 31, 2017 are as follows:

	As of September 30, 2018	As of December 31, 2017
Financial position:		
Current assets	1,437,831,688	1,421,944,589
Non-current assets	2,285,061,068	2,108,482,575
Total assets	3,722,892,756	3,530,427,164
Current liabilities	1,187,711,035	1,318,028,732
Non-current liabilities	5,784,115	5,042,204
Total liabilities	1,193,495,150	1,323,070,936
Equity	2,529,397,606	2,207,356,228



## CPSI

CPSI was incorporated in the Philippines and was registered with the Philippine 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 there from. On December 28, 2015, CPSI entered into a Trademark Purchase Agreement to purchase certain trademarks owned by CGC for a total consideration of P50,000,000. The trademarks purchased include brands such as “Century Tuna,” “Argentina,” “555,” “Wow Ulam,” “Birch Tree,” “Fresca,” “Lucky 7,” and “Angel Evaporada,” among others. Its principal place of business is located at 7<sup>th</sup> Floor, Centerpoint Building, J. Vargas Avenue Corner Garnet Road, Ortigas Center, Pasig City, Philippines.

CPSI started its commercial operations in 2016.

The significant information on the financial statements of CPSI as at September 30, 2018, and December 31, 2017 are as follows:

	As of September 30, 2018	As of December 31, 2017
Financial position:		
Current assets	230,826,244	264,006,410
Non-current assets	111,474,788	111,474,788
Total assets	342,301,032	375,481,198
Total liabilities	152,255,938	291,550,204
Equity	190,045,094	83,930,994

## CGC

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

The significant information on the financial statements of CGC as at September 30, 2018, and December 31, 2017 are as follows:

	As of September 30, 2018	As of December 31, 2017
Financial position:		
Total assets	50,004,439	50,004,439
Equity	50,004,439	50,004,439

### **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 financial statements of CPFPVI as at September 30, 2018, and December 31, 2017 are as follows:

	As of September 30, 2018	As of December 31, 2017
Financial position:		
Current assets	1,187,055,496	984,027,928
Non-current assets	661,227,316	413,957,844
Total assets	1,848,282,813	1,397,985,772
Total liabilities	886,275,015	693,758,184
Equity	962,007,797	704,227,588

### **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 financial statements of CIC as at September 30, 2018, and December 31, 2017 are as follows:

	As of September 30, 2018	As of December 31, 2017
Financial position:		
Current assets	(29,545,503)	110,373,983
Non-current assets	259,090	257,175
Total assets	(29,286,413)	110,631,158
Total liabilities	29,686,589	164,232,431
Equity	(58,973,003)	(53,601,272)

### 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 financial statements of CST as at September 30, 2018, and December 31, 2017 are as follows:

	As of September 30, 2018	As of December 31, 2017
Financial position:		
Current assets	118,126,529	138,304,450
Non-current assets	14,242	632,608
Total assets	118,140,771	138,937,058
Total liabilities	7,300,146	13,790,343
Equity	110,840,625	125,146,715

### 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 financial statements of CRL as at September 30, 2018, and December 31, 2017, are as follows:

	As of September 30, 2018	As of December 31, 2017
Financial position:		
Total assets	100	100
Equity	100	100

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

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

### **CPNA**

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

The significant information on the financial statements of CPNA as at September 30, 2018, and December 31, 2017 are as follows:

	As of September 30, 2018	As of December 31, 2017
Financial position:		
Current assets	128,232,144	4,981
Non-current assets	4,083,636	
Total assets	132,315,779	4,981
Total liabilities	124,263,074	
Equity	8,052,705	4,981

## **Adoption of New and Revised Accounting Standards**

### **Adoption of New and Revised Accounting Standards Effective in 2017**

The Group adopted all applicable accounting standards as at December 31, 2017. The new and revised accounting standards and interpretations that have been published by the International Accounting Standards Board (IASB) and issued by the FRSC in the Philippines were adopted by the Group and were assessed to have no impact on the Group's financial statements.

#### *Amendments to PAS 7, Disclosure Initiative*

The amendments clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The amendments require that liabilities arising from financing activities are disclosed, among others:

- changes from financing cash flows;
- changes arising from obtaining or losing control of subsidiaries or other businesses;
- the effect of changes in foreign exchange rates; and
- changes in fair values.

Liabilities arising from financing activities is defined as the cash flows, or future cash flows, classified in the statement of cash flows as cash flows from financing activities. The new disclosure requirements also relate to changes in financial assets if they meet the same definition.

A reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities is not required.

Finally, changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities.

The amendments have no impact on the Group's financial statements as the Group discloses changes in liabilities arising from financing activities.

#### *Amendments to PAS 12, Recognition of Deferred Tax Assets for Unrealized Losses*

The amendments clarify the following aspects:

- Unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.

An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilization of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

The amendments have no impact on the Group's financial statements as the Group already assess the sufficiency of future taxable profits in a way that is consistent with these amendments.

## *Annual Improvements to PFRSs 2014-2017 Cycle*

### *Amendments to PFRS 12, Disclosure of Interests in Other Entities*

The amendments clarify the scope of the standard by specifying that the disclosure requirements in the standard, except for those disclosures needed in the summarized financial for subsidiaries, joint ventures and associates, apply to an entity's interests that are classified as held for sale, as held for distribution or as discontinued operations in accordance with PFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

The amendments have no impact on the Group's consolidated financial statements as the Group does not have any associate or joint venture that is an investment entity.

### **New Accounting Standards Effective after the Reporting Period Ended December 31, 2017**

#### *Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions*

The amendments to PFRS 2 include:

- Accounting for cash-settled share-based payment transactions that contain a performance condition. The amendment added guidance that introduces accounting requirements for cash-settled share-based payments that follows the same approach as used for equity-settled share-based payments.
- Classification of share-based payment transactions with net settlement features. The amendment has introduced an exception into PFRS 2 so that a share-based payment where the entity settles the share-based payment arrangement net is classified as equity-settled in its entirety provided the share-based payment would have been classified as equity-settled had it not included the net settlement feature.
- Accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendment has introduced the following clarifications:
  - On modifications, the original liability recognized in respect of the cash-settled share-based payment is derecognized and the equity-settled share-based payment is recognized at the modification date fair value to the extent services have been rendered up to the modification date.
  - Any difference between the carrying amount of the liability as at the modification date and the amount recognized in equity at the same date would be recognized in profit and loss immediately.

The amendments are effective for annual periods beginning on or after January 1, 2018 with earlier application permitted.

The Group's assessment of impact of adopting PFRS 2 to its consolidated financial statements provided that its current classification and measurement of share-based payment transactions will not be significantly affected.

#### *Amendments to PFRS 4, Applying PFRS 9, 'Financial Instruments' with PFRS 4, 'Insurance Contracts'*

The amendments provide two options for entities that issue insurance contracts within the scope of PFRS 4:

- an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach; and
- an optional temporary exemption from applying PFRS 9 for entities whose predominant activity is issuing contracts within the scope of PFRS 4; this is the so-called deferral approach.

The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

An entity applies the deferral approach for annual periods beginning on or after January 1, 2018.

Adoption of the amendments will not have a significant impact on the Group's consolidated financial statements as the Group does not issue insurance contracts.

### *PFRS 9, Financial Instruments*

This standard consists of the following three phases:

#### Phase 1: Classification and measurement of financial assets and financial liabilities

With respect to the classification and measurement under this standard, all recognized financial assets that are currently within the scope of PAS 39 will be subsequently measured at either amortized cost or fair value. Specifically:

- A debt instrument that (i) is held within a business model whose objective is to collect the contractual cash flows and (ii) has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding must be measured at amortized cost (net of any write down for impairment), unless the asset is designated at fair value through profit or loss (FVTPL) under the fair value option.
- A debt instrument that (i) is held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and (ii) has contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, must be measured at fair value through other comprehensive income (FVTOCI), unless the asset is designated at FVTPL under the fair value option.
- All other debt instruments must be measured at FVTPL.
- All equity investments are to be measured in the statement of financial position at fair value, with gains and losses recognized in profit or loss except that if an equity investment is not held for trading, an irrevocable election can be made at initial recognition to measure the investment at FVTOCI, with dividend income recognized in profit or loss.

This standard also contains requirements for the classification and measurement of financial liabilities and derecognition requirements. One major change from PAS 39 relates to the presentation of changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk for the liability. Under this standard, such changes are presented in other comprehensive income, unless the presentation of the effect of the change in the liability credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under PAS 39, the entire amount of the change in the fair value of the financial liability designated as FVTPL is presented in profit or loss.

## Phase 2: Impairment methodology

The impairment model under this standard reflects expected credit losses, as opposed to incurred credit losses under PAS 39. Under the impairment approach of this standard, it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date to reflect changes in credit risk since initial recognition.

## Phase 3: Hedge accounting

The general hedge accounting requirements for this standard retain the three types of hedge accounting mechanism in PAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of economic relationships. Retrospective assessment of hedge effectiveness is no longer required. Far more disclosure requirements about an entity's risk management activities have been introduced.

The standard is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted.

Based on the Group's assessment, the classification and measurement of the Group's financial assets at amortized cost and financial liabilities will be the same under both PFRS 9 and PAS 39. The adoption of the standard will result in initial measurement of financial assets at amortized cost, net of expected credit losses. The Group would also change the classification of financial assets but it will not affect the measurement of its current types of financial assets.

## *PFRS 15, Revenue from Contracts with Customers*

The standard combines, enhances, and replaces specific guidance on recognizing revenue with a single standard. An entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

It defines a new five-step model to recognize revenue from customer contracts.

- Identify the contract(s) with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when (or as) the entity satisfies a performance obligation.

Application of this guidance will depend on the facts and circumstances present in a contract with a customer and will require the exercise of judgment.

The standard is mandatory for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted.

The Group's assessment of impact of adopting PFRS 15 to its consolidated financial statements provided that its current revenue recognition policy will not be significantly affected as the Group does not have complex revenue transactions.



## Amendments to PFRS 15, *Clarifications to PFRS 15*

The amendments in the standard addresses three topics namely identifying performance obligations, principal versus agent considerations, and licensing and provide some transition relief for modified contracts and completed contracts.

- Added a clarification that the objective of the assessment of a promise to transfer goods or services to a customer is to determine whether the nature of the promise, within the context of the contract, is to transfer each of those goods or services individually or, instead, to transfer a combined item or items to which the promised goods or services are inputs.
- Clarification on how to assess control in determining whether a party providing goods or services is a principal or an agent.
- Clarification on when an entity's activities significantly affect the intellectual property by amending the application guidance.

The standard is mandatory for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted.

The Group does not anticipate that the application of the amendments will have a significant impact on the Group's consolidated financial statements as the Group does not have complex revenue transactions.

### PIC Q&A No. 2016-04 - *Application of PFRS 15, "Revenue from Contracts with Customers" on Sale of Residential Properties under Pre-completion Contracts*

This interpretation applies to the accounting for revenue from the sale of a residential property unit under pre-completion stage (i.e., construction is on-going or has not yet commenced) by a real estate developer that enters into a Contract to Sell (CTS) with a buyer, and the developer has determined that the contract is within the scope of PFRS 15 by satisfying all the criteria in paragraph 9 of PFRS 15.

This interpretation does not deal with the accounting for other aspects of real estate sales such as variable considerations, financing components, commissions and other contract costs, timing of sales of completed properties, etc.

The interpretation is effective on the same date as the effective date of PFRS 15, *Revenue from contract with customers*.

Adoption of this interpretation will not have an impact on the Group's consolidated financial statements as the Group's revenues do not arise from sale of residential properties.

## PFRS 16, *Leases*

This standard specifies how a PFRS reporter will recognize, measure, present and disclose leases. It provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the identified asset's use and to obtain substantially all the economic benefits from that use. An asset is typically identified by being explicitly specified in a contract, but an asset can also be identified by being implicitly specified at the time it is made available for use by the customer.

Lessors continue to classify leases as operating or finance, with PFRS 16's approach to lessor accounting substantially unchanged from its predecessor, PAS 17.

The standard is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is not permitted, until PFRS 15, *Revenue from Contracts with Customers*, is adopted.

Future adoption of this standard will result in recognition of right-of-use of asset and lease liability and additional disclosure in the Group's consolidated financial statements.

#### *Annual Improvements to PFRSs 2014-2017 Cycle*

The annual improvements address the following issues:

##### *Amendments to PFRS 1, First-time Adoption of International Financial Reporting Standards*

The amendments include the deletion of short-term exemptions stated in the appendix of PFRS 1, because they have now served their intended purpose. The amendments are effective for annual periods beginning on or after January 1, 2018 with earlier application permitted.

Adoption of these amendments will not have an impact on the Group's consolidated financial statements as the Group is no longer a first time adopter of PFRS.

##### *Amendments to PAS 28, Investments in Associates and Joint Ventures*

The amendments clarify that the election to measure at FVPL an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

The amendments are effective for annual periods beginning on or after January 1, 2018 with earlier application permitted as the Group is not a venture capital organization. Furthermore, the Group does not have any associate or joint venture that is an investment entity.

Adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

##### *Amendments to PAS 40, Investment Property - Transfers of Investment Property*

The amendments in Transfers of Investment Property (Amendments to IAS 40) are:

- Stating that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.
- The list of evidence in paragraph 57(a) - (d) was designated as non-exhaustive list of examples instead of the previous exhaustive list

The amendments are effective for periods beginning on or after January 1, 2018. Earlier application is permitted.

Adoption of these amendments will not have a significant impact on the Group's consolidated financial statements as the Group does not have an investment property.

##### *Philippine Interpretation IFRIC 22, Foreign Currency Transactions and Advance Consideration*

The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. It does not apply when an entity measures the related asset, expense or income on initial recognition at fair value or at the fair value of the

consideration received or paid at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability.

Interpretation is effective for periods beginning on or after January 1, 2018. Earlier application is permitted.

Adoption of this interpretation will not have a significant impact on the Group's consolidated financial statements.

### **New Accounting Standards Effective After the Reporting Period Ended December 31, 2017 - Adopted by FRSC but pending publication in the Official Gazette by the Board of Accountancy**

The Group will adopt the following once become effective.

#### *PFRS 9, Prepayment Features with Negative Compensation*

The amendments include:

##### *Changes regarding symmetric prepayment options*

Under the current IFRS 9 requirements, the SPPI condition is not met if the lender has to make a settlement payment in the event of termination by the borrower (also referred to as early repayment gain).

Prepayment Features with Negative Compensation amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

Under the amendments, the sign of the prepayment amount is not relevant, i.e., depending on the interest rate prevailing at the time of termination, a payment may also be made in favor of the contracting party effecting the early repayment. The calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of an early repayment gain.

##### *Clarification regarding the modification of financial liabilities*

The final amendments also contain a clarification regarding the accounting for a modification or exchange of a financial liability measured at amortized cost that does not result in the derecognition of the financial liability. The IASB clarifies that an entity recognizes any adjustment to the amortized cost of the financial liability arising from a modification or exchange in profit or loss at the date of the modification or exchange. A retrospective change of the accounting treatment may therefore become necessary if in the past the effective interest rate was adjusted and not the amortized cost amount.

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

Future adoption of these amendments will not have a significant impact on the Group's consolidated financial statements as the Group does not have complex financial liabilities.

#### *PAS 28, Long-term Interests in Associates and Joint Ventures*

The amendments are:

Clarification that an entity applies PFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

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

Future adoption of these amendments will not have a significant impact on the Group's consolidated financial statements as the Group does not have long-term interests in associates or joint ventures.

#### *IFRIC 23, Uncertainty over Income Tax Treatments*

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

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

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

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

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

The Group is still evaluating the impact of the new Interpretation on the Group's determination of taxable profit/loss, unused tax losses, unused tax credit and tax rate.

## **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. When the Parent Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

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 Group'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 Group 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 PFRSs). 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 PAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

### **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 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 PAS 39, *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 income statement 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.

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 cash-generating unit 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 Assets**

### Initial recognition

Financial assets are recognized in the Group’s consolidated financial statements when the Group becomes a party to the contractual provisions of the instrument. Financial assets are recognized initially at fair value. Transaction costs are included in the initial measurement of the Group’s financial assets, except for investments classified at FVTPL.

### Classification and subsequent measurement

Financial assets are classified into the following specified categories: financial assets at FVTPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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 time frame established by regulation or convention in the marketplace.

Currently, the Group's financial assets consist of HTM investments and loans and receivables.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment and are included in current assets, except for maturities greater than 12 months after the end of the reporting period.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument or, when appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The Group's loans and receivables consist of cash and cash equivalents, trade and other receivables (excluding advances to suppliers which are applied against future billings, advances to officers and employees which are subject to liquidation, and statutory receivables), due from related parties, refundable security deposits and deposit on utilities.

#### *HTM investments*

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, HTM investments are measured at amortized cost using the effective interest method less any impairment, with revenue recognized on an effective yield basis.

HTM investments are classified in the consolidated statements of financial position as current when the investment is expected to mature within 12 months after the reporting date. Otherwise, HTM investments are classified as non-current.

### Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

### Objective evidence of impairment

For all financial assets carried at amortized cost, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counter party;
- breach of contract, such as default or delinquency in interest or principal payments;
- it has become probable that the borrower will enter bankruptcy or financial



re-organization;

- the disappearance of an active market for that financial asset because of financial difficulties;
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period as well as observable changes in national or local economic conditions that correlate with default on receivables.

#### Financial assets carried at amortized cost

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, i.e., the effective interest rate computed at initial recognition.

The carrying amount of financial assets carried at amortized cost is reduced directly by the impairment loss with the exception of trade receivables, wherein the carrying amount is reduced through the use of an allowance account. When trade receivables are considered uncollectible, these are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

In a subsequent period, if the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in profit or loss.

#### Derecognition of financial assets

The Group derecognizes financial assets when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risk and rewards of ownership of the asset to another party. 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 risk 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.

On derecognition of financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g., when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference

between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

## **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.

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.

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.

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. Cost includes expenditure that is directly attributable to the acquisition of the asset. 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, and borrowing costs on qualifying assets.

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.

Major spare parts and stand-by equipment 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.

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

Buildings	15 - 35 years
Building improvements	5 - 15 years
Plant, machinery and equipment	2 - 40 years
Transportation and delivery equipment	5 - 9 years
Office furniture, fixtures and equipment	2 - 5 years
Laboratory tools and equipment	1 - 15 years
Land improvements	5 - 15 years

Properties in the course of construction for production, rental, administrative purposes or for purposes not yet determined, are carried at cost less any recognized impairment loss. Cost includes professional fees and capitalized borrowing costs in the case of qualifying assets. Depreciation commences at the time the assets are ready for their intended use.

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

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

Spare parts and properties in the course of construction for production or for purposes not yet determined are carried at cost, less any recognized impairment loss. Cost includes professional fees and for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. 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.

## **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 equity instrument.

### Financial liabilities

#### *Initial recognition*

Financial liabilities are recognized in the Group's consolidated financial statements when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are initially recognized at fair value. Transaction costs are deducted from the initial measurement of the Group's financial liabilities except for debt instruments classified at FVTPL.

The Group's financial liabilities measured at amortized cost consist mainly of trade and other payables, borrowings, due to related parties and other current liabilities.

#### *Subsequent measurement*

Financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

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, when appropriate, a shorter period, to the net carrying amount on initial recognition.

Since the Group does not have financial liabilities classified at FVTPL, all financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

#### *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*

Financial liabilities are derecognized by the Group when the obligation under the liability is discharged, cancelled or 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, 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.

### **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.

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

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods or services received, except when the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

### **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.
- Remeasurement.

The Group presents the first two components of retirement benefit costs in profit or loss. Curtailment gains and losses are accounted for as past service costs.

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**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

#### Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue from sale of goods is recognized when the goods are delivered and titles have passed, at which all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with



ownership nor effective control over the goods sold; the amount of revenue can be measured reliably;

- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

#### Service income

Service income is recognized in the accounting periods in which the services are rendered and when it is probable that the economic benefits will flow to the Group and it can be measured reliably.

#### Royalties

Royalty income is recognized on an accrual basis in accordance with the substance of the relevant agreement. Royalties determined on a time basis are recognized on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognized by reference to the underlying arrangement.

#### Rental income

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

#### Commission income

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

#### 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 future economic benefits will flow to the Group and the amount of income can be measured reliably.

#### 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**

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

### The Group as lessor

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

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

### The Group as lessee

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

## **Foreign Currency**

### Foreign currency transactions

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

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

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

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

### Foreign operations

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

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

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

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

### Translation to foreign currency

The separate financial statements of GTC, 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.

### **Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred. Borrowing costs are expensed in full when the amounts are not material.

### **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 CFPVI use Optional Standard Deduction (OSD), while other subsidiaries use itemized deductions in the computation of their respective taxable income. GTC's frozen tuna loins operation was granted an ITH for a period of three years beginning February 1, 2013 which has expired on February 1, 2017. Furthermore, AWI's cold storage facilities which are registered with BOI were granted 100% exemption from corporate income tax for a period of four years beginning March 1, 2016. The Board of Investment also granted several incentives to CPAVI, one of which is an ITH as a new export producer. The ITH will run for a period of seven years starting September 2013.

#### 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 and associates, 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.

### **3. 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.

##### Determination of functional currency

The Group's consolidated financial statements are presented in Philippine peso, which is also the Group's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

##### Leases

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

##### *Classification of lease as operating lease*

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

### HTM investments

Management reviewed the Group's HTM investments in the light of its capital maintenance and liquidity requirements and confirmed its positive intention and ability to hold those assets to maturity.

### Determination of useful lives of trademarks

Under the Intellectual Property Code of the Philippines, the legal life of trademark is 10 years and may be perpetually renewed thereafter for another 10 years. However, considering that the Management does not expect any circumstances or events which will cause it to decide not to renew its trademarks every 10 years, Management has taken the position that the useful lives of its trademarks are indefinite, hence, the related costs are not amortized but subjected to annual impairment testing. Changes in the assumption and circumstances in the future will substantially affect the consolidated financial statements of the Group, particularly the carrying values of these trademarks.

### Biological assets

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

### Determination of control and significant influence

Management exercises its judgment in determining whether the Parent Company has control or significant influence over another entity by evaluating the substance of relationship that indicates control or significant influence of the Parent Company over the entities.

The recognition and measurement of the Parent Company's investments over these entities will depend on the result of the judgment made.

### Acquisition of assets qualified as business combination

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

### *Purchase price allocation in business combination*

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

### **Key Sources of Estimation Uncertainty**

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

#### *Estimating useful lives of property, plant and equipment*

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 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. 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 would increase the recognized operating expenses and decrease non-current assets.

#### *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.

#### *Asset impairment*

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

Determining the recoverable amounts of property, plant and equipment, intangible assets and input VAT requires the Group to make estimates and assumptions that can materially affect the consolidated financial statements. Any resulting impairment loss could have a material adverse impact on the Group's financial position and result of operations.

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

#### *Determining the fair value of financial instruments*

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

#### *Estimating allowances for doubtful accounts*

The Group estimates the allowance for doubtful accounts related to its receivables based on assessment of specific accounts when the Group has information that certain counterparties are unable to meet their



financial obligations. In these cases, judgment used was based on the best available facts and circumstances including but not limited to, the length of relationship with the counterparty and the counterparty's current credit status based on credit reports and known market factors. The Group used judgment to record specific reserves for counterparties against amounts due to reduce the expected collectible amounts. These specific reserves are re-evaluated and adjusted as additional information received impacts the amounts estimated.

The amounts and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. An increase in the allowance for doubtful accounts would increase the recognized operating expenses and decrease current assets.

#### *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.

#### *Deferred tax assets*

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

## **4. SEGMENT INFORMATION**

For Management purposes, the Group is organized into two major business segments: branded and non-branded. These segments 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 accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2.

## **5. CASH AND CASH EQUIVALENTS**

	Amount in Php	
	As of September 30, 2018	As of December 31, 2017
Cash on hand	1,527,001	133,692,075
Cash in bank	876,979,748	824,090,024
Cash equivalents	3,735,502	590,781,939
	882,242,251	1,548,564,038

Cash on hand includes petty cash fund.

Cash in banks earn an average interest at rates based on daily bank deposit rates. These are unrestricted and immediately available for use in the current operations of the Group.

Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value. The Group classifies an investment as cash equivalent if that investment has a maturity of three months or less from the date of acquisition. Cash equivalents represent short-term fund placements with local banks maturing on various dates. These placements are from excess cash and can be withdrawn anytime for operations.

## 6. TRADE AND OTHER RECEIVABLES

The Group's trade and other receivables consist of:

	Amount in Php	
	As of September 30, 2018	As of December 31, 2017
Trade receivables from third parties	5,537,106,122	5,172,748,615
Advances to suppliers	515,585,583	211,039,535
Advances to officers & employees	61,352,186	30,800,782
Other receivables	13,630,412	8,846,578
	6,127,674,303	5,423,435,510
Less : Allowance for doubtful accounts	111,613,626	94,287,410
	6,016,060,677	5,329,148,100

Trade receivables represent short-term, non-interest bearing receivables from various customers and generally have 60 day terms or less.

Advances to suppliers pertain to the Group's deposits on purchases.

## 7. INVENTORIES – net

Details of the Group's inventories are as follows:

	Amount in Php	
	As of September 30, 2018	As of December 31, 2017
Finished goods	5,704,816,121	3,953,588,514
Raw and packaging materials	5,438,076,441	2,806,542,316
Work in process	160,757,226	10,993,500
Spare parts and supplies	336,053,855	279,566,688
	11,639,703,642	7,050,691,018
Allowance for inventory obsolescence	(106,380,341.76)	(55,521,218.33)
	11,533,323,301	6,995,169,799

No inventories are pledged as security for any liability as of September 30, 2018.

## 8. PREPAYMENTS AND OTHER CURRENT ASSETS

The account consists of:

	Amount in Php	
	As of September 30, 2018	As of December 31, 2017
Tax credits	274,478,662	162,511,101
Input value added tax (VAT) - net	427,673,842	379,307,136
Prepaid insurance	10,734,102	8,842,566
Prepaid rent	5,544,778	7,183,690
Other prepayments	35,603,250	44,782,286
	754,034,634	602,626,780

Tax credits include creditable withholding taxes withheld by the Group's customers and tax credit certificates (TCC) issued by the Bureau of Customs (BOC). 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. The Group can apply its TCC against tax liabilities other than withholding tax or can be refunded as cash.

## 9. PROPERTY, PLANT AND EQUIPMENT – net

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

	Land and Land Improvements	Building and building Improvements	Plant Machinery and Equipment	Transportation and Delivery Equipment	Office Furniture, Fixtures and Equipment	EDP Equipments	Laboratory, Tools and Equipment	Construction in Progress	Total
<b>Cost</b>									
January 1, 2018	50,690,551	1,994,176,684	3,796,946,682	106,739,317	57,182,366	14,540,183	211,860,875	964,081,652	7,196,218,310
Acquisition	23,704	70,536,831	907,448,209	14,099,014	7,798,506	15,894,450	26,559,445	(100,475,139)	941,885,020
Reclassification	2	149,491,908	330,093,575	3,300	389,143	589,298	5,295,154	(485,862,381)	-
Disposal	-	(57,727)	(26,271,329)	(8,016,695)	(1,007,999)	(835,837)	(5,198,144)	(2,466,003)	(43,853,735)
	50,714,257	2,214,147,695	5,008,217,137	112,824,937	64,362,016	30,188,095	238,517,331	375,278,129	8,094,249,596
<b>Accumulated Depreciation</b>									
January 1, 2018	45,951,112	469,739,488	1,459,616,141	45,695,741	35,489,629	100,764,213	103,150,564	-	2,260,406,888
Depreciation and amortization	732,645	93,158,966	413,271,379	13,004,278	7,742,757	(36,792,674)	28,802,897	-	519,920,247
Reclassification	-	-	-	-	-	-	-	-	-
Disposal	-	(2,539)	(6,590,202)	(6,295,738)	(86,971)	(144,448)	(2,328,410)	-	(15,448,308)
	46,683,756	562,895,915	1,866,297,318	52,404,282	43,145,415	63,827,091	129,625,051	-	2,764,878,827
<b>Carrying Value</b>									
As of September 30, 2018	4,030,501	1,651,251,780	3,141,919,819	60,420,655	21,216,601	(33,638,996)	108,892,280	375,278,129	5,329,370,769
<b>Cost</b>									
January 1, 2017	379,664	100,938,271	527,104,011	71,818,756	28,177,144	114,205,239	32,372,327	78,468,628	953,464,040
Acquisition	128,103	46,276,998	101,565,430	13,906,143	2,101,187	15,697,337	15,898,687	200,952,122	396,526,006
Reclassification	-	57,134,067	(270)	-	236,323	0	975,179	(58,345,299)	(0)
Disposal	-	(28,194)	(4,206,761)	(6,687,333)	(127,180)	(4,577,474)	(234,568)	(7,289,111)	(23,150,620)
	507,767	204,321,142	624,462,410	79,037,566	30,387,474	125,325,103	49,011,625	213,786,340	1,326,839,426
<b>Accumulated Depreciation</b>									
January 1, 2017	144,912	20,758,409	119,375,840	30,815,487	14,195,001	54,121,336	14,376,128	-	253,787,115
Depreciation and amortization	56,109	16,625,391	92,373,477	12,104,597	5,962,565	21,878,427	11,597,764	-	160,598,331
Reclassification	-	-	(24,555)	-	(6,899)	205	31,249	-	-
Disposal	-	(3,808)	(996,143)	(6,281,383)	(101,339)	(2,965,968)	(177,503)	-	(10,526,142)
	201,021	37,379,993	210,728,620	36,638,702	20,049,329	73,034,002	25,827,638	-	403,859,304
<b>Carrying Value</b>									
As of December 31, 2017	306,746	166,941,149	413,733,789	42,398,864	10,338,145	52,291,101	23,183,987	213,786,340	922,980,122

## 10. OTHER NON-CURRENT ASSETS

Details of the Group's other non-current assets as of September 30, 2018, and December 31, 2017, are as follows:

	Amount in Php	
	As of September 30, 2018	As of December 31, 2017
Input VAT - non current	-	-
Deferred Charges	13,455,784	3,656,746
Security deposits	62,862,199	48,912,621
Returnable containers	12,229,335	7,356,354
	88,547,318	59,925,721

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

## 11. LOANS PAYABLE

Details of the Group's loans payable as of September 30, 2018, and December 31, 2017, are as follows:

	Amount in Php	
	As of September 30, 2018	As of December 31, 2017
Short term loans payable	2,009,500,000	2,088,500,000
Long term loans payable	3,111,250,000	1,619,500,000
	5,120,750,000	3,708,000,000

## 12. TRADE AND OTHER PAYABLES

The Group's trade and other payables consist of:

	Amount in Php	
	As of September 30, 2018	As of December 31, 2017
Trade payables	2,466,888,529	3,012,938,499
Accrued Payable	4,090,942,157	1,714,260,592
Accrued Payables - Trade and Others	2,930,119,011	1,199,457,909
Accrued Payables - Personnel cost	322,095,977	94,306,560
Accrued Payables - Prof, service and other fee	148,621,232	73,943,349
Accrued Payables- Utilities	123,805,859	10,223,115
Accrued Payables - Others	566,300,079	336,329,659
Non trade payables	(10,778,455)	95,825,281
Vat Output payable - net	24,604,115	42,815,990
Withholding taxes payable	54,377,862	138,411,767
Other current payables	51,879,343	27,224,059
	6,677,913,551	5,031,476,188

Trade payables and non-trade payables are generally on a 30 to 90-day term.

No interest is charged on trade and non-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.

## 13. RELATED PARTY TRANSACTIONS

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

The outstanding balances as of September 30, 2018, and December 31, 2017, are presented as follows:

Related Party Category	Amount of Transactions during the year		Outstanding Receivable/Payable		Terms and Condition
	2018	2017	2018	2017	
<b>Ultimate Parent Company</b>					
Sale of inventories		5,669,643			On demand; non interest bearing; unsecured
Purchase of inventories					On demand; non interest bearing; unsecured
Service fee	61,637				On demand; non interest bearing; unsecured
Cost reimbursement	1,833,126	8,602,348	10,417	67,185	On demand; non interest bearing; unsecured
Acquisition of investment					On demand; non interest bearing; unsecured
Rental expense	31,897,370	41,617,812	(8,262,930)	(1,448,293)	On demand; non interest bearing; unsecured
Sale of Fixed Assets					On demand; non interest bearing; unsecured
Dividends		401,562,000			On demand; non interest bearing; unsecured
Miscellaneous Deposit			13,462,828	13,462,828	On demand; non interest bearing; unsecured
Cash Advance		340,000,000			On demand; non interest bearing; unsecured
<b>Fellow Subsidiaries</b>					
Shared services fee	10,650,000	14,200,000			On demand; non interest bearing; unsecured
Sale of inventories	192,063,971	273,185,877	151,382,296	171,489,145	On demand; non interest bearing; unsecured
Purchase of inventories	59,749,514	42,041,958	(42,271,505)	(20,366,149)	On demand; non interest bearing; unsecured
Service fee	28,749,523	23,895,880			On demand; non interest bearing; unsecured
Cost reimbursements	26,778,951	56,542,716			On demand; non interest bearing; unsecured
Acquisition of assets					On demand; non interest bearing; unsecured
Rental expense	2,947,161				On demand; non interest bearing; unsecured
Miscellaneous Deposit			742,400	742,400	On demand; non interest bearing; unsecured
Cash Advance					On demand; non interest bearing; unsecured
Rental Income					On demand; non interest bearing; unsecured
Royalty Fee					On demand; non interest bearing; unsecured
Sale of Fixed Assets		2,527,090			On demand; non interest bearing; unsecured
<b>Retirement Fund</b>					
Contribution from the employer	24,695,265	44,283,861			On demand; non interest bearing; unsecured
<b>Due from Related Parties</b>			<b>165,597,941</b>	<b>185,761,558</b>	
<b>Due to Related Parties</b>			<b>50,534,435</b>	<b>21,814,442</b>	

## 14. SHARE CAPITAL

	Amount in Php	
	As of September 30, 2018	As of December 31, 2017
Authorized Capital :		
6,000,000,000 ordinary shares at P1 par value	6,000,000,000	6,000,000,000
Issued and subscribed	3,542,258,595	3,542,258,595

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

## 15. EARNINGS PER SHARE

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

	For the Period Ended September 30, 2018
Income for the period	2,369,091,816
Weighted average number of shares	3,542,258,595
Basic and diluted earnings per share	0.6688

As of September 30, 2018, the Company has no potential dilutive shares. Accordingly, the basic earnings per share of P0.6688 is the same as the diluted earnings per share.

## 16. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The fair values of the Group's financial assets and financial liabilities are shown below:

	As of September 30, 2018		As of December 31, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
Cash and cash equivalents	882,242,251	882,242,251	1,548,564,038	1,548,564,038
Trade and Other Receivables - net	6,016,060,677	6,016,060,677	5,329,148,100	5,329,148,100
Due from Related Parties	165,597,941	165,597,941	185,761,558	185,761,558
Held-to-Maturity Investment - Non Current	-	-	-	-
Security deposits	62,862,199	62,862,199	55,610,829	55,610,829
	7,126,763,067	7,126,763,067	7,119,084,525	7,119,084,525
<b>Financial Liabilities</b>				
Notes Payable	2,009,500,000	2,009,500,000	2,088,500,000	2,088,500,000
Trade and Other Payables	6,677,913,551	6,677,913,551	5,031,476,188	5,031,476,188
Due to Related Parties	50,534,435	50,534,435	21,814,442	21,814,442
	8,737,947,987	8,737,947,987	7,141,790,630	7,141,790,630

*Note: The amount does not include government liabilities which are not considered financial liabilities.*

Due to the short-term maturities of cash and cash equivalents, trade and other receivables, due from related parties, security deposits, trade and other payables, and due to related parties, their carrying amounts approximate their fair values.

The loans payable is determined based on the discounted cash flow analysis using effective interest rates for similar types of instruments.



## Financial Risk Management

The Group is exposed to certain financial risks which result from both their operating and investing activities. The Group's risk management is coordinated with their Parent Company, in close cooperation with the BOD, and focuses on actively securing the Group's short-to-medium term cash flows by minimizing the exposure to financial markets.

The Group does not engage in the trading of financial assets for speculative purposes nor do they write options. The most significant financial risks to which the Group is exposed to are described below.

### *Market risk*

The Group is exposed to market risk through their use of financial instruments and specifically interest risk which result from both their operating and financing activities.

### *Interest rate risk*

The Group has limited exposure to changes in market interest rates through their interest-bearing loans and cash, which are subject to variable interest rates. These financial instruments have historically shown small or measured changes in interest rates.

### *Credit Risk*

Credit risk is the risk that the counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments arising from selling goods to customers, including related parties, providing security deposits to lessors, and placing deposits with banks.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into their credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of sales, advance payments are received to mitigate credit risk.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the combined statements of financial position (or in the detailed analysis provided in the notes to combined financial statements), as summarized below.

	Amount in Php	
	As of September 30, 2018	As of December 31, 2017
Cash and cash equivalents	882,242,251	1,548,564,038
Trade and Other Receivables - net	6,016,060,677	5,329,148,100
Due from Related Parties	165,597,941	185,761,558
Held-to-Maturity Investment - Non Current	-	-
Security deposits	62,862,199	55,610,829
	7,126,763,067	7,119,084,525

As part of the Group's policy, bank deposits are only maintained with reputable financial institutions. Cash in banks which are insured by the Philippine Deposit Insurance Corporation (PDIC) up to a maximum

coverage of (P500,000) per depositor per banking institution, as provided for under Republic Act No. 9576, Charter of PDIC, are still subject to credit risk.

The Group's Management considers that all the above financial assets that are not impaired or past due for each reporting period are of good credit quality.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The aging analysis of the Group's financial assets that are not impaired as of September 30, 2018, is as follows:

	As of September 30, 2018				
	Past Due Accounts but Not Impaired				
	0 to 60 Days Past Due	61 to 90 Days Past Due	91 to 120 Days Past Due	Over 120 Days Past Due	Total
Cash and cash equivalents	882,242,251	-	-	-	882,242,251
Trade and Other Receivables - net	6,016,060,677	-	-	-	6,016,060,677
Due from Related Parties	165,597,941	-	-	-	165,597,941
Held-to-Maturity Investment - Non Current	-	-	-	-	-
Security deposits	-	-	-	62,862,199	62,862,199
	7,063,900,869	-	-	62,862,199	7,126,763,067

The aging analysis of the Group's individual receivables as of September 30, 2018, and December 31, 2017, is as follows:

	Amount in Php	
	As of September 30, 2018	As of December 31, 2017
	60 to 90 days	6,016,060,677
91 to 120 days	-	-
Over 120 days	-	-
	6,016,060,677	5,329,148,100

### *Liquidity Risk*

The ability of the Group to finance their operations and to meet obligation as these become due is extremely crucial to its viability as a business entity. The Companies adopt a prudent liquidity risk management where they maintain sufficient cash to meet trade and other short term payables as they fall due.

The Group manages their liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities:

	Amount in Php		
	Within One Year	More than One Year	Total
<b>As of September 30, 2018</b>			
Loans payable	2,009,500,000		2,009,500,000
Trade and other payables	6,677,913,551		6,677,913,551.46
Due to related parties	50,534,435		50,534,435.31
	8,737,947,987	-	8,737,947,986.77
<b>As of December 31, 2017</b>			
Loans payable	2,088,500,000		2,088,500,000
Trade and other payables	5,031,476,188		5,031,476,187.71
Due to related parties	21,814,442		21,814,441.95
	7,141,790,630	-	7,141,790,629.66

*Note: The amount does not include government liabilities which are not considered financial liabilities.*

## 17. CAPITAL MANAGEMENT RISK

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximizing the profits of the shareholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of debt, which includes loans, trade and other payables and due to related parties as offset by cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

The debt to equity ratio of the Group at each reporting period is within the acceptable range as the Group regularly reviews its financials to ensure compliance with this capital requirement.

	Amount in Php	
	As of September 30, 2018	As of December 31, 2017
Debt	12,249,709,870	8,876,347,762
Less : Cash and cash equivalents	882,242,251	1,548,564,038
Net debt	11,367,467,620	7,327,783,724
Equity	16,219,137,496	14,483,115,841
Debt to equity ratio	0.7:1	0.51:1