

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended
Dec 31, 2021
2. SEC Identification Number
0000086335
3. BIR Tax Identification No.
000-417-352-000
4. Exact name of issuer as specified in its charter
Monde Nissin Corporation
5. Province, country or other jurisdiction of incorporation or organization
Philippines
6. Industry Classification Code(SEC Use Only)
7. Address of principal office
Felix Reyes Street, Barangay Balibago, City of Santa Rosa, Laguna
Postal Code
4026
8. Issuer's telephone number, including area code
+63277597595
9. Former name or former address, and former fiscal year, if changed since last report
N/A
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common	17,968,611,496

11. Are any or all of registrant's securities listed on a Stock Exchange?

☒ Yes ☐ No

If yes, state the name of such stock exchange and the classes of securities listed therein:

The Philippine Stock Exchange

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141

of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports)

☒ Yes ☐ No

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

☒ Yes ☐ No

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form

₱116,857,024,855.20 as of market close on 31 Dec 2021 (based on closing market price on 31 Dec 2021)

**APPLICABLE ONLY TO ISSUERS INVOLVED IN
INSOLVENCY SUSPENSION OF PAYMENTS PROCEEDINGS
DURING THE PRECEDING FIVE YEARS**

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

☐ Yes ☒ No

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders

2021 MNC SEC Form 17-A & Audited Financial Statement ("AFS"); 2021 Parent AFS; 2021 Consolidated AFS

(b) Any information statement filed pursuant to SRC Rule 20

Not applicable.

(c) Any prospectus filed pursuant to SRC Rule 8.1

Not applicable.

The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.



Monde Nissin Corporation

MONDE

PSE Disclosure Form 17-1 - Annual Report
References: SRC Rule 17 and
Section 17.2 and 17.8 of the Revised Disclosure Rules

For the fiscal year ended	Dec 31, 2021
Currency	PHP'000

Balance Sheet

	Year Ending	Previous Year Ending
	Dec 31, 2021	Dec 31, 2020
Current Assets	30,613,003	20,594,989
Total Assets	99,857,628	84,402,416
Current Liabilities	22,408,914	20,956,338
Total Liabilities	31,442,048	57,862,379
Retained Earnings/(Deficit)	16,707,901	23,653,293
Stockholders' Equity	68,415,580	26,540,037
Stockholders' Equity - Parent	68,278,073	25,241,728
Book Value Per Share	3.8	1.92

Income Statement

	Year Ending	Previous Year Ending
	Dec 31, 2021	Dec 31, 2020
Gross Revenue	69,284,188	67,945,511
Gross Expense	59,656,124	54,848,845
Non-Operating Income	826,103	1,526,344
Non-Operating Expense	5,629,281	2,898,281
Income/(Loss) Before Tax	4,824,886	11,724,729
Income Tax Expense	1,579,761	3,659,022
Net Income/(Loss) After Tax	3,245,125	8,065,707
Net Income/(Loss) Attributable to Parent Equity Holder	3,115,032	7,340,901
Earnings/(Loss) Per Share (Basic)	0.19	0.56
Earnings/(Loss) Per Share (Diluted)	0.19	0.53

Financial Ratios

	Formula	Fiscal Year Ended	Previous Fiscal Year
		Dec 31, 2021	Dec 31, 2020
Liquidity Analysis Ratios:			
Current Ratio or Working Capital Ratio	Current Assets / Current Liabilities	1.37	0.98
Quick Ratio	(Current Assets - Inventory - Prepayments) / Current Liabilities	0.9	0.65
Solvency Ratio	Total Assets / Total Liabilities	17.8	16.7
Financial Leverage Ratios			
Debt Ratio	Total Debt/Total Assets	0.31	0.69
Debt-to-Equity Ratio	Total Debt/Total Stockholders' Equity	0.46	2.29
Interest Coverage	Earnings Before Interest and Taxes (EBIT) / Interest Charges	4.02	7.42
Asset to Equity Ratio	Total Assets / Total Stockholders' Equity	1.46	3.34
Profitability Ratios			
Gross Profit Margin	Sales - Cost of Goods Sold or Cost of Service / Sales	36.9	39
Net Profit Margin	Net Profit / Sales	4.7	11.9
Return on Assets	Net Income / Total Assets	3.4	8.6
Return on Equity	Net Income / Total Stockholders' Equity	6.7	31.3
Price/Earnings Ratio	Price Per Share / Earnings Per Common Share	85.26	0.89

Other Relevant Information

Please see attached SEC Form 17A with annexes (with 2021 Sustainability Report) as of December 31, 2021.

Filed on behalf by:

Name	Jon Edmarc Castillo
Designation	Chief Compliance Officer

COVER SHEET

00000086335

S.E.C. Registration Number

M	O	N	D	E		N	I	S	S	I	N		C	O	R	P	O	R	A	T	I	O	N			

(Company's Full Name)

F	E	L	I	X		R	E	Y	E	S		S	T	.	,												
B	A	R	A	N	G	A	Y		B	A	L	I	B	A	G	O	,		C	I	T	Y		O	F		
S	A	N	T	A		R	O	S	A	,		L	A	G	U	N	A							4	0	2	6

(Business Address: No. Street City / Town / Province)

Atty. Helen G. Tiu
Corporate Secretary

Contact Person

7759 7595

Company Telephone Number

1	2

Month Day
Fiscal Year

SEC Form 17-A

Form Type

Month Day
Annual Meeting

Issuer of Securities under SEC-MSRD
No. 27, Series of 2021

Secondary License Type, If Applicable

C	F	D

Dept. Requiring this Doc.

Amended Articles Number/Section

16

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

SEC No. 0000086335

File No. _____

MONDE NISSIN CORPORATION

(Company's Full Name)

**Felix Reyes Street, Barangay Balibago
City of Santa Rosa, Laguna**

(Company's Address)

(632) 7759 7595

(Telephone Number)

December 31, 2021

(Fiscal Year Ending)

(Month & Day)

SEC Form 17- A

(Form Type)

SECURITIES AND EXCHANGE COMMISSION (SEC)
SEC FORM 17-A, AS AMENDED

ANNUAL REPORT OF
MONDE NISSIN CORPORATION
PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE

1. For the fiscal year ended: **December 31, 2021**
2. SEC Identification Number: **0000086335**
3. BIR Tax Identification Number: **000-417-352-000**
4. Exact name of issuer as specified in its charter: **MONDE NISSIN CORPORATION**
5. Province, Country or other jurisdiction of incorporation or organization: **Santa Rosa, Laguna**
6. Industry Classification Code: _____ (SEC Use Only)
7. Address of principal office: **Felix Reyes Street, Barangay Balibago, City of Santa Rosa, Laguna**
Postal Code: **4026**
8. Issuer's telephone number, including area code: **+632 7759 7595**
9. Former name, former address, and former fiscal year, if changed since last report: **N/A**
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA:

Title of Each Class	Number of Shares Issued and Outstanding As of December 31, 2021
Common	17,968,611,496

11. Are any or all of these securities listed on a Stock Exchange? Yes ☒ No ☐

As of December 31, 2021, a total of 17,968,611,496 common shares are listed in the Philippine Stock Exchange (**PSE**).

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes ☒ No ☐

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

Yes ☒ No ☐

13. Aggregate market value of the voting stock held by non-affiliates: About ₱116,857,024,855.20 (based on the closing price of Monde Nissin Corporation's common shares, and outstanding shares owned by non-affiliates as of December 31, 2021).

**APPLICABLE ONLY TO ISSUERS INVOLVED IN
INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS
DURING THE PRECEDING FIVE YEARS:**

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the SEC: **Not Applicable**

DOCUMENTS INCORPORATED BY REFERENCE

15. Briefly describe documents incorporated by reference and identify the part of the SEC Form 17-A into which the document is incorporated:

1. 2021 MNC Audited Financial Statements (with BIR ITR Filing Reference)
2. 2021 Consolidated Audited Financial Statements and Supplementary Schedules

TABLE OF CONTENTS

PART I - BUSINESS AND GENERAL INFORMATION	1
Item 1. Business	1
Item 2. Properties	54
Item 3. Legal Proceedings	55
Item 4. Submission of Matters to a Vote of Security Holders	55
PART II - OPERATIONAL AND FINANCIAL INFORMATION	55
Item 5. Market for Issuer's Common Equity and Related Stockholder Matters	55
Item 6. Management's Discussion and Analysis or Plan of Operation.....	58
Item 7. Financial Statements	87
Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	88
PART III - CONTROL AND COMPENSATION INFORMATION	89
Item 9. Directors and Executive Officers of the Issuer.....	89
Item 10. Executive Compensation	94
Item 11. Security Ownership of Certain Beneficial Owners and Management	97
Item 12. Certain Relationships and Related Transactions	99
PART IV – CORPORATE GOVERNANCE	99
Item 13. Corporate Governance	99
PART V - EXHIBITS AND SCHEDULES	101
Item 14. Exhibits and Reports on SEC Form 17-C.....	101

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Monde Nissin Corporation (the “**Parent Company**”, the “**Company**”, or “**MNC**”) is a publicly-listed company (“**PLC**”) incorporated and registered with the Philippine Securities and Exchange Commission (“**SEC**”) on May 23, 1979 primarily to engage in manufacturing, processing, baking, packaging, servicing, repackaging, assembling, importing, exporting, buying, selling, trading, or otherwise dealing in all kinds of goods, wares, and merchandise, which are or may become articles of commerce such as but not limited to candies, confectionaries, biscuits, cakes and other foods, drugs, and cosmetics. It is a corporation having a perpetual corporate term pursuant to Republic Act No. 11232, or the Revised Corporation Code of the Philippines.

MNC held an initial public offering (“**IPO**”) of its common shares with the Philippine Stock Exchange (“**PSE**”) on June 1, 2021. As of December 31, 2021, its market capitalization is at or around ₱291,091,506,235.20 based on a common share price of ₱16.20.

GROUP OVERVIEW

MNC and its subsidiaries (the “**Group**”) are among the frontrunners in the Philippine food manufacturing industry with a portfolio of various iconic and well-recognized brands. The Group’s two core businesses are the Asia-Pacific Branded Food and Beverage Business (“**APAC BFB Business**”) and the meat alternative business (which includes the production, marketing, and sales of the *Quorn* and *Cauldron* meat alternatives brands) (“**Meat Alternative Business**”).

The APAC BFB Business comprises three product groups: (i) instant noodles; (ii) biscuits; and (iii) Others (such as beverages, baked goods, and culinary aids). According to Nielsen, for 2021, the Group’s APAC BFB Business ranked first based on retail sales value in the Philippines in the instant noodles and biscuits categories, as well as in the oyster sauce and yogurt drinks (i.e., sub-categories of the Others product group). Further, Nielsen’s studies show that in 2021, the Group’s instant noodles, biscuits, yogurt drinks, and oyster sauce, constituted 69.5%, 30.5%, 82.7%, and 58.7%, respectively, of retail sales market share in the Philippines. Flagship brands contributing to the APAC BFB Business’ market-leading position include: *Lucky Me!* for instant noodles; *SkyFlakes*, *Fita*, *Nissin*, and *M.Y. San Grahams* for biscuits; *Mama Sita’s* for culinary aids; and *Dutch Mill* for yogurt drinks.

According to IRI, Marlow Foods Limited (known by its trading name “**Quorn Foods**”) is the market leader in the UK meat alternatives market with *Quorn* and *Cauldron* being the No. 1 and No. 4 brands, respectively, with a combined retail grocery share of 30.5% for the past 52 weeks as of December 2021. Quorn Foods is the only large-scale commercial provider of mycoprotein. The fermentation process required to produce mycoprotein at scale requires significant capital investment and, more importantly, a unique know-how which Quorn Foods has derived from over 30 years of operating experience to maximize yield and efficiency.

The Group operates with an aspiration to improve the well-being of people and the planet by creating sustainable solutions for food security. These values are reflected in its product innovations and various aspects of its operations that create value to society and contribute to sustainable development. For example, to promote well-being, the Group made a move to offer noodles with no artificial preservatives added in *Lucky Me!* wet pouch and cups. It made an investment in the development and implementation of the high-speed airflow (“**HSAF**”) technology by installing the first noodle line with HSAF technology in one of its noodle production lines to reduce the palm oil content in its noodle products and promote health. In 2015, MNC acquired Quorn Foods, which operates in the Meat Alternative Business with sustainability at its heart. Other initiatives have been implemented by the Group to utilize available resources efficiently, move towards zero-waste-to-nature operations, and transition to low-carbon economy. In addition, the Group believes that its Meat Alternative Business represents a breakthrough innovation with the mycoprotein technology serving as a sustainable source of protein. According to a report by Carbon Trust (2018), the production of mycoprotein-based *Quorn Mince* results in only 7%, 11%, and 8% of beef’s carbon, land, and water footprints, respectively. Similarly, the production of mycoprotein-based *Quorn Pieces* results in only 29%, 36%, and 34% of chicken’s carbon, land, and water footprints, respectively.

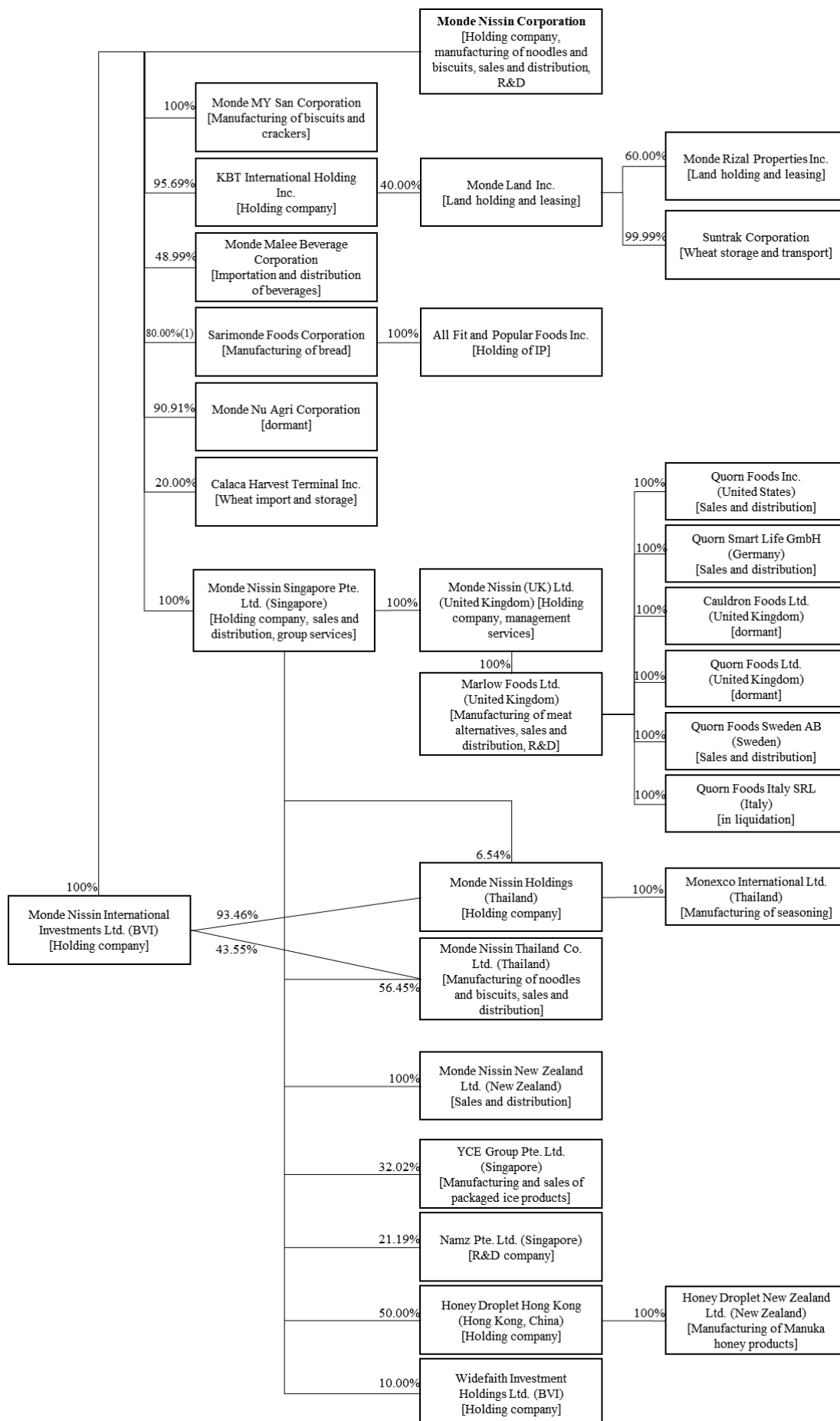
The Group operates the APAC BFB Business through the parent MNC, its wholly-owned or majority-owned subsidiaries, joint ventures, and established relationships with other renowned Fast Moving Consumer Goods

("FMCG") players. The Group operates its Meat Alternative Business through Quorn Foods under the *Quorn* and *Cauldron* brands. For the year ended December 31, 2021, the APAC BFB Business generated ₱54,039 million of net sales compared to the Group's total net sales. Net sales of the APAC BFB Business mainly came from MNC's operations in the Philippines which accounted for 95.0%, 94.1%, and 95.1% of the APAC BFB Business' total net sales for the years ended December 31, 2019, 2020, and 2021, respectively. The Meat Alternative Business generated net sales from the UK and the USA, and the rest of the world. Net sales from the UK amounted to 75.0%, 76.2%, and 77.4% of the Meat Alternative Business' total net sales for the years ended December 31, 2019, 2020 and 2021, respectively. Net sales from the US amounted to 8.7%, 9.6% and 8.7% of the Meat Alternative Business' total net sales for each of the same years, respectively. Net sales from the rest of the world amounted to 16.3%, 14.2% and 13.9% of the Meat Alternative Business' total net sales for each of the same years, respectively.

For each of the years ended December 31, 2019, 2020, and 2021, the Group's net sales amounted to ₱65.4 billion, ₱67.9 billion, and ₱69.3 billion (US\$1.4 billion), respectively; and the total reported net income amounted to ₱6.6 billion, ₱8.1 billion, and ₱3.2 billion (US\$65.8 million), respectively. For the same periods, the APAC BFB Business contributed 76.8%, 77.9%, and 78.0%, respectively, to the Group's net sales while the Meat Alternative Business contributed 23.2%, 22.1%, and 22.0% in each of the same years. For the years ended December 31, 2019, 2020, and 2021, the APAC BFB Business contributed 85.6%, 97.3%, and 124.6%, respectively, to the Group's net income while the Meat Alternative Business contributed 14.4%, 2.7%, and (24.6%) in each of the same years.

GROUP STRUCTURE AND SUBSIDIARIES

The Group's operating and ownership structure as of the date of this report is set out in the chart below:



RECENT DEVELOPMENTS

COVID-19 Pandemic

The APAC BFB Business segment saw improvements in mobility and out-of-home consumption. Foot traffic in stores normalized to pre-pandemic levels. The Omicron wave in the Philippines largely subsided in Q1 of 2022. While the Company is cautious about any possible resurgence, health protocols remain in force in offices and factories as these protocols showed effectiveness in limiting the number of COVID-19 cases in the workforce and associated operational disruptions. The Company has reached a strong vaccination coverage across its APAC BFB Business population with around 99% fully vaccinated.

Russia – Ukraine conflict

In February of 2022, an armed conflict between Russia and Ukraine commenced. As a result of this event, numerous sanctions were implemented against Russia. Both countries account for large parts of global agricultural supply, specifically, wheat, corn, and sunflower seeds and oil; and are the key producers of other commodities such as oil and gas, related petrochemical products, and fertilizer, among others.

The armed conflict has put the 2022 growing season in Ukraine at risk, and the export infrastructure inland and in the Black Sea inaccessible, severely damaged, or destroyed. Possible effects may continue during the 2022-2023 growing season. Such effects may be further amplified if weather conditions in other crop-growing regions of the world do not produce the necessary compensating output, impacting already low stock-to-use ratios of most agricultural commodities globally.

As the Group is impacted by the accompanying world market price movements, the sanctions imposed on Russia may likely cause shortage in certain commodities, thereby resulting in increased prices. Furthermore, shortage of supply in certain inputs arising from the conflict could impact the revenue and profitability of the Group.

In light of the foregoing, the Group is implementing measures to mitigate the identified risks above. Such measures include entering into supply contracts with longer terms, increasing inventory holding of key materials, and exploring diversification of sourcing regions for supply assurance. In parallel, some pricing action coupled with accelerated cost savings initiatives are underway to mitigate cost headwinds.

2022 Philippine General Elections

The Philippines held its general elections on May 9, 2022. Given that the Philippines is the Group's main operating location, the political environment and legislative developments in the country are material to the Group's economic performance. The outcome of the election may impact various areas of importance for the Group, brought about by legislations in taxation, food safety, environmental protection, nutrition requirements, packaging, and others.

Quorn Foods

Consumer habits started to return to pre-pandemic norms in the second half of 2021 as COVID-19 restrictions eased. Similar to the total retail channel, the UK retail Meat Alternative market declined as it laps the 2021 COVID-19 lockdown. At the same time, foodservice businesses ran limited menus to manage labor availability issues and as a defense against further unplanned lockdowns. Labor availability issues affected most retailers with distribution channels facing significant challenges – particularly following Brexit. Towards the end of 2021, inflationary pressures started to dramatically build up with energy costs rising significantly. Such inflationary pressure has been exacerbated during Q1 of 2022 by the geopolitical situation that created the need to raise prices against a significant headwind of rising input costs.

COMPETITIVE STRENGTHS

The Group believes its principal competitive strengths include the following:

Leading positions across multiple branded high growth food and beverage segments, with a dominant position in the instant noodle market and number one position in the biscuit market in the Philippines

The Group believes it is well positioned to further pursue growth opportunities presented by the resilient Philippine market that features favorable demographics and consumption patterns such as a young population, strong domestic household consumption, and urbanization. In addition, the favorable macroeconomic growth in the Philippines has been characterized by a recovering gross domestic product and an increasing domestic income per capita. The Group operates, and is strategically positioned, in the large product segments of instant noodles and biscuits in the Philippines. According to Nielsen, the instant noodles market reached a value of ₱38.9 billion while the biscuits market reached ₱50.1 billion in 2021, with biscuits ranking No. 3 and noodles ranking No. 7 within their respective food categories.

The Group has well-established leading market positions across multiple brands under the food and beverage segments in the Philippines. According to Nielsen, in 2021, the Group dominated in the Philippine instant noodles segment and had a market share of 69.5% in terms of retail sales value. Meanwhile, in the biscuits segment where the Group had five brands as of December 31, 2021, the Group ranked first in the crackers and cookies segments, as well as overall, and had a market share of 30.5% in terms of retail sales value in the Philippines in 2021.

Virtually, all of the Group's consumer business is branded and comprises well-recognized and diversified household brands. For over 40 years, the Group has built and managed a market leading portfolio of seven flagship brands as of December 31, 2021, including *Lucky Me!*, *SkyFlakes*, *Fita*, *M.Y. San Grahams*, *Nissin*, *Mama Sita's*, and *Dutch Mill*. *Lucky Me!* has grown into an iconic brand consumed by 98% of Filipino households in 2021, based on Nielsen's panel data. Additionally, it continues to be the most chosen consumer brand in terms of consumer reach points as of the latest Brand Footprint Study by Kantar (2020). It is the sixth consecutive year that *Lucky Me!* has secured the top position. The Group believes this is driven by the brand's meaningfulness, distinctiveness, and salience among consumers.

The table below sets out the Group's key brands under the relevant product groups, and the market share information in retail sales value for 2021, according to Nielsen:

Product Group and Key Brands	Market Share in Retail Sales Value and Rank
<i>Instant Noodles</i>	69.5% (1 st)
	
<i>Biscuits</i>	30.5% (1 st)
	

Product Group and Key Brands	Market Share in Retail Sales Value and Rank
<i>Others</i>	
<i>Oyster sauce</i> 	58.7% (1 st)
<i>Yogurt drinks</i> 	82.7% (1 st)
<i>Cultured milk</i> 	18.0% (2 nd)

The Group's brands and products also received awards and recognition for market performance including the Most Purchased Brand in total Philippines (first) and Best-Selling Brand in total Philippines (second) awards for the *Lucky Me!* brand at the 2020 Nielsen Sinag Awards. In addition, the Group believes its successful track record of introducing new products to meet evolving consumer tastes and enhance the overall customer experience significantly contributed to the increase in its market share and overall growth.

Quorn Foods is a leading market player with superior technology, high-quality products, and well-defined strategy to deliver long-term success in the highly attractive and fast-growing meat alternatives space

Quorn Foods is a leading player in the UK's meat alternative market with a superior technology, high-quality products, a well-defined strategy, and the production capacity to deliver long-term success. Quorn Foods's share of the UK meat alternative market is more than 3x that of its nearest competitor. The size of Quorn Foods's business offer economies of scale and allows it to maintain and strengthen key relationships with the major retailers and customers from other geographies and channels. According to Blue Yonder, Quorn Foods enjoys very high brand recognition in the UK, and it has the highest repeat purchase rates in the category.

Behind all these strengths lies the great tasting food that contains mycoprotein, an alternative protein with the exceptional nutritional benefits of being high in fiber, low in saturated fat, and containing no cholesterol. 74% of the products sold by Quorn Foods achieves an A score (the highest possible) on the independent Nutriscore measure.

Quorn Foods is the only business in the meat alternative market that produces its own protein at scale, thanks to the innovative large scale air lift fermentation technology and know-how developed over 30 years of trading. All these elements when combined create a significant barrier to entry.

Established record of innovation, successfully anticipating and catering to emerging consumer needs and preferences with their increasing concern for individual health and food security

The Group has an established record of introducing new products that are innovative and attentive to consumer preferences, and developing technology, processes, and tools to further enhance the taste, health benefits, and sustainability of its products.

Noodle products

The Group's launch of *Lucky Me! Pancit Canton* in 1991 — the first stir-fried noodles in pouch in the Philippine market — created a brand-new segment now worth over ₱10 billion in 2021.

In the mid-1990s, the Group joined forces with the Philippine Department of Health to help alleviate malnutrition by fortifying its noodles with essential vitamins and minerals. The Group was first to offer noodles with no artificial preservatives added in the Philippines in its *Lucky Me!* wet pouch and cup products.

It is also the first to launch locally flavored variants such as *La Paz Batchoy*, *Bulalo*, *Lomi* and *Sotanghon* that capture the authentic tastes of classic Filipino favorites. The ability of the Group to localize products through its established knowledge and unique understanding of Filipino consumers' tastes and preferences has enabled the Group to gain dominant market leadership in the noodles market segment.

Key transformations that the Group has introduced include the (i) packet upsize of *Lucky Me! Pancit Canton* (from 60 to 80 grams in Luzon), (ii) change in noodle shape, width, and texture in 2016, and (iii) re-launch of thinner noodles for *Lucky Me! Pancit Canton Kalamansi* in 2020, and eventually all flavors in 2021. The Group also regularly renovates by improving the flavor of its existing products to address changing consumer preferences and demand.

The Group also offers its own version of Indonesian flavor *Mi Goreng*, banking on consumers' desire for new and exciting tastes, while continuously building its Korean flavor *Lucky Me! Jjamppong* to ensure a strong presence in the growing Korean flavor sub-segment. The Group also offers instant pasta that comes in two popular pasta dishes, *Lucky Me! Baked Mac Style* and *Mac & Cheese* for the mass premium segment, to offer consumers easy meal options, in addition to instant noodles.

The Group also implemented packaging improvements such as the transition of *Lucky Me! Go Cup* container from a composite material made of polyethylene laminated paper cup to a polypropylene cup with paper sleeves to make the cup noodle easier and safer to hold and to facilitate recycling (by easily separating the label from the cup).

In late 2020, the Group installed the first noodle line with HSAF technology to substantially reduce the palm oil content, resulting in less fat and calories, while maintaining taste and consumer enjoyment. It plans to migrate more of its products to using HSAF technology to increase positive impact to the well-being of the people and the planet.

In late 2021, the Group launched *Lucky Me! Milky Me*, another first in the market. It is a good source of essential vitamins and minerals and contains 25% less sodium than the regular *Lucky Me Instant Mami*.

The Company launched low salt, no MSG noodles in Thailand as part of our health and wellness push. The *Lucky Me!* brand hit a high within the top 10 after the launch. The regional marketing and Thailand team are currently working on further product iterations to support the goal of becoming one of the top noodle players in the country.

Biscuits, baked goods and fresh bread products

The Group has a track record of introducing innovative, new uses for its existing products to enable significant demand growth for the product and thus increase the Group's sales. For example, *M.Y. San Grahams*, an ingredient in homemade desserts, is now also used by small businesses as a key ingredient because of its versatility, resulting in new cake and other dessert products. This also broadened the "mompreneur" segment which uses *M.Y. San Grahams* in high-quality and delicious desserts for different occasions and transforms their customized creations into a variety of dessert-based businesses.

The Group also has a unique understanding of consumers' expectations and preferences in relation to its other baked goods and fresh bread products.

Monde Mamon offers a bakeshop quality product that is made more convenient and affordable than other bakeshop brands. With a five-month shelf life at ambient storage, it is more accessible and readily available in different channels, and can be stocked up by consumers more conveniently. These superior product features were achieved through technology that creates a very clean manufacturing environment and carefully selected ingredients that allow *Monde Mamon* to be shelf stable for months.

The Group has expanded to other products such as *Monde Cheese Bar* and *Monde Banana Bar*; and other sizes such as *Monde Mini Mamon* and shared consumption packs like *Monde Mamon Flavor Selections*.

The Company successfully launched *Voiz* chocolate-covered flavored wafers in 2021. The new stock keeping units (“SKUs”) were 11% of total *Voiz* revenue in 2021 and were a factor in the revenue growth and market share gain.

In the fresh bread category, the Group launched *Monde Fluffy Bread*, *Monde Milk Bread*, and *Monde Wheat Bread*. *Monde Fluffy*, and *Monde Milk Bread* were developed by the Group’s New Product Development team in only three to four months and use largely high-quality flour from the Group’s own flour mill. The Group believes these breakthroughs reflect the agility of its business and its ability to optimize synergies to improve cost efficiency.

In-house research and development team

The Group has a dedicated research and product development team in the Philippines. Through collaboration and innovation, the Group works closely with other innovation companies.

In the instant noodles category, the Group was the first in the Philippines to launch instant noodles in no-cook bowls in local flavors such as *La Paz Batchoy* and *Bulalo*. The Group constantly develops new flavors such as the Asian line, exemplifying its deep understanding of consumers’ love for flavors. In the baked goods category, the Group launched the first packaged sponge cake in the Philippine market and the first premium wafer product filled with chocolate and rice crispies.

APAC BFB Supply Network

The Group has a rich history of process innovations to better cater to customer needs including the following:

- A vertically integrated Flour Mill in its Santa Rosa Facility.
- An automated and streamlined seasoning plant in Thailand. This move provided the Group access to a greater variety of spices, improved the quality of its production, and reduced costs.
- A flow-through Santa Rosa Noodles operation from the lines to the palletizers, towards rail-guided vehicles, and into Automated and Storage Systems.
- HSAF Technology on instant noodles for sustainability and healthier offering.
- Process Reliability gained 4 Points through Run-to-Target++ pilot implementation, improving system-wide capacity by the same amount.
- Completed Product Supply Organizational Redesign that enables responsiveness through a rigorous system-based training and qualification process.

ESG initiatives

As a major player in the local food industry, the Group recognizes that it plays an integral role in providing nutritious and accessible food products for all. With over 90% household penetration cutting across all economic classes, its products’ affordability and widespread presence allow them to take the lead in influencing consumer behavior towards healthy lifestyles and holistic wellbeing.

The Company and its subsidiaries [other than Monde Nissin (UK) Limited and Marlow Foods and its subsidiaries which trade as Quorn Foods] (“APAC BFB Group”) have taken various initiatives of pivoting towards a healthier and better portfolio. This strategic priority is reflected in its product innovations. For example, products fortified with essential nutrients account for a majority revenue share of the *Lucky Me!* noodles portfolio. In addition, its annual sodium reduction initiative which started in 2020 continued on in 2021.

The latest proprietary innovation used by the APAC BFB Group is the HSAF technology. Using this technology, the Group intends to migrate the majority, if not all, of its *Lucky Me!* products to better-for-you noodles that use non-frying process, significantly reducing oil usage, resulting in less fat and less calorie content per pack while maintaining parity product acceptability vs. fried version. Further to the positive impact on the health of consumers, this innovation also means that for the Group, its noodle production is lessening its use of palm oil which contributes to deforestation, biodiversity loss, and soil degradation. The non-fried *Lucky Me!* noodles was successfully marketed in North Central Luzon and Greater Manila Area in 2021 using one noodle line. In keeping with the plan to transition other lines to HSAF, succeeding lines are already under study.

The Group continuously strives to develop new product offerings that are better and healthier for its consumers. In 2021, the Group established *Lucky Me!’s* Better-For-You portfolio with the launch of the new *Lucky Me! Milky Me*, a nutritious and yummy instant noodle soup with the creamy goodness and richness of milk, real vegetable garnish, fortified with Vitamin A and Iron, and has less sodium. To further strengthen the Better-for-You portfolio, the brand intends to expand the line with more healthful and delicious instant noodle innovations in the coming years.

To complement the APAC BFB Group’s efforts in enhancing its product portfolio, the Group has launched consumer education initiatives to influence consumer behavior towards a healthier or more balanced diet and lifestyle. In 2021, it established *Lucky Me! Instant Mami* (“**LMIM**”) as a substantial breakfast choice by communicating the cooking suggestion to add nutritious, tasty, and accessible ingredients in the Breakfast Series Campaign. The campaign promoted healthy recipes that can turn LMIM as a breakfast bowl of essentials to enable kids to jumpstart their days. The campaign was launched in January 2021 with the LMIM with milk recipe aired on TV nationwide followed by the second recipe, LMIM with veggies. The Group has also incorporated a front-of-pack source of protein seal to its *Monde Mamon* products and created a campaign to highlight the benefits to consumers.

Quorn

The Group’s single largest commitment to healthier food and food security is its ₱40.9 billion (GBP575.0 million) investment in 2015 to acquire 100% of Marlow Foods Limited which owns *Quorn*. The Group made the investment well ahead of the increased attention and public consciousness regarding meat alternatives. The Group believes traditional protein production is not sustainable and that it could help address food security and human health by increasing the production of *Quorn* to reach a wider audience.

Mycoprotein

All *Quorn* products contain mycoprotein. Mycoprotein is a fungi-based, fermented protein that is high in protein, high in fiber, low in saturated fat, and contains no cholesterol. It has a natural ingredient base that does not include artificial colors, masking agents, or preservatives, and is non-GMO. Mycoprotein has the natural texture and fibrosity that mimics meat. It is grown through the process of fermentation which utilizes significantly less land and water compared to the production of animal protein sources. Quorn Foods believes that its mycoprotein technology better aligns with the health and environmental concerns which are the main drivers of consumers switching to meat alternatives and category buyers selecting products to carry.

The building block of mycoprotein is *fusarium venenatum*, a member of the fungi family, comprised of tiny fibers (mycelium) that are naturally rich in intrinsic protein and dietary fiber. Quorn Foods believes the natural fibrosity of mycoprotein means its texture is closer to meat than any other plant-based protein and does not require texture additives. In addition, the ability of mycoprotein to absorb flavors enables it to fit in a large variety of meat dishes. The flavors that Quorn Foods offers include hot and spicy, garlic and herb, and salt and pepper, among others.

Mycoprotein contains all nine essential amino acids in quantities which provide a protein quality score (Protein Digestibility Corrected Amino Acid Score (PDCAAS) ratio) superior to that of beef, chicken, soya, and pea-protein isolate. In clinical studies, mycoprotein has been shown to yield health benefits including building muscles faster than milk protein, lowering cholesterol, and containing a unique combination of fibers that may play a key role in gut health. Diets rich in mycoprotein have been shown by Oxford University in the World Economic Forum, to offer important benefits with regard to lowering projected population mortality. In addition, a growing body of scientific research on health benefits shows that mycoprotein increases satiety and helps regulate glycaemia and insulinaemia. All of Quorn Foods’s mycoprotein-based products are non-GMO, and mycoprotein has low allergenicity of approximately 1 per 24.3 million servings, whereas up to 0.3% of adults are allergic to soy.

Mycoprotein is a sustainable source of protein. According to a report published in 2018 by Carbon Trust, a not-for-profit company providing specialist support on sustainability, the production of mycoprotein-based *Quorn Mince* results in only 7%, 11%, and 8% of beef’s carbon, land, and water footprint, respectively. Similarly, the production of mycoprotein-based *Quorn Pieces* results in 29%, 36%, and 34% of chicken’s carbon, land, and water footprint, respectively. The process of making mycoprotein is “net protein positive” which means that the process results in higher protein content in the food system than where the process begins.

Production

Quorn Foods is the only large-scale commercial provider of mycoprotein. The fermentation process required to produce mycoprotein at scale requires significant capital investment and more importantly, a unique know-how which Quorn Foods has derived from over 30 years of operating experience in order to maximize yield and efficiency and thus optimize the process economics. In addition, any new competing fungal strains will require regulatory approvals before being sold to the public. Quorn Foods continues to collaborate with the Food Chemicals Codex and the US Food and Drug Administration (“**US FDA**”) in the creation of a monograph that will set out the compliance regulations and standards with regard to the key characteristics and substantial equivalence of mycoprotein for potential new entrants.

Quorn Foods utilizes the air lift fermentation technology in its production of mycoprotein. In the air lift fermentation process, *fusarium venenatum* for mycoprotein production is grown under strictly defined conditions. Temperature, pH, nutrient concentration, dissolved oxygen, and growth rate are maintained at a constant rate throughout the process. The *fusarium* organism is grown on its own with no other living organism or contaminate. The fermentation comprises food-grade carbohydrate together with other ingredients that are of food-grade quality and purity and appropriate for the growth of *fusarium venenatum*. The liquid and gaseous feeds are sterilized prior to addition to the fermenter. Quorn Foods’s fermentation facilities and fermentation process are designed to prevent contamination. Its fermenters are approximately 50 meters in height and hold approximately 155 cubic meters of liquid.

In Quorn Foods’s fermentation process, the fermenter continually produces broth which is heat-shocked to reduce the ribonucleic acid content. The broth is then centrifuged to produce mycoprotein paste. The mycoprotein is immediately chilled for use in the manufacture of food products.

Products and Markets

Quorn Foods produces and sells two categories of food products marketed under two brands: (i) mycoprotein-based products marketed and sold under the *Quorn* brand, and (ii) plant-based products marketed and sold under the *Cauldron* brand. *Quorn* and *Cauldron* products are healthy and environment-friendly alternative protein sources and are suitable for various cooking methods. *Quorn* and *Cauldron* products are suitable for a variety of different meal occasions and needs, such as breakfast, lunch, dinner, snacking, and food-on-the-go.

Quorn offers an extensive range of mycoprotein-based vegan and vegetarian products, some of which are gluten-free. *Quorn* products offer an alternative for the key meat types: beef, pork, poultry, and fish. Its products cover all key shop aisles: frozen, chilled, and food cupboards. Quorn Foods products are suitable for different meal occasions and needs, including breakfast, lunch/dinner, snacking, and food-on-the-go. The versatility of its products allows consumers to create their favorite meals in the comfort of their homes.

Quorn products are sold in the US, Belgium, Luxembourg, Denmark, Finland, the Republic of Ireland, The Netherlands, Norway, Sweden, Germany, Switzerland, Southeast Asia, and Australasia.

Cauldron products are sold in the UK and the Republic of Ireland. All *Cauldron* products are suitable for vegetarians and *Cauldron tofu* and *falafel* are suitable for vegans. *Cauldron* products offer alternative sources of protein which complement *Quorn* products. *Cauldron* products are offered in chilled form and Quorn Foods sees an opportunity to grow further in the UK chilled food category.

Manufacturing Facilities

Quorn Foods has three manufacturing locations: Belasis, Stokesley and Methwold, all in the UK. Belasis and Stokesley are approximately 100 kilometers from Leeds, and Methwold is approximately 150 kilometers from London. The manufacturing facility at Belasis is approximately 15 kilometers north of the Stokesley factory in Teesside. The Belasis facility has four fermenters. The Belasis facility also holds a forming facility which was commissioned in 2019. The site at Stokesley comprises an administrative block and a manufacturing facility. The manufacturing facility consists of four production lines and is where paste from Belasis is formed into shapes and frozen. The facility produces a mixture of finished products for sale and intermediate products for further processing. The facility at Methwold is approximately 300 kilometers south of Stokesley and comprises 15 production lines including coating and frying, retorting, packing,

and slicing. The site produces products for both the *Quorn* and *Cauldron* brands and has the capability to produce chilled products. Quorn Foods also uses third party manufacturing partners to produce finished products where Quorn Foods has either a capacity constraint, no in-house capability (e.g. pastry products, ready-to-eat meals), or it is more economic to do so such as breaded products in the US.

Sustainability

Quorn Foods continues to drive its sustainability agenda as part of its purpose of “Healthy Food for People and the Planet”. Compared to 2012, Quorn Foods has reduced its carbon emissions (scope 1 and 2) by 83% relative to production. In 2021 alone, this improved by 16% compared to 2020, through procuring certified green energy at its Belasis plant mid-way through 2021. As a result of this, mycoprotein is now produced using over 85% green energy. Quorn Foods continues to explore ways to reduce its carbon footprint, and from January 1, 2022, its *Cauldron* branded products are completely carbon neutral.

Well-invested facilities and agile and innovative supply network to capture growing demand

The Group has a track record in the Philippines of expanding its business by leveraging its operational strength and experience as well as periodically transforming its end-to-end supply network to quickly adapt to, and anticipate, its customers’ needs. Consequently, MNC was able to grow its net sales, lower costs, and improve its cash position all at the same time. The table below sets out MNC’s customer service level (or “**CSL**”, MNC’s internal measure of fill rate to customers), transportation and warehousing cost (“**T&W**”), and finished goods inventory days (“**FG Inventory**”, or fiscal ending finished goods inventory divided by COGS/day where COGS/day is total COGS for the year divided by 365) for each of the periods indicated.

		2017	2018	2019	2020	2021
Sales Growth	Customer Service Level (CSL)	80%+	90%+	90%+	80%+	90%+
Cost	Transport and Warehousing (CSR)	5.8%	5.5%	5.1%	4.8%	4.7%
Cash	Finished Goods Inventory in Days	15.1	14.3	13.9	11.6	13

From 2018 through 2021, CSL and T&W improved (other than CSL in 2020 which was affected by the COVID-19 pandemic), and FG Inventory remained at optimum levels reflecting strong structural gains. Through innovative supply solutions and constant alignment with key stakeholders, MNC was able to expand its reach, implement the best routes/supply plans, and maintain an appropriate inventory level ensuring product freshness.

For instance, in 2018, MNC implemented a win-win solution with its transport providers and select accounts via a mechanism that optimizes the number of trips per month per transport provider and reconstructing the delivery window of some customers which led to a flatter daily demand, reducing peaks and valleys. Internally, target inventory levels were synchronized with manufacturing capabilities to balance cost with agility.

Starting 2019, MNC streamlined its processes allowing for faster standardization and reapplication, which accelerated gains. Non-performing SKUs and product lines were eliminated while paving the way for existing SKUs to grow and for new launches to have better chances of success. In 2020 through 2021, distribution network was optimized, certain warehouses were closed and new ones were opened that offer better responsiveness at a total lower cost in line with evolving network redesign driven by demand shifts.

Extensive, comprehensive, and sophisticated distribution network

The Group believes its comprehensive and sophisticated distribution network is crucial to its products’ continuous successful market penetration. In addition, the Group’s distributors provide a 15-day credit to its reseller customers (supermarkets, groceries, and wholesalers) who in turn extend credit to its *sari-sari* store (family-run convenience stores in neighborhoods and villages in the Philippines) customers. The provision by the Group of attractive payment options to its distributors allows distributors to, in turn, provide credit to its reseller customers while interventional programs encourage the Group’s *sari-sari* store partners to purchase the Group’s products when they are at a leading retailer for onward sale to other *sari-sari* stores.

Through the interplay of the Group's different distribution channels, provision of credit to distributors' reseller customers, and interventional programs, the Group is able to expand its reach and increase the market penetration of its products. In 2021, the weighted distribution of the Group's products in the instant noodles category was 99% according to Nielsen.

As of December 31, 2021, the Group has had long-standing relationships with leading retailers in the Philippines with 18 national key accounts, 44 local key accounts, and 23 independent chain stores. As of the same period, the Group also worked with over 30 distributors in 47 provinces and districts. With this network, *Lucky Me!* products are distributed to more than 260,000 outlets, reaching more than one million *sari-sari* stores across the Philippines. The Group employs a unique cost-plus incentive scheme for its distributors in the traditional trade channel. The Group believes that its unique incentive scheme demonstrates innovation in its business processes, reflects its business continuity plans, and shows the win-win relationship between the Group and its distributors. With the cost-plus incentive scheme and the support of the distributors, the Group was able to aggressively expand its distribution reach despite the pandemic for last two years.

By utilizing its extensive distribution network and leveraging its relationships with various retailers and distributors, the Group is able to efficiently and expeditiously supply and distribute its products to its customers as well as access and compete in new markets.

Visionary, ambitious, and experienced management

The Group has an ambitious and experienced senior management team with many years of local and international experience in the FMCG industry and in other fields. It has succeeded in managing the Group through various business cycles, with an extensive track record of executing business plans and achieving results, as demonstrated by the Group's overall growth, strategic expansion, and strong business operations over the years. In addition, the Group's management team has been at the forefront of sustainability in its products, value chain, and innovations even before the focus on sustainability gained increasing traction. The Group also benefits from its management team's proprietary knowledge of consumers' tastes and preferences and track record of operational excellence that the Group believes are necessary to successfully lead the development, growth, and expansion of its businesses.

Over the course of its operating history, the Group's management has consistently taken an active stance in building a resilient organization and high-performance culture to deliver stakeholder value by employing an innovative and results-oriented team with a commitment to excellence and sustainability. The visionary leadership of the Group's management team has helped attract and retain talent, deepen employee engagement, and promote the Group's core values of collaborating with empathy, continuous learning with a growth mindset, and caring with action. The Group believes the various awards received by its brands are a testament to the professionalism of its management and strengths of its teams.

STRATEGIES

The Group aspires to improve the well-being of the people and the planet and create sustainable solutions for food security.

The Group's principal strategies for achieving these objectives are set out below:

Drive category growth and market share in branded consumer segments through continuing innovation and focusing on taste, eating experience, and well-being of the Group's consumers

Noodles (Philippines)

The Group intends to combine its intimate understanding of the Philippine noodles market with established research and development capabilities to support new product offerings that will suit the changing needs and preferences of, and be enjoyed by, its consumers. The Group aims to drive category growth through innovation anchored on themes of health and sustainability, premiumization through the introduction of new flavors and formats as product upgrades, and convenience. Given the relatively low per capita consumption of noodles in the Philippines compared to other Asian markets, the Group believes there is room for growth. The Group intends to grow its core products, namely

Instant Mami and *Pancit Canton* by increasing consumption occasions (different new uses for existing products), improving market penetration in key segments, and building the brand to keep it meaningful, differentiated, and salient among consumers.

The Group aims to accelerate the growth of the Philippine noodles category. As a fundamental prerequisite to this and consistent with the Group's values, the Group intends to reduce the oil content of its noodle products while maintaining flavor and texture. The Group plans to reduce the oil content of its noodle products for health and sustainability reasons. The Group expects to achieve this objective through the increased adoption of the HSAF technology in its noodles business. The Group intends to further accelerate category growth through new product developments, additional flavor offerings resulting from improved flexibility in flavor changes incidental to the HSAF technology, increased promotion, and wider distribution. In terms of increasing speed of delivery of new products to the market, the Group will, among others, employ artificial intelligence systems to interpret and predict flavor preferences of consumer groups.

Biscuits and other baked goods (Philippines)

The Group has a wide portfolio of biscuit and bakery brands in the Philippines. The Group believes that, while it ranks first in the biscuits category in the Philippines, there is still a lot of room to grow especially in the wafer and sandwich segments, as the Group continues to strengthen its foothold in the cracker segment.

In 2020-2021, the category had experienced reduced consumption versus 2019 due to mobility restrictions associated with the COVID-19 pandemic. To achieve market share gains and maintain its market-leading position, the Group will continue to innovate its products and value chain. The Group aims to upgrade and develop its popular *Nissin Wafer* lines and sandwich lines to keep pace with rising consumer expectations. The Group also intends to integrate the overall operations of its wholly-owned subsidiary Monde M.Y. San Corporation ("**MMYSC**"), the manufacturer of *SkyFlakes*, *Fita*, and *M.Y. San Grahams*, with its own operations in terms of procurement, overheads, shared services, and export (sales and marketing). In addition, the Group launched its own *Monde*-branded wrapped bread loaf produced using Japanese technology.

The Group has recently entered the bread business through the joint venture with and subsequent consolidation of Sarimonde Foods Corporation ("**SMFC**"). The Group foresees considerable potential in this sector. Based on the Group's assessment of total flour imports and uses in the Philippines, the Group believes this category, through formal and larger informal channels, to be even greater than the instant noodles category. In the formal wrapped loaves category, the Group has launched *Monde Fluffy Bread*, *Monde Milk Bread*, and *Monde Wheat Bread*. Product formulation benefits from the Group's established wheat and flour milling expertise and the Group believes its new offering represents better quality and price competitiveness than the products it replaces.

The Group believes its strong distribution ecosystem and strong equity in bakery quality will be instrumental in realizing its ambition in the bread business. With these strategies in place, the Group believes it is well-poised to quickly scale up to gain a sizeable market share in the bread business and realize healthy margins given its scale leverage along the value chain.

Adjacent categories (Philippines)

As an overall part of the Group's customer (retail) and consumer offering, the Group entered into marketing, sales, and distribution agreements with various brand owners that have products that complement the Group's core brands. For instance, in 2014, the Group entered into a 20-year Distribution, Marketing and Sales Agreement with Sandpiper Spices and Condiments Corp. under which the Group became the exclusive distributor of *Mama Sita's* products in the Philippines. In 2016 and 2006, the Group entered into distribution agreements with Dutch Mill Co. Ltd. and Dairy Plus Co. Ltd., respectively, under which the Group became the exclusive distributor of *Dutch Mill* cultured milk and yogurt products, respectively, in the Philippines. In 2010, the Group expanded its partnership with Dairy Plus Co. Ltd. to include marketing by the Group of *Dutch Mill* yogurt products. Renewable agreements with Dutch Mill Co. Ltd. and Dairy Plus Co. Ltd. will be for another five years. Under the agreements with Dutch Mill Co. Ltd. and Dairy Plus Co. Ltd., the Group has a functional profile that is bigger than a typical distributor, enabling the Group to have an entrepreneurial role in distributing the products and creating the markets. As a result, the Group believes that the return and distribution margins from its distribution agreements have become higher than under customary

distribution agreements. The Group intends to continue to develop this strategy where product and values are compatible with its core offering.

According to Nielsen, in 2021, *Mama Sita's* held the number one position in terms of retail sales value in the oyster sauce category with its improved market share from 56.3% to 58.7%. While it still has low market penetration, the Group believes it has significant growth potential. The pricing strategy of the Group for *Mama Sita's oyster sauce*, which commenced in 2018, has resulted in more than tripling its volume in three years, growth in market share, and growth in category and brand penetration, making oyster sauce among the fastest-growing culinary aids in recent years. In 2020, the oyster sauce category grew by 12.6%, *Mama Sita's* at 18.8%, while in 2021, the oyster sauce category grew at 27.7% driven once again by *Mama Sita's* with a higher growth of 32.9%. The *Mama Sita's* brand is well-positioned in benefiting from sustained relevance of in-home cooking translating to a strong performance. The Group intends to increase penetration in the oyster sauce as well as marinade, viand, and meal sauces categories through market education of *Mama Sita's'* unique value proposition, wider distribution, and increased store visibility.

In 2021, *Dutch Mill Delight* continues to be the second biggest player in the cultured milk category according to Nielsen, despite market share decline from 26% in 2020 to 18% in 2021. Decline is brought about by supply issues due to COVID-19-related manpower shortages in Dutch Mill factory in Thailand, further aggravated by global shipping delays and container van shortages. With improved supply, the Group intends to recover growth momentum in 2022 via continued market education of *Dutch Mill Delight's* unique value proposition, expansion of distribution touchpoints, and in-store promotions. Meanwhile, *Dutch Mill* continues to be the dominant market leader in the yogurt drink category at 83% share. The brand was also further buoyed by the newly-launched *Proyo* which grew 6x versus its competitor *Yago* as it expanded the brand into a new market segment. The Group intends to consistently stay well ahead of competition through continuous innovations in product portfolio, brand equity, and distribution, while driving category penetration.

Thailand; Export for biscuits and noodles

The Group believes product innovations, mainstream focus, geographic expansion, sharper in-market execution and lean operations allowed its domestic and export businesses in Thailand to increase revenue, gain market share and expand operating margins even during the COVID-19 pandemic. In Thailand, the Group intends to expand its biscuits business by enhancing its digital marketing base to grow the existing brands. A new biscuit product is also being developed as a healthier alternative to the existing savory snacks in the market. In the noodles category, the commissioning of a HSAF technology noodle line in Chonburi which the Group expects to be operational in 2022 will provide a better-for-you, better-for-planet range of noodle products.

Outside the Philippines and Thailand, the Group's export presence (excluding Quorn Foods) has been mainly aimed at providing overseas Filipino workers ("OFW") with a taste of home. Moving forward, the Group believes the key to growth is to build on and maximize OFW revenue and profitability and grow sales with mainstream consumers across markets. Its low oil content noodles have the potential for production and marketing in countries with higher consumer awareness of the health and sustainability benefits of lower oil content. Through its improved biscuit and bakery offerings, better-for-you-and-planet products, and instant noodles, the Group believes it is ready to compete in the wider Asian region. The Group intends to achieve mainstream expansion in Asia, the Middle East, and North America through new distribution partnerships. With continued market development, the Group believes that in due course there can be a degree of synergy in country operations across its full product offering range from bakery to instant noodles to Quorn.

Revenue Growth Management

As the Group's product assortment and presence have expanded over the years, various targeted interventions such as flagship stores across modern and general trade have helped to continuously develop its main categories and often to gain market share. To further leverage the Group's existing footprint and drive cross-category growth, structured revenue growth management will become an area of focus. This will be through clear channel segmentation, reconsideration of price and pack balancing, channel pack differentiation, trade terms optimization, and return on investment-based promotional effectiveness.

Augment the end-to-end supply network capabilities of the Group towards a responsive, adaptive, and predictive ecosystem supporting growth amidst increased demand volatility and consumer sophistication

MNC intends to continue its holistic redesign of its manufacturing and distribution network aimed at increasing total system capacity while (i) ensuring business continuity and risk mitigation through the strategic location of its facilities and diversification of its sourcing strategy, (ii) increasing agility through node synchronization to minimize inventories at each node, (iii) driving structural cost improvements, and (iv) benefiting the environment through waste elimination and the use of more eco-friendly products more broadly.

Rapidly evolving customer preferences result in demand volatility. To address this, MNC plans to pilot a new highly responsive work system which will expand the capabilities and skills of its employees and provide flexibility in the Group's operations to cater to increased demand volatility and the trend towards niche product categories.

In addition, MNC worked with an external company to develop predictive modeling on demand locations given the inherent higher cost-to-serve nature of an archipelago and the faster internal migration and urbanization happening in the country. The insight from this exercise served as input to the Group's ongoing Supply Network Redesign.

Although the Philippines has been relatively slow to embrace e-commerce, the COVID-19 pandemic has accelerated the pace of digital adoption. The Group understands that consumers are now becoming omni-channel shoppers. Loyalty to only one type of channel is eroding and it is important for the Group to understand the difference in behavior regarding basket content both online and offline. The role of e-commerce in the Group is to close the loop of consumer awareness, customer engagement, and straight to purchase. The Group will continue to collaborate with national and regional online partners and consumer communities. The Group will be increasingly engaging with modern trade and distribution partners for direct e-commerce with them to expand the Group's currently nascent volume. The Group's engagement with consumers will be through digital communities but the Group will not be seeking direct business-to-consumer sales. The Group will, however, communicate brand and new product launches as directly as possible just as the Group will seek their feedback. The Group's digital collaboration will be to bring to its established partners relevant consumer data to help the Group better serve its ultimate consumers.

Strategy of Quorn Foods

Quorn Foods's strategy is designed to support the purpose of the business: "To provide Healthy Food for People and the Planet" and focuses on three key areas. Firstly, to continue with the business transformation including accelerating R&D and new product development, energizing the *Quorn* brand and building on key customer relationships across the retail, foodservice, and quick serve restaurant ("QSR") channels. Secondly, to capture the next phase of growth across key markets by maintaining its category leadership in the UK, targeting the US as a high growth opportunity, and increasing Quorn Food's penetration in the global QSR channel. Thirdly, continue to invest to position Quorn Foods to be a long-term winner in the addressable meat alternative market through capacity, capability, technological research, and investment in its brands.

In 2020, Quorn Foods defined its purpose — To Provide Healthy Food for People and the Planet — and its aspiration — 8 Billion Servings, Net Positive by 2030. Quorn Foods's interpretation of "net positive" is to put more into the world than it takes out. Its main goal is to use the business as a force to support healthy societies, have a positive impact on its employees, and protect and restore the natural resources around itself.

To deliver this purpose, Quorn Foods initiated a business transformation in 2020 to lay the foundation for the next phase of growth across key markets.

Initiating business transformation to lay the foundation for the next phase of growth

The key initiatives consist of the following:

- (1) ***Leadership team strengthened:*** In 2020, Marco Bertacca took up his role as Quorn Foods's Chief Executive Officer. Mr. Bertacca brought 25 years of experience with consumer foods companies, including management, business development, and supply chain roles with Royal FrieslandCampina N.V. in Asia and

Europe. Quorn Foods further strengthened its senior management team and now has a strong balance of functional and industry experience, combined with a diverse global background.

- (2) ***Manufacturing capacity and capability increased:*** Quorn Foods successfully increased forming capacity and constructed a fourth fermenter in 2021 providing an additional 15,000-metric ton of fermentation capacity, with full capacity expected to be available in the second half of 2022. In 2020, Quorn Foods dedicated separate Director roles to Director of Manufacturing and Engineering and Supply Chain Director. Additional resources have been added to strengthen the areas of continuous factory improvement and capital project management.
- (3) ***R&D and New Product Development (“NPD”) accelerated:*** In 2020, Quorn Foods further enhanced its R&D and NPD capabilities by bringing in a new R&D Director, Tim Ingmire, who has over 25 years’ experience in leading R&D on global brands across food and beverage and personal care, and a professor from the University of Birmingham School of Chemical Engineering. The NPD department was reorganized into three workstreams (*i.e.*, flavor development, product development, and culinary innovation) to drive the speed of great tasting innovations. In addition, the Consumer and Sensory Science capabilities were strengthened to deepen the understanding of the consumers’ needs. The first results were seen from the launches of *Makes Amazing*, *Brilliant Bangers*, *Fakaway Range*, *Kickin’*, and a buttermilk “chicken” burger for foodservice.

Today, Quorn Foods engages with more than 20 PhDs who are critical to further improving *Quorn’s* mycoprotein offering and scientific research looking into strain development, documenting health benefits, improving operational efficiencies, and enhancing product performance.

- (4) ***Energizing the Brand:*** Quorn Foods launched a new brand campaign, with its recently appointed advertising agent, Adam & Eve, targeted towards flexitarians. It also launched a packaging refresh, supported by its packaging agency, Bulletproof, to improve in-store visibility. Additionally, Quorn Foods entered into a global multi-year partnership with Liverpool Football Club to become the club’s Official Sustainable Protein Partner, helping the club to contribute to greater food sustainability as part of its Reds Go Green initiative. American actor and celebrity flexitarian, Drew Barrymore, has joined Quorn US in a multi-year business partnership as the brand’s first-ever “Chief Mom Officer” (CMO). In her role, the globally recognized entertainer will help Quorn extend its mission to provide healthy food for people and the planet, with a focus on the US.
- (5) ***Recovering key retail customer relationships:*** Following a challenging year, Quorn Foods has re-established service levels and is improving relationships with key customers.

Capturing the next phase of growth across key markets

Quorn Foods continues to focus on capturing the full market potential of its domestic markets, while also accelerating channel and geographical expansion. Quorn Foods believes this can be achieved by:

- ***Maintaining its category leadership in the UK:*** Quorn Foods’s priority is to maintain its UK category leadership position in retail and strong position in foodservice. Quorn Foods owns the *Quorn* and *Cauldron* brands, the No. 1 and No. 4 brands, respectively, in the meat alternatives category, according to IRI.

For the *Quorn* brand, Quorn Foods will focus on bringing product innovations of great-tasting food to the consumer, as seen in its exciting launches of *Roarsomes* (dinosaur-shaped “chicken” for children) and *Vegan Sausage* in 2021. The core area for future growth is among flexitarians. With its new through the line campaign — Helping the Planet One Bite at a Time, Quorn Foods believes it is well positioned to reach this group. Although it aims to reach a broad range of consumers, it also aims to tailor its approach for different consumer groups. As an example, Quorn Foods aims to capture a male audience of all ages through sports, such as through the multi-year partnership with Liverpool Football Club. Additionally, Quorn Foods believes that targeted marketing messages on the benefits of mycoprotein will capture the attention of flexitarians who are health conscious. To this end, Quorn Foods aims to use health-centered avenues or channels such as gyms or influencers with healthy lifestyle as the key channel to target this group of customers. As the

leading company in the category in terms of retail market share by value in 2021, Quorn Foods will also drive to provide category vision thought leadership to grow the category together with its customers.

The *Cauldron* brand complements the *Quorn* brand to ensure that a wider range of consumer needs can be met. Its plant-based products stretch beyond purely meat alternatives with ingredient-led products like *Tofu* and *Falafels*. Quorn Foods intends to compete in the rapidly growing chilled retail category offering a wide product range, allowing vegans and flexitarians alike to enhance their eating experiences and broaden their repertoire. Quorn Foods has dedicated additional resources to the *Cauldron* brand to accelerate growth opportunities, by stretching the range and the formats of alternative proteins.

Furthermore, Quorn Foods will continue to build on its strong position in foodservice, especially in schools and the pub/bar channels as well as with QSRs such as Greggs and KFC in the UK. To that end, it has a number of “chicken”-style products ready for launch.

Targeting the US as a high growth opportunity

In February 2021, a new management team based in the US led by the President of US market, was appointed to put the right focus and dedication to the market. Quorn Foods will focus on retail and foodservice channels with selected product groups such as “chicken”. Quorn Foods has in the past taken a selective approach in the US, focusing on the frozen category and key states in the country. Going forward, Quorn Foods will look to further deepen its foothold in these regions and broaden its presence in other parts of the US by focusing on expanding the product portfolio with localized innovations and increasing brand awareness. Quorn Foods has started on this path by engaging influencers. Additionally, Quorn Foods opened its development kitchen facilities and expanded its local culinary team in 2021 to drive in-market product development, especially for foodservice.

- ***Increasing penetration in the Global QSR channel:*** Quorn Foods has a proven track record in the QSR channel with customers such as Greggs, KFC, Costa, and Pizza Hut in the UK and intends to expand its business globally. Quorn Foods has identified the QSR channel as a way to grow the business and increase accessibility to food. A dedicated team, including experienced QSR NPD resources, has been created to work with key customers to provide tailor-made products, services, and solutions. Quorn Foods has recognized synergistic benefits between the approach to this key channel and developing the local foodservice/QSR channel in the US.
- ***Preparing for further international growth:*** Quorn Foods will start by leveraging its existing presence in key European markets, developing the right localized portfolio for selected markets, and preparing for long-term growth. Additionally, it will prepare for future opportunities in selected Asian markets, especially in countries where it or the Company has an existing presence.

Investing to position Quorn Foods to be a long-term winner in the growing addressable meat alternatives market

Quorn Foods believes that to win in the meat alternatives market, it must make food that match the taste expectations of flexitarians, drive mass awareness to the flexitarian consumer base, have the highest credentials in health and sustainability, have the capacity to match the growth potential, and have a footprint in the major markets.

To that end, Quorn Foods has invested in incremental capacity to prepare for near-term growth. It intends to invest in the following areas to capture the next phase of growth:

- ***Lead through technology:*** Quorn Foods believes that the requirements of the meat alternatives category will continue to evolve as it attracts new and diverse consumers and tastes. It therefore seeks to not only keep enhancing its biotech (fermentation) capabilities but also invest in research and food technologies to continuously improve its products. Accordingly, it is actively evaluating options for a Global Food Application and Innovation Center. Through these developments, Quorn Foods aims to deliver the next generations of great-tasting food that is better for people and the planet.

- ***Build its brand and conduct consumer research:*** Quorn Foods plans to accelerate investment in marketing and consumer research, further developing its brand in priority markets.

In summary, Quorn Foods believes it has embarked on the right transformational journey for growth. Over the next years, the focus will be on the home market, the US, across retail and foodservice and QSR channels. Key pillars of the growth strategy across the priority markets are developing great-tasting food for now and the future, driving brand awareness, developing partnerships with key customers in retail and foodservice, expanding technical capabilities, and continuing to invest in R&D and marketing.

Continuing to promote sustainability and health in the Group's APAC BFB Business

The Group has six strategic areas of action in respect of this strategy for the APAC BFB Business, as follows:

Pivoting to a "healthier and better" portfolio

Malnutrition is a prevalent issue affecting the public health situation of the Philippines. This has shown to head towards the underdevelopment of child growth and increases exposure to infections and diseases. Furthermore, another contributor to malnutrition is the overconsumption of certain nutrients, such as sugar, sodium, and saturated fat, which may lead to increased exposure to health risks.

To tackle the challenges posed by malnutrition in the Philippines, the Group intends to (i) develop and grow its "healthier and better" portfolio and (ii) drive consumer education and engagement on health and nutrition. The Group's "healthier and better" portfolio comprises noodle products that have been migrated to the HSAF technology resulting in a reduction in fat by over 50%, bakery products which the Group intends to enrich with essential nutrients, and beverage products that meet the Philippine Department of Education's green (less 10 grams) and yellow (10 to 20 grams) standards on sugar content.

Moving towards a resource-efficient and zero waste value chain

The natural environment plays an important role in sustaining societies as it performs ecosystem services such as the provisioning of resources and regulation of natural phenomena to make life possible. However, an unsustainable behavior in resource consumption and business operations has contributed to alarming environmental challenges that threaten human development and prosperity.

Waste and packaging management is considered as one of the primary environmental challenges of our sector. The Group intends to improve its waste management practices by taking collaborative measures and process improvements to minimize its waste disposed to landfills. The Group is also working on minimizing its post-consumer waste impact by implementing design solutions to downsize its usage of packaging materials without compromising the quality of its products. The Group also intends to switch to 100% recyclable packaging in the future.

The Group recognizes that environmental responsibility is an integral component of the business agenda. The Group is constantly looking for ways to improve eco-efficiency of its facilities, particularly towards water use. The Group intends to improve water efficiency in all areas of production.

Transition to a low-carbon value chain

Climate change is one of the defining issues that the world is presently facing. With the continued rise of global average temperature levels, climate change poses great risk to different facets of society. The consensus is that collaboration across all sectors is crucial in addressing climate change.

To align with global efforts to transition towards a low-carbon economy, the Group intends to reduce its carbon footprint by improving the energy efficiency of its plants, finalizing a deal on renewable energy with a go-live target in the second half of 2022, and by deliberately moving by phase to low-carbon alternatives for its heating requirements.

Scale up inclusive distribution

One of the primary reasons for poverty and inequality in the country is the barrier against participating in the labor force or income-generating opportunities. Poverty or lack of access to capital are systemic issues that are both the cause and the effect of the unequal access to decent work and economic growth. As a growing company, MNC is in the position to promote inclusive opportunities for the marginalized set of the population.

The Group will continue to strengthen its community distribution network by providing livelihood to its brand experts and to empower its *sari-sari store* partners by providing access to microfinance services. The Group also aims to increase the number of brand experts provided with livelihood opportunities as well as the number of its *sari-sari store* partners with access to financial credit.

Foster inclusive and better workplace practices

The backbone and strength of any company are its people. They are the driving force that enables the company to continuously exist and create value for its customers. Hence, it is crucial for every company to prioritize sustained employee satisfaction.

The Group aims to uphold decent work standards by ensuring that proper safeguards and inclusive policies are in place for MNC's workers. The Group aims to foster an inclusive workplace environment that provides social safeguards, promotes talent development, and creates opportunities for social dialogue across its workplaces.

Enable key stakeholders' involvement in driving the Company's sustainable development

Prioritizing employee sustainability education and action is crucial to the success of the Company's sustainability agenda. Employees' awareness and ownership of sustainability initiatives are needed to efficiently implement and scale sustainability programs. The Group aims to cultivate a culture of sustainability for MNC's employees by providing avenues for sustainability engagement. The Group also encourages all employees to contribute to sustainability through personal conduct and through a structured feedback system to encourage initiatives and process them for further development. The aspiration for this strategy is that it will result in an overflow of positive impact across the respective spheres of MNC's employees.

Continue to adhere to the Group's aspiration to improve the well-being of people and the planet, and create sustainable solutions for food security

The Group has been built through continuous innovation and investment ahead of changing consumer tastes. Over time, the Group has progressed from a focus on taste alone, to focusing on a combination of taste, and individual and planetary health. The Group believes its success has outweighed the occasional setbacks that it has experienced as it searched for ways to achieve its aspirations despite the challenges. The Group will continue to seek investments in brands, processes, and emerging technologies that are compatible with its aspirations.

APAC BFB BUSINESS

Key milestones

1979	MNC was incorporated as Monde Denmark Nissin Biscuit Corporation and launched <i>Nissin Butter Coconut Biscuits</i> and <i>Nissin Wafers</i> .
1989	APAC BFB Group launched <i>Lucky Me!</i> .
1991	APAC BFB Group launched <i>Lucky Me! Pancit Canton</i> , the first dry stir-fried pouched noodles in the Philippine market.
1998	APAC BFB Group set up flour mill operations and started export activities.

- 2001 MNC established MMYSC as a joint venture with My Crackers, Inc. (“MCI”) MNC held a 60% stake in MMYSC at the establishment of the joint venture. Through this joint venture, MNC added *SkyFlakes*, *Fita*, and *M.Y. San Grahams* to its product portfolio.
- APAC BFB Group achieved ISO 9001:2000 Certification for quality management system.
- 2005 APAC BFB Group set up a manufacturing plant in Thailand and a new instant noodle plant with a research and development center.
- 2006 MNC entered into a distribution agreement with Dairy Plus Co., Ltd. for the distribution of *Dutch Mill* yogurt drinks. The APAC BFB Group also set up a seasoning plant in Thailand.
- 2010 APAC BFB Group achieved ISO 22000:2005 Certification for food safety management.
- 2011 APAC BFB Group set up a packaged cake manufacturing plant and launched the *Monde Mamon* packaged cake.
- 2014 MNC entered into an agreement with Sandpiper Spices and Condiments Corp., the manufacturer of *Mama Sita’s* branded products, and became the exclusive marketing and distribution arm of Sandpiper Spices and Condiments Corp. for *Mama Sita’s* products in the Philippines.
- 2015 MNC acquired *Quorn* from Exponent Private Equity.
- 2016 MNC formed a joint venture, SMFC, with Indonesia’s largest bread manufacturer, PT Nippon Indosari Corpindo TBK, to expand its footprint in the bread segment. MNC held a 45% stake in SMFC at the establishment of the joint venture.
- MNC entered into an agreement with Dutch Mill Co., Ltd. for the distribution of *Dutch Mill* cultured milk.
- 2017 MNC formed a joint venture, Monde Malee Beverages Corporation, with Malee Beverage Public Co. Ltd., a leading juice and canned fruit manufacturer in Thailand, and became the exclusive distributor of *Malee* branded beverage products in the Philippines. MNC held a 49% stake in *Monde Malee* Beverages Corporation at the establishment of the joint venture and continues to maintain its stake at 49% until present day.
- 2019 MNC reduced its stake in SMFC from 45% to 25%.
- 2021 MNC acquired an additional 55% stake in SMFC from PT Nippon Indosari Corpindo TBK, raising its equity interest in SMFC to 80%. As a result, SMFC became a subsidiary of MNC, and MNC terminated its joint venture with PT Nippon Indosari Corpindo TBK.
- MNC acquired the remaining 40% stake in MMYSC from MCI and MMYSC became MNC’s wholly-owned subsidiary.

Products and Brands

As mentioned, the Group’s APAC BFB Business Group manufactures, markets, and sells an extensive portfolio of products which can be categorized into three product groups: (i) instant noodles; (ii) biscuits; and (iii) other products (such as baked goods, beverages, and culinary aids).

The Group conducts its APAC BFB Business mainly in the Philippines and Thailand.

Instant Noodles

The APAC BFB Group markets its instant noodles products under the *Lucky Me!* brand. The below table sets forth *Lucky Me!’s* market share in retail sales value in the Philippines.

CATEGORY: INSTANT NOODLES	FY 2021 VALUE % MARKET SHARE	RANKING FOR MARKET SHARE



69.5%

1st

The below table sets forth Lucky Me! sample product lines, including best sellers, offered in the Philippine market.

Wet Pouch		• Lucky Me! Chicken na Chicken Mami • Lucky Me! Beef na Beef Mami • Lucky Me! Spicy Labuyo Beef Mami • Lucky Me! Spicy Labuyo Pork Mami • Lucky Me! Spicy Labuyo Chicken Mami • Lucky Me! Milky Me Milky Corn • Lucky Me! Milky Me Milky Chicken • Lucky Me! Lomi • Lucky Me! Bulalo • Lucky Me! <u>Batchoy</u> • Lucky Me! Jjamppong
Dry Pouch		• Lucky Me! Pancit Canton Kalamansi • Lucky Me! Pancit Canton Extra Hot Chili • Lucky Me! Pancit Canton Cholimansi • Lucky Me! Pancit Canton Sweet & Spicy • Lucky Me! Pancit Canton Original • Lucky Me! Mi Goreng • Lucky Me! Curly Spaghetti • Lucky Me! Mac & Cheese • Lucky Me! Baked Mac
Cups		• Lucky Me! Go Cup Bulalo • Lucky Me! Go Cup <u>Batchoy</u> • Lucky Me! Go Cup Spicy Bulalo • Lucky Me! Go Cup Spicy <u>Batchoy</u> • Lucky Me! Go Cup Jjamppong • Lucky Me! Go Cup Sotanghon • Lucky Me! Go Cup <u>Lomi</u> • Lucky Me! Go Cup Beef • Lucky Me! Go Cup Chicken Mami • Lucky Me! Go Cup Seafood • Lucky Me! Pancit Canton Go Cup Kalamansi • Lucky Me! Pancit Canton Go Cup Cholimansi • Lucky Me! Pancit Canton Go Cup Extra Hot Chili

The APAC BFB Group launched its instant noodles products under the *Lucky Me!* brand in 1989. Since then, *Lucky Me!* has grown into an iconic brand consumed by 98% of Filipino households by 2021 according to Nielsen, and continues to be the most chosen consumer brand in terms of consumer reach points in the Philippines according to Kantar – the sixth consecutive year that *Lucky Me!* has secured the top position. According to Kantar, in 2020, *Lucky Me! Instant Mami* and *Lucky Me! Pancit Canton* are recognized as iconic brands among their core targets, a status which only 4% of the brands in the world can claim. It rates above market average on a number of key market propellers, namely, meaningfulness, differentiation, and salience.

Lucky Me! offers a wide array of innovative and flavorful noodle varieties. There are three product lines under *Lucky Me!*: (i) wet pouch; (ii) dry pouch; and (iii) cups. Wet pouch comes in a variety of flavors and is enjoyed as a comforting savory noodle soup. *Lucky Me!*'s dry pouch pioneered the segment in 1991. It is currently the largest segment of the APAC BFB Business' instant noodles products based on net sales and has the highest market share in terms of retail sales value in its category in the Philippines in 2021 according to Nielsen, delivering a variety of flavors of stir-fried noodles and pasta. Launched in 1995 as the first of its kind in the Philippine market, *Lucky Me! La Paz Batchoy* and the *Lucky Me! Bulalo* offer instant noodles served in bowls (now in cups) primarily for on- the- go convenience.

The APAC BFB Group manufactures, distributes, and markets *Lucky Me!* mainly in the Philippine market. Through its Thailand operations, the APAC BFB Group exports *Lucky Me!* to more than 20 countries.

Biscuits

Biscuits was the first product group that the APAC BFB Group marketed when it started its operations. The APAC BFB Group launched its biscuit brand *Nissin* in 1979. MNC's acquisition of M.Y. San Biscuit, Inc. (renamed as Monde M.Y. San Corporation after the acquisition) in 2001 added *SkyFlakes*, *Fita*, and *M.Y. San Grahams* branded crackers to its portfolio. Since then, the APAC BFB Group has added an assortment of delectable snacks, from wafers to cookies to cracker and cookie and cracker sandwiches.

The APAC BFB Business' key brands and sample product lines, including best sellers, offered in the Philippine market as well as market share information under the biscuits product group are as follows:

Category	Sample Product Lines	Market Share in Retail Sales Value in the Philippines (2021) ⁽¹⁾	Ranking for Market Share (2021) ⁽¹⁾
Biscuits Product Group		30.5%	1 st
Crackers	• <i>SkyFlakes</i> Crackers • <i>Skyflakes</i> Flavors • <i>Skyflakes</i> Fit • <i>Fita</i> Crackers • <i>M.Y. San Grahams</i> Honey, Chocolate • <i>Nissin</i> Butter Coconut		
			
Sandwiches	• <i>Bingo</i> Cookie Sandwich Double Choco, Orange, Vanilla, Bingo Mini Cookies • <i>SkyFlakes</i> Cracker Sandwich Condensada, Tsokolate, Mantikilya • <i>Nissin</i> Malkist		
			
Cookies	• <i>Nissin</i> Breadstix Plain, Cheese, Garlic Parmesan • <i>Nissin</i> Eggnog		
			
Wafers	• <i>Nissin</i> Classic Wafer Choco, Vanilla, Yummy Buter • <i>Nissin</i> King Wafer Choco, Cheese • <i>Nissin</i> Wafer Double Choco, Peanut Butter • <i>Nissin</i> Stick Wafer Chocolate, Strawberry • <i>Nissin</i> Cubee Wafer Vanilla Fudge, Cookies and Cream • <i>Nissin</i> Waffle Deluxe		
			

Note:

- Source: Nielsen.

The APAC BFB Group manufactures, distributes, and markets its biscuits products mainly domestically in the Philippines. Brands under the biscuits segment that the APAC BFB Business manufactures, distributes, and markets in the Philippines are *Nissin*, *SkyFlakes*, *Fita*, *Bingo*, and *M.Y. San Grahams*.

In Thailand, the APAC BFB Group manufactures, distributes, and markets products under *Voiz* and *Sumo* brands. For the year ended December 31, 2020, the APAC BFB Business' net sales in Thailand outperformed the overall Thailand biscuits market, witnessing a 9% growth compared to the previous year against a negative growth of 6.1% for Thailand overall biscuit sales, according to Nielsen. In 2021, the APAC BFB net sales continued to outperform the overall Thailand biscuit category by growing 14% compared to a 2% decline for the total category.

Others

The products of the APAC BFB Group under Others are packaged baked goods, beverages, culinary aids, and fresh bread.

The APAC BFB Business' key brands and sample product lines, including best sellers, offered in the Philippine market as well as market share information under the Others product group are as follows:

Category	Sample Product Lines	Market Share in Retail Sales Value in the Philippines (2021)	Ranking for Market Share (2021)
Oyster Sauce 	<i>Mama Sita's</i> Oyster Sauce	58.7%	1st
Yogurt Drinks 	<i>Dutch Mill</i> Yoghurt Drink Strawberry <i>Dutch Mill</i> Yoghurt Drink Superfruits <i>Dutch Mill</i> Proyo Strawberry (New) <i>Dutch Mill</i> Delight	82.7%	1st
Cultured Milk 		18%	2nd

Apart from the key brands above, the APAC BFB Group also offers *Jelly Vit* vitamin and collagen-enriched jelly drinks, *Malee* vegetable and fruit juices, and *Walter* healthy bread in the Philippines.

The APAC BFB Group markets the various brands under its Others product group domestically in the Philippines. The Company manufactures, distributes, and markets *Monde* packaged bakery products. *Monde* represents the APAC BFB Group's product initiative to venture into the mass premium bakery segment. *Monde* was the first brand in the Philippines to offer bakeshop-quality cakes and pastries made with real eggs and fresh ingredients.

SMFC is the manufacturer of *Walter*, a healthy bread product line offering bread that contains fiber and wheat and has low or no sugar.

In 2006 and 2016, MNC entered into distribution agreements with Dairy Plus Co., Ltd. and Dutch Mill Co., Ltd., respectively, where MNC became the exclusive distributor of *Dutch Mill* yogurt products and cultured milk in the Philippines. In 2010, the Group expanded its relationship with Dutch Mill to include marketing by the Group of *Dutch Mill* products. The Group is currently reviewing its renewal agreements with Dutch Mill and Dairy Plus for another five years. In 2014, MNC also entered a 20-year Distribution, Marketing and Sales Development Agreement to establish an agency relationship with Sandpiper Spices and Condiments Corp., the manufacturer of *Mama Sita's* branded products, to exclusively market and distribute *Mama Sita's* products in the Philippines. These products include oyster sauce and meal mixes and sauces. *Mama Sita's* is a legacy brand with rich culinary heritage well-established in the Philippine market. MNC believes that it derives above-market economic advantages for these marketing and distribution agreements because of the entrepreneurial role it plays whereby it makes marketing investments for the relevant products.

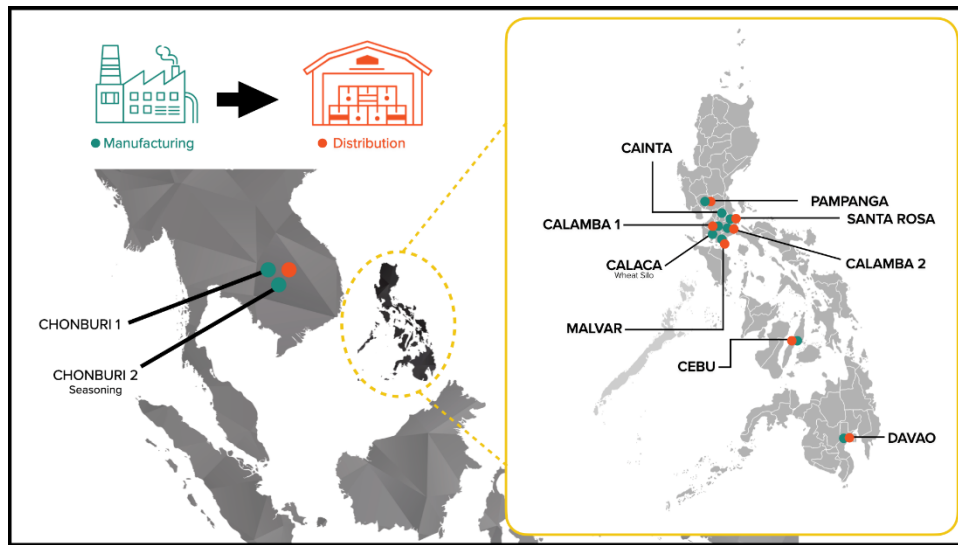
Manufacturing facilities

The APAC BFB Group has established an extensive network of production facilities in the Philippines and Thailand to meet the growing demand for its products.

As of December 31, 2021, the APAC BFB Group has eight production facilities with seven co-located distribution centers that are strategically located across the country anchored on predictive modelling on future demand locations, and a grain terminal and storage in the Philippines. In Thailand, the APAC BFB Group had two production facilities, including a seasoning plant which produces seasoning and condiments for instant noodles.

As of December 31, 2021, MNC manufactured more than 80% of its products sold in the Philippine market and the rest were either imported or sourced from agency partners.

The diagram below depicts the location of each production facility and co-located distribution centers of the APAC BFB Group as of December 31, 2021.



The APAC BFB Group employs best-in-class tools, processes, and standards pertaining to food safety and quality assurance at its manufacturing facilities. The manufacturing plants in Laguna and Cebu are (Food Safety Management Systems) FSSC 22000 (GFSI) certified and Davao is ISO22000:2018 certified. The remaining manufacturing plants of MNC in the Philippines are gearing towards the same Food Safety certifications. All of Thailand manufacturing facilities are FSSC, Halal, HACCP, GMP, IEAT certified; and its crackers plant is also SMETA, SAHAMIT and URSA certified.

As of December 31, 2021, Phase 1 of the APAC BFB Business' thrust to holistically redesign its End-to-End Supply Network progressed as planned. The Malvar Site started operations in Q3 with a New Work System in place geared towards the future of manufacturing.

Santa Rosa Facility

The images below show different facilities in Santa Rosa.

Flour Mills



Noodles Plant



Biscuit Plant



Cake Plant



Distribution Center with Automated Storage and Retrieval Systems



The Santa Rosa plant serves as the APAC BFB Group's first and flagship integrated facility for the production of biscuits, noodles, cakes, seasoning, and flour. It is highly automated, particularly in the noodles production. It has a vertically integrated flour production and also acts as a flour supplier for other APAC BFB Group's plants within the Philippines. The flour mills employ a computerized flour mixing and blending system.

Also situated within the Santa Rosa facility is an extensive warehouse space of approximately 33,000 square meters. The facility is equipped with two automated storage and retrieval system ("ASRS") with over 26,000 pallet positions. Finished goods from production are received through palletizer machines, then transferred by rail-guided vehicles into single and double deep stacking locations in ASRS.

Cebu Facility

The Cebu manufacturing facility was established to initially produce instant noodles in 1989, the same year of the launch of *Lucky Me!*. The Cebu facility has since been the enabler of growth in the Visayas region as more product categories are added to its production throughout the years.

Cainta Facility

The Cainta manufacturing facility was set up in 2001 and the biscuits business had expanded at a relatively fast pace.

Calamba Facilities

There are two facilities in the Calamba area.

The Calamba 1 plant was the first facility of the APAC BFB Group in the Philippines that is situated inside an industrial park, the Carmelray Industrial Park 2. As of December 31, 2021, the Calamba 1 plant operated at full capacity and manufactures biscuit products.

The Calamba 2 Plant is located in the Carmelray Industrial Park 1. It became operational in 2017 and manufactures bread products.

Davao Facility

The Davao manufacturing facility commenced its operations in 2013 to capture the growing demand in Mindanao. Since then, the Mindanao region has seen one of the fastest growing sales. The Davao manufacturing facility manufactures noodle products and is one of the best performing and most reliable production facilities of the APAC BFB Group.

Pampanga Facility

The Pampanga manufacturing facility was built in 2019 and was strategically chosen to capture the growing demand in the North and Central Luzon. It houses an integrated warehouse management information system coupled with new work process design aimed at doubling warehouse productivity. The Pampanga manufacturing facility manufactures noodle products.

Malvar Facility

The Malvar manufacturing facility is the most recent facility that the APAC BFB Group invested in and commenced operation in Q3 2021. The facility is situated in the Light Industry and Science Park 4, one of the leading private industrial parks in the Philippines. It has the second-largest land area among all the APAC BFB Group's facilities and is the first leg of the end-to-end Supply Network Redesign, which features the New Work System design. The Malvar manufacturing facility initially manufactures noodle products and houses an integrated distribution center.

Chonburi Facility

The APAC BFB Group believes that Thailand is a strategic location for production as it provides access to a greater variety and better-quality spices and other raw materials at reasonable cost.

In 2005, the APAC BFB Group set up a biscuits plant in Amata City, Chonburi province, Thailand ("**Chonburi 1 Facility**"). The biscuits plant manufactures crackers, wafers, cookies, and waffles under the brands *Voiz* and *Sumo*. The Chonburi 1 Facility also started *Lucky Me!* noodles production in 2020. As of December 31, 2021, the APAC BFB Group had two noodle lines at its manufacturing facility in Thailand. It intends to commission its third noodle line in Thailand, using HSAF technology, in 2021. It intends to install multiple HSAF technology lines for its instant noodle product in Thailand in the next three years. Production in Thailand is for local consumption and exports to more than 50 countries.

The APAC BFB Group set up a seasoning plant in Thailand in 2006 (“**Chonburi 2 Facility**”) to produce seasoning and condiments for its instant noodles facilities. Products from the Chonburi 2 Facility are seasoning powder, condiments such as soy sauce and oil, and freeze-dried products for instant noodles. The plant supplies such products to instant noodles facilities in the Philippines.

Raw materials

Raw materials accounted for 72.5%, 73.3%, and 71.5% of cost of goods sold for the years ended December 31, 2019, 2020 and 2021, respectively. In 2021, the raw materials that accounted for the largest percentages of the APAC BFB Business’ cost of goods sold were wheat/flour, palm oil, shortening, coconut oil, and sugar, respectively.

For the year ended December 31, 2021, flour from the Santa Rosa plant served majority of the APAC BFB Group’s production requirements and the APAC BFB Group purchased the rest from local millers. Wheat is sourced from the US. The APAC BFB Group sources palm oil for the Philippines from multiple local suppliers and refiners, which buy from Indonesia and Malaysia, while its Thai operation sources wholly from Thailand. Sugar and coconut oil are sourced mainly from local suppliers in the Philippines and Thailand. The cost of packaging is immaterial compared to the aforementioned raw materials.

For packaging, the main raw materials for all product groups are plastic wrappers, plastic cups, PET sachets, and packaging cartons. Except for the PET sachets used for soy sauce and oil, all packaging raw materials are sourced locally. In line with its core value of promoting sustainability, the APAC BFB Group implemented various initiatives to use less packaging materials for its products which also resulted in significant cost savings. In Thailand, the APAC BFB Group resized and redesigned its biscuits product packaging to be tighter and adjusted the thickness of the packaging. This has brought the cost of raw materials down by 53% in 2019 compared to the previous year. The Group is also considering using recyclable materials for all its packaging in the future.

Prices of raw materials are subject to significant volatility due to extreme weather conditions, size of harvests, transportation and storage costs, governmental agricultural policies, currency exchange rate fluctuations, and other factors. The APAC BFB Group revisits the prices of its commodity raw materials such as flour and sugar regularly and ensures that supply contracts allow for further adjustment necessary to achieve cost efficiency. The APAC BFB Group has been able to partially mitigate price fluctuations in raw materials through a combination of (i) operational synergies, (ii) the use of long-term contracts with suppliers to lock in pricing, and the (iii) diversification of sources of supply. Given that a significant portion of the APAC BFB Group’s flour requirement is produced in-house at its Santa Rosa plant, it enjoys consistent supply, quality, and cost savings for flour from this operational synergy. Operational synergy is also achieved in the supply of seasoning for instant noodles production from the seasoning plant in Thailand which offers comparatively lower costs than if seasonings were to be supplied in the Philippines as Thailand serves as one of the hubs for food manufacturing industry.

Suppliers

The APAC BFB Group conducts due diligence via its supplier vetting and accreditation process. To ensure optimal value for both parties, the Group has started a more holistic end-to-end value analysis to see total system costs and losses factoring in price, quality, reliability, and impact to the total supply chain, examples include Wheat, Palm Oil, and Packaging; and working out a joint solution with suppliers to take the losses out. This approach opened up new possibilities and partnerships, and enabled the Group to speed up sustainable solutions such as renewable energy in 2022 and coal-to-LPG in the new site. The APAC BFB Group does not depend on a single supplier where the loss of such supplier would have a material adverse effect on its operations. The APAC BFB Group’s key suppliers include Pacifcor, LLC, Pilmico Foods Corporation, Oleo-Fats, Incorporated, Bunge Asia Pte. Ltd., Tap Oil Manufacturing Corporation, Edison Lee Marketing Corporation, and Multi Oil Manufacturing Corporation for raw materials such as wheat, palm oil, flour, sugar, and coconut oil.

The graphics below show ports for unloading wheat supply in the APAC BFB Group’s operations.



Research and Development (R&D)

The APAC BFB Group believes that its R&D team has a strong and long-standing track record of market firsts in product development and launches. As of December 31, 2021, MNC had 32 food technologists and engineers. Five of them held degrees in Master of Science or Master of Business Administration.

In Thailand, as of December 31, 2021, the APAC BFB Group employed seven food technologists and scientists, one held a PhD and three held Master of Science degrees.

Lucky Me! pioneered the dry pouch instant noodles segment with *Lucky Me! Pancit Canton* in 1991 and was the first in the Philippines to launch instant noodles in no-cook bowls in local flavors such as *La Paz Batchoy* and *Bulalo* in 1995. *Lucky Me! Jjamppong* was the first locally produced, Korean-inspired flavor in the Philippine market. In 1997, *Lucky Me!* was the first brand in the industry to establish a partnership with the Philippine Department of Health in the Sangkap Pinoy Fortification, a campaign to encourage food manufacturers to fortify food products with essential nutrients at levels approved by the Department of Health. In 2008, the APAC BFB Group started offering instant noodles with no artificial preservatives added in *Lucky Me!* wet pouch and cups.

Lucky Me! continues to develop new products utilizing its extensive local knowledge of Philippine consumers. Since 2018, the APAC BFB Group has launched various new product segments such as *Lucky Me! Pancit Canton Go Cup*, added new product variants such as *Lucky Me! Spicy Batchoy*, and *Spicy Bulalo*, and relaunched products including *Lucky Me! Pancit Canton Kalamansi*, *Lucky Me! Pancit Canton Extra Hot Chilli*, *Lucky Me! Beef na Beef*, *Lucky Me! Baked Mac*, and *Lucky Me! Mac & Cheese* under its instant noodle product group. It also constantly develops new flavors such as the Asian line, exemplifying its deep understanding of the Filipinos' love for flavors.

Furthermore, *Lucky Me!* aims to set the market precedent for healthy noodles. In late 2020, the APAC BFB Group installed the first HSAF technology line for *Lucky Me!* products. With the HSAF technology, palm oil content is reduced by about 70% resulting in more than 50% reduction in fat and about 19% reduction in calories versus other products not using HSAF technology.

Most *Lucky Me! Instant Mami* and *Lucky Me! Pancit Canton* variants are a good source of vitamin A or iron, which are top micronutrient deficiencies in the Philippines. These products also serve as a source of protein

In 2021, *Lucky Me! Milky Me* was launched, another first of its kind, with vitamins and minerals, and 25% less sodium than regular *Lucky Me! Instant Mami*.

Since 2018, the APAC BFB Group has launched various new biscuits and packaged cakes such as *Nissin Malkist*, *Monde Cheese Bar*, and *Monde Banana Bar*, added new variants such as *Nissin Double Choco*, *Nissin Breadstix Garlic Parmesan*, added new sizes for *Nissin Butter Coconut*, *Nissin Wafer*, and launched variety packs such as *Nissin Happy Snacking Tub* and *Monde Mamon Flavor Selections*.

New products that the APAC BFB Group has launched in the bread category include *Monde Fluffy Bread*, *Monde Milk Bread*, and *Monde Wheat Bread*.

The APAC BFB Group believes it was the first consumer food manufacturer in the Philippines and Thailand to adopt cutting-edge artificial intelligence technology in its new product development process. This artificial intelligence compares the taste profile of new products being developed by the APAC BFB Group to preferred taste profiles of

certain consumer groups in the market. The adoption of artificial intelligence technology has resulted in a more accurate and efficient assessment of taste profiles of consumer groups.

In terms of packaging, the APAC BFB Business' R&D team continuously innovates with an aim to reduce plastic in all products' packaging and divert post-consumer waste from packaging to other value chains to promote sustainability.

The Group spent 0.19%, 0.19%, and 0.23% of its revenues for the years ended December 31, 2019, 2020 and 2021, respectively, in research and development. Furthermore, to augment its in-house R&D capabilities, the APAC BFB Group also partners with various innovation companies and organizations.

Distribution channels

MNC has an extensive warehouse network strategically located in the Philippines. Warehouse operations is via two models, in-house managed and outsourced warehouse management to third parties. Logistics network is capable of handling both dry and chilled products. Delivery to customers is enabled by more than 700 delivery trucks, engaged via third-party transport service providers. Given MNC's route-to-market where it services a lot of key accounts directly and its extensive distributor coverage across the country, customer orders processed range from 50,000 to 55,000 orders per month.

MNC outsources its distribution function to resellers and distributors with whom it maintains strong and long-standing relationships. This has resulted in strong distribution capabilities with extensive market penetration across all key distribution channels in the Philippines, a country with unique logistical challenges owing to it being an archipelago. According to Nielsen, for the year ended December 31, 2021, *Lucky Me!* achieved a 90% numeric distribution and 99% weighted distribution of the store universe in the Philippines for instant noodles. In the same period, MNC's biscuits product line achieved a numeric distribution rate of 82% and weighted distribution rate of 97% in the Philippine market.

In 2021, MNC improved order fill rate, achieving more than 90% (percentage of customer demand that is met by immediate stock availability, without backorders or lost sales). Noodles production capacity increased driven by the opening of the new Malvar Facility. The plant houses 2 high-speed noodle lines.

MNC's main distribution channels are traditional trade, modern trade, and the community distribution network. For the year ended December 31, 2021, MNC had more than 260,000 customers in traditional trade and more than 3,000 customers in modern trade in the Philippines. It had more than 1,000 brand experts in its community distribution network.

Traditional trade

Traditional trade refers to local supermarkets, groceries, wet markets, and *sari-sari* stores (traditional family-run neighborhood stores selling assorted grocery items and other general merchandise). Recognizing that traditional trade is a critical sales channel in the Philippines, and that sales to these stores have relatively low order values and high geographic dispersion, MNC developed a unique cost-plus performance incentive scheme for distributors in the traditional trade channel based on the following principles: (i) to enhance customer visibility and customer service capabilities; and (ii) to expand outlet network.

In addition to the aforementioned unique monetary cost-plus incentive scheme, MNC also offers other administrative support to its distributor partners. For instance, it helps build human resources functions by guiding distributors on recruitment pools and strategies. In collaboration with third-party human resource service providers, it provides standard online exams to distributors in the recruitment process. It also provides soft-skills and technical trainings to distributors' middle management personnel, and the middle management personnel are entitled to receive performance bonuses in addition to the regular incentives. Yearly recognition is awarded to top distributors, supervisors, and salesmen. It also provides cash incentives to distributors that achieve over 100% in the quarterly performance assessment.

As of December 31, 2021, traditional trade accounts were serviced exclusively through a network of over 30 distribution partners in 47 provinces and districts. With this network, *Lucky Me!* products are distributed to more than

260,000 outlets, reaching more than one million *sari-sari* stores across the Philippines. Nine distribution partners worked exclusively with MNC in 2021. Distribution partners are required to provide for their own distribution facilities and transportation vehicles. The average distributorship tenure is 15 years.

As of December 31, 2021, MNC had 378 booking salesmen and 495 van salesmen forming part of the traditional trade distribution chain. Booking salesmen cater to repeat orders from established local supermarkets and grocery stores. Van salesmen sell MNC's products to *sari-sari* stores directly from their vans. These sales are 'missionary' in nature and are aimed at seeding its products throughout the country to drive brand awareness and market share penetration. As of December 31, 2021, distributors provided 412 vans exclusively for MNC's products.

Modern trade

Modern trade refers to large retailers, national wholesalers, and convenience store chains. MNC seeks to be the "Category Captain" at national supermarket chains across its instant noodles and biscuits product lines. In order to become the Category Captain, it aims to be the market leader in these product categories and a trusted supplier of the retail chain. In addition, it looks to have a track record of successful management.

As of December 31, 2021, MNC had 18 national key accounts, 44 local key accounts, and 23 independent chain stores. Top 20 accounts constituted almost 80% of MNC's net sales generated from modern trade in 2021. MNC directly covered 3,000 retail outlets, and these distribution centers in turn cover more than 8,000 retail outlets.

For many years, MNC has been selected as a preferred supplier for a number of its key national and local modern trade customers. In 2021, MNC was named as Trade Partner of the Year (Platinum Apple Award), Top Program Choice — Apple Award for Go Rewards, and Key Accounts Manager of the Year by Robinson's Supermarket. NCCC awarded MNC with Outstanding Brand in Meals — Lucky Me! and Outstanding Business Partner of the Year — Gold. Furthermore, MNC received the following awards from Prince Retail: Top Supplier of the Year, Best in Supply Management, Best in Activation and Demand Management, and Most Supportive and Active Key Accounts Manager.

Community Distribution Network

The Community Distribution Network is responsible for developing alternative distribution platforms catering to end consumers. An integral part of this channel are the dealers that recruit, train, and develop small entrepreneurs referred to as Independent Brand Experts. They serve as brand ambassadors, who distribute MNC products to households in their respective areas. Out of the three categories under this operation, rapid growth and expansion were seen for the Bread Category ending with more than 200 brand experts. As of December 31, 2021, MNC has 25 Dealers and more than 1,000 Independent Brand Experts in key cities in Luzon, the largest and most populous island in the Philippines.

Online

MNC sells its products through e-distributors (distributors who market their products online platforms) who, in turn, supply goods to major e-commerce operators such as Lazada, Shopee Mall, Grab Mart, Zalora, and Beauty MNL. MNC posted a 2.47x increase in online sales for the year ended December 31, 2021, compared to the prior year because of the COVID-19 pandemic and the corresponding changes in customer behavior. APAC BFB Business sales are high in volume but low in value based on the inherent nature of FMCG. MNC continues to rate its total online sales as negligible relative to its total sales.

For the year ended December 31, 2021, the number of active e-partners increased from nine to 12. Three grocery.com accounts have been set up (Pandamart, Shopee Supermarket, and Grab Supermarket). Better World Better Monde under Shopee opened last year, which showcases MNC's range of health products. MNC's assortment online expanded from 212 to 218 SKUs.

MNC considers the promising online market as another avenue to increase the reach to its clients and highlight its position to make all of its products easily accessible across all distribution channels. MNC expects to grow its online sales by partnering with retail outlets and establishing relations in traditional trade and modern trade sectors.

International Distribution

The APAC BFB Group currently exports its instant noodles and biscuits products to more than 50 countries globally, particularly to Asia, the Middle East, and North America. The APAC BFB Group seeks to expand its geographic footprint in Asia and Africa with new distribution partners in markets where it does not have a presence. New distribution channels were added in Taiwan, Japan, and Vietnam in 2021.

The APAC BFB Group sees its exports as a high growth segment. In line with this vision, in the second quarter of 2020, it took an initial step to transition its export production and management of the *Lucky Me!*, *Kid-O*, *Bingo*, *Monde*, and *Nissin* brands to Thailand. After the transition, the export net sales from the Thailand operation showed a double-digit year-on-year growth. In 2021, the strong performance of export continued with a 72% revenue growth compared to the previous year. The APAC BFB Group aims to utilize its strong innovation capabilities to augment the growth of the export segment. To this end, it has developed products that are healthier, more sustainable, and cost competitive. For example, in 2020, it commenced the operation of the HSAF technology in one of its noodle production lines.

Customers

MNC has only one chain store customer which accounts for more than 10% of total net sales for the year ended December 31, 2021. Thus, the loss of any of its customers would not have a material adverse effect on its operations.

MNC uses its standard distribution contract with all of its distributors and modern trade customers, subject to general payment terms for modern trade customers, while outlets have standard operating procedures in place for invoicing. Distributors have two payment options. Contract terms are generally set for one year but are shortened to six months if distributors do not perform well for two consecutive quarters.

Customer	Type of Business	Location	Distribution Channel
PUREGOLD CHAIN	Priceclub	Nationwide	Modern
SUY SING CHAIN	Grocery distribution company	Nationwide	Modern
ROBINSON'S CHAIN	Mall-based supermarket/Community-based supermarket	Nationwide	Modern
SANFORD MKTG CHAIN	Community-based supermarket	Nationwide	Modern
SVI CHAIN	Mall-based supermarket	Nationwide	Modern
PD8 BRAVEHEARTS CORPORATION	Consumer goods distribution company	Negros	General
SYL HERMANOS ILOILO	Consumer goods distribution company	Iloilo	General
PROS MARKETING & PHARMPLUS	Consumer goods distribution company	Tarlac & Nueva Ecija	General
PRINCE RETAIL CHAIN	Grocery goods wholesaler and supermarket chain	VisMin	Modern
ULTRA MEGA CHAIN	Grocery goods wholesaler and supermarket chain	Luzon	Modern

Sales and Marketing

MNC's sales and marketing function are overseen by sales leaders who have an average of more than 20 years of experience with MNC.

Lucky Me! markets itself to provide comfort and joy in everyday life. *Lucky Me!* products are priced at a premium over other mainstream brands in most of the product lines, except for the cup format where it adopts a selective parity pricing approach.

Within the biscuit product group, the brands' propositions are as follows: *SkyFlakes* — a trusted and reliable fueler, *Fita* — sweet and salty flavors at play that make grown-up life fun, *M.Y. San Grahams* — empowering sweet success through desserts made easy, *Nissin* — turns little snacking occasions into happy and meaningful moments, and *Bingo* — enabling sweet connections. The pricing of MNC's biscuit product group sees a premium in pricing compared to most mainstream local brands.

The proposition of other brands are as follows: *Dutch Mill* — nourishing families in the happiest ways, *Mama Sita* — delicious heirloom recipes made accessible, and *Monde* — bakeshop quality products made more accessible. Pricing of MNC's yogurt drinks sees a premium of 20% to 30% compared to lower-tiered products while cultured milk sees a premium of 10% over other leading brands on cash out. Pricing of *Mama Sita's* products commands at least 15%

premium compared to other brands. *Monde* packaged cakes enjoy at least 40% price premium over competitors' products on cost per gram.

MNC believes that strong brand recognition and reputation have been instrumental to the success of its business. According to Kantar, in 2020, *Lucky Me! Instant Mami* and *Lucky Me! Pancit Canton* are recognized as iconic brands among their core targets, a status which only 4% of the brands in the world can claim. It rates above market average on a number of key market propellers, namely, meaningfulness, differentiation, and salience.

MNC promotes and enhances brand awareness and image through various marketing and advertising methods. The customer touchpoints that it uses before the purchase stage include (i) a variety of traditional and digital media such as television, radio, and social media platforms, and (ii) brand activation such as school tours, sampling, and other on ground promotion events. It partners with celebrities and other key influencers for media or online collaborations and events.

The typical activations ceased in 2021 due to COVID-19 restrictions, shifting more consumer awareness and engagement activities to online platforms.

Customer touchpoints at the purchase stage include in-store promotions and loyalty programs.

Competition

The APAC BFB Group believes that future growth in all product groups will be driven by (i) meaningful product innovation and renovation centered around health and sustainability, premiumization, and hyper-convenience; (ii) extensive coverage of distribution; (iii) impactful store execution; and (iv) having brand purposes that consumers can connect with.

Instant Noodles

According to Nielsen, in 2021, the APAC BFB Group continued to be the frontrunner in the instant noodles category, holding market share in retail sales value in the Philippines of 69.5%.

Competitors and competing brands in the instant noodles category in the Philippines include Payless, Quickchow, and Homi, which compete mainly on pricing, Nissin which competes on authentic Japanese flavor, and Nongshim which competes on Korean-style noodles.

In recent years, although still in a market-leading position, the APAC BFB Group has witnessed decreases in wet pouch and dry pouch market shares. However, the APAC BFB Group believes that it will still be able to maintain its dominant position in the instant noodles category. Among other strategies, it aims to launch new products that it believes are competitive and in line with the evolving market trends, increase distribution and conduct promotional campaigns to achieve increased consumption of, and loyalty to, its brands.

Initiatives in 2021 intended to increase competitiveness within wet and dry segments include the launch of *Lucky Me! Milky Me*, a healthier alternative; the relaunch of *Lucky Me! Pancit Canton* in thinner noodles across its variants; and launch of *Lucky Me! Pancit Canton Kasalo Pack* (bigger size).

Biscuits

In 2021, the APAC BFB Group's biscuits product group continued to maintain its market-leading position in the Philippines. It held retail sales market share of 30.5% in the Philippines according to Nielsen, and ranks first in two of the four key segments in the category.

In recent years, although still in market-leading position in the Philippines, the APAC BFB Group has witnessed some downward trends in its wafers market shares due to increased competition from competitors such as Nabati and Mayora, which offer products in new price points. To fortify its market-leading position, the APAC BFB Group aims to focus on brands where it has ability to win further market shares and where gross margin is richer. It

will also look to increase *M.Y. San Grahams* dessert usage among end consumers and entrepreneurs, leverage the *SkyFlakes* brand which is well-known in the market for crackers to push sales of *SkyFlakes* sandwiches, launch new products particularly in the wafer and sandwich product lines, and increase distribution and store visibility.

In Thailand, the APAC BFB Group faces competition from Universal Robina, Glico, Mondelez, Thai President, and Mayora, which generally compete on product range, new product development, and investment in marketing campaigns. Mondelez also leverages on the strengths of its global brands such as *Oreo* and *Ritz*. The APAC BFB Group believes that it has an extensive traditional trade coverage in Thailand with more than 750 vans engaged in sales activities. It also believes that its digital-based consumer communication and in-store investments are more effective and efficient compared to the other players. Thailand operation also has a number of great-tasting and healthier products in the pipeline which it believes will appeal to consumers. To demonstrate, for the year ended December 31, 2020, the APAC BFB Business' net sales of biscuits in Thailand outperformed the overall Thailand biscuits market, witnessing over 9% growth compared to a negative 6.1% growth in local biscuit sales, according to Nielsen. This competitive advantage continued in 2021. APAC BFB net sales of Biscuits in Thailand grew 14% while the overall biscuit category declined by 2%.

Others

Certain products of the APAC BFB Group's Others category continued to rank as a market leader in terms of retail sales market shares in 2020. These are *Dutch Mill* for yogurt drinks and *Mama Sita's* for oyster sauce.

Competitors and competing brands in yogurt drinks include Nestle which leverages its *Bear Brand* milk to banner immunity benefit, Alaska which targets older customers and also leverages on its milk product to market its yogurt drinks, Sta. Maria which targets premium and older customers and other players who compete on pricing. "Del Monte, in partnership with Vinamilk of Vietnam, has also launched a line of dairy beverages which include yogurt drinks. Leveraging Vinamilk's dairy expertise, products are formulated with a combination of flavors and vitamins targeting to nourish picky eaters."

Yakult is the main competitor for cultured milk competing on its heritage as a highly functional and specialized digestive drink. Yakult continued to maintain its strong product accessibility through a combination of traditional and direct sales.

For culinary aids, competitors and competing brands include Nutri-Asia and Ajinomoto which compete on pricing, Unilever and Nestle which are established global brands in seasoning and flavorings, and Del Monte which promises taste and nutrition. However, these brands are better known for other products, rather than the products that *Mama Sita's* leads in.

In the bakery segment where low-price products lead, Monde entered the packaged cake market by pioneering the mass premium segment. It was the first in the Philippine market to offer bakeshop-quality cakes and pastries in retail supermarkets. Its first product, the Filipino favorite *Classic Mamon*, was the first of its kind introduced in the Philippine market. Since its launch, *Monde* has built a superior brand image leveraging on premium taste and high quality at an accessible price. *Monde's* pricing is about 40% more affordable per unit than products of other leading bakery brands such as Red Ribbon and Goldilocks, but at least 40% premium to other packaged cakes such as Big E and Rebisco.

Employees

As of December 31, 2021, MNC had 3,470 employees. The table below sets forth a breakdown of the MNC's employees by function as of the same date.

Functions	Number of Employees
Operations (manufacturing and supply network)	2935
Sales and Marketing (sales, brands, insights, media)	216
Support (human resources and personnel, IT, procurement, legal, communications)	137
Accounting and Finance	136

Functions	Number of Employees
Product Development	36
Corporate	10
Total	3,470

MNC believes that the compensation packages and benefits it offers to employees are competitive. MNC established a provident fund with all of its employees on a voluntary basis. In the Philippines, both the employees and MNC contribute to the fund monthly at rates of 1% to 20% of the employee's basic salary. After three years, it matches the employee contribution up to 3%.

As of December 31, 2021, 20% of MNC's employees belonged to and were represented by one trade union, namely the Confederation of Filipino Workers. As of the same date, MNC had a five-year collective bargaining agreement with its employees expiring on April 30, 2026. Salary increases and supplemental benefits such as one-time signing and mid-year bonuses, medical and bereavement assistance are those typically seen in the collective bargaining agreement.

MNC is not involved in any material labor dispute which would have a material effect on its business, financial condition, and results of operations, and it is not aware of any circumstances that would give rise to such labor disputes. MNC has not experienced any labor strikes. However, MNC has experienced pickets by employees of its third-party service providers, labor disputes, and threats to strike. Those pickets were settled and did not materially affect MNC's operations, neither did the threats to strike materialize.

Insurance

The APAC BFB Group obtains and maintains adequate and comprehensive insurance coverage on its properties, assets, and liability exposures pertaining to its business operations in such amounts and covering such risks as it deems appropriate and as may be usually carried by other companies engaged in the same or similar activities and owning similar properties in the geographical areas where it operates. As of December 31, 2021, APAC BFB Group's insurance coverage included, but was not limited to, the following: property all-risk; comprehensive general liability with products liability and contamination cover; and coverage for directors' and officers' liability. It believes the insurance coverage it currently has is in line with industry standards and regulatory requirements and is adequate for it to conduct normal business operations.

Corporate Social Responsibility

The APAC BFB Group is committed to conducting its business with responsibility and integrity and giving back to its community. Since its inception, the APAC BFB Group has engaged in several social activities. For instance, it partnered with organizations actively involved in community development in bringing aid to local areas stricken by natural calamities such as GMA Kapuso Foundation, ABS-CBN Lingkod Kapamilya Foundation, and Rise Against Hunger. It also recognizes the significance of building human resources in paving the way for growth and development of the nation and, for almost ten years, it has been extending support to its employees' children through scholarship grants. In 2015, 100 academically exceptional students in the elementary and high school levels were granted financial aid by the APAC BFB Group. The APAC BFB Group also created the Pack and Play Program to help parents in guiding their children towards holistic wellness. For many years, it has partnered with 400 elementary schools nationwide to promote an active lifestyle and to develop social, mental, and emotional skills among children. Through physically engaging activities and fun lessons, children learn about proper exercises, right conduct, and good habits. In addition, in light of the COVID-19 pandemic, the APAC BFB Group supplied nearly 100,000 cases of its products as donation to the public. Through a tri-partite arrangement with the national government and vaccine manufacturers, the APAC BFB Group also procured and donated over 70,000 COVID-19 vaccines to the government.

Information Technology

MNC has historically invested and continues to invest in its information technology infrastructure, platforms, systems, and tools to increase its competitiveness and drive effectiveness, and efficiency of its operations. MNC utilizes business intelligence systems and data analytics to obtain better insights and make smarter decisions. MNC is

increasing its digitalization efforts to gain the benefits of intelligent analysis and decisions to better serve its target customers, and to promptly reach and capture the sentiments and pulse of the customer.

MNC is committed to the privacy and confidentiality of personal data especially of its employees and customers and has been sending its employees from various areas to data protection trainings and accreditation programs. It is also focusing efforts to ensure its security policies, procedures, and cybersecurity solutions are continually reviewed and upgraded. More cybersecurity and data privacy awareness programs are being conducted company-wide to raise the awareness of the employees to better protect the employees and the Company.

Intellectual Property

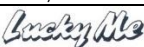
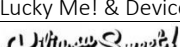
MNC holds a number of trademarks, trade names, service marks, and other intellectual property rights, including trade secrets on technology know-hows and formulae in connection with its production processes. It considers these intellectual property rights, particularly trademarks, crucial to its operations as brand name recognition is a key factor in the success of its business.

MNC has registered its trademarks in the relevant jurisdictions in which it operates. As of December 31, 2021, it has over 10 trademarks, trade names, and service marks registered in over 25 countries and territories. The Company's subsidiaries procure and renew the relevant trademark registrations for their respective brands. Depending on the jurisdiction, trademark registrations generally are valid as long as they are used. MNC has pending trademark applications and generally expects that these will be granted.

In addition to trademark registration, MNC relies on a combination of (i) patent, trademark, copyright, and trade secret protection laws in various countries; (ii) employee and third-party non-disclosure agreements; and (iii) policing of third-party misuses and infringement to protect its intellectual properties. MNC exercises available remedies to protect its portfolio of intellectual property rights, including trademark registrations.

As of December 31, 2021, MNC and its subsidiaries own the exclusive rights to the following active trademarks used in the business and registered with the Philippine Intellectual Property Office:

Mark	Application Number	Registration Number	Nice Classification ⁽¹⁾	Date filed	Expiry Date
 Monde Voice and Device	4-2005-003475	4-2005-003475	30	April 18, 2005	October 2, 2026
 Nissin Bread Stix & Device (in color)	4-2001-005400	4-2001-005400	30	July 26, 2001	June 8, 2026
 Monde with Sun Design	4-2000-010478	4-2000-010478	30	December 22, 2000	April 14, 2025
 Lucky M (Device)	4-2011-008747	4-2011-008747	30 and 35	July 26, 2011	April 12, 2032
 Lucky Me!	4-2001-009553	4-2001-009553	30	December 21, 2001	April 16, 2024

Mark	Application Number	Registration Number	Nice Classification ⁽¹⁾	Date filed	Expiry Date
Lucky Me! & Device					
 Monde Nissin & Design	4-2002-003635	4-2002-003635	30	May 06, 2002	February 10, 2025
 Cubee (in stylized form)	4-2002-007347	4-2002-007347	30	August 30, 2002	October 30, 2024
 Itnok (in stylized form)	4-2002-007343	4-2002-007343	30	August 30, 2002	March 11, 2024
Monde Sumo	4-2004-010156	4-2004-010156	30	October 28, 2004	July 09, 2027
 Monde Voiz & Logo	4-2005-003477	4-2005-003477	30	April 18, 2005	October 09, 2026
 Bingo	056249	4-1991-056249	30	November 25, 1991	October 06, 2023
 Eggnog (in stylized form)	4-2005-009137	4-2005-009137	30	September 15, 2005	February 26, 2027
 Lucky Me (in stylized form)	049053	049053	30	June 29, 1989	August 17, 2030
Kid-O (wordmark)	4-2006-004228	4-2006-004228	30	April 21, 2006	May 28, 2027
 Dip-Dip	050205	4-1989-050205	30	June 29, 1989	March 13, 2031
Voice (wordmark)	4-2007-008068	4-2007-008068	30	July 27, 2007	January 14, 2028
 Lucky Me! & Device	4-2011-007907	4-2011-007907	29	July 06, 2011	November 03, 2021
 Kilig Sa Sweet!	4-2014-006692	4-2014-006692	30	May 27, 2014	January 01, 2025
Kilig Sa Sweet!	4-2014-006691	4-2014-006691	30	May 27, 2014	January 01, 2025
 Kainang Pamilya Mahalaga	4-2008-010764	4-2008-010764	30	September 05, 2008	January 01, 2030
Cookie Feels	4-2018-019503	4-2018-019503	30 and 35	October 29, 2018	April 14, 2029
Black Swan Logo	4-2016-002281	4-2016-002281	29, 30, 32 and 42	March 3, 2016	May 26, 2026
 One One Logo	4-2012-007064	4-2012-007064	30	June 13, 2012	April 14, 2023

Mark	Application Number	Registration Number	Nice Classification ⁽¹⁾	Date filed	Expiry Date
 Monde Special Mamon Logo	4-2012-007065	4-2012-007065	30	June 13, 2012	February 16, 2023
PanPan	4-2015-000534	4-2015-000534	30, 35 and 43	January 13, 2015	January 1, 2026
Fita (wordmark)	4-2010-006288	4-2010-006288	30	June 11, 2010	March 10, 2031
Cookie Hugs	4-2018-019504	4-2018-019504	30 and 35	October 29, 2018	April 4, 2029
 Namnam Stylized wordmark	4-2011-009146	4-2011-009146	30	August 04, 2011	September 22, 2022
Monde Special Mamon	4-2010-008619	4-2010-008619	30	August 06, 2010	April 28, 2021 ¹
Let Eat Be	4-2015-007644	4-2015-007644	29	July 10, 2015	February 11, 2026
Nissin Wafer	4-2011-003253	4-2011-003253	30	March 22, 2011	September 08, 2021
Nissin Butter Coconut	4-2011-003252	4-2011-003252	30	March 22, 2011	September 08, 2021
Namnam (wordmark)	4-2011-009141	4-2011-009141	29	August 04, 2011	April 26, 2022
Lucky Me (wordmark)	4-2011-007527	4-2011-007527	29 and 30	June 28, 2011	October 20, 2021
Lucky M	4-2011-008746	4-2011-008746	30 and 35	July 26, 2011	November 14, 2023
Soup Booster (wordmark)	4-2011-009145	4-2011-009145	29	August 04, 2011	July 19, 2022
Soup Booster	4-2011-009144	4-2011-009144	30	August 04, 2011	April 26, 2022
Lucky Me! Lite	4-2012-001364	4-2012-001364	30	February 3, 2012	July 4, 2023
 Nissin & Bulls Eye Device	4-2000-002098	4-2000-002098	30	March 17, 2000	July 01, 2030
Monde	4-2012-004451	4-2012-004451	30	April 12, 2012	September 28, 2022
Susi	4-2013-006932	4-2013-006932	29, 30, 31 and 43	June 14, 2013	April 17, 2024
 Lucky Me! Mami	4-2013-009282	4-2013-009282	30	August 05, 2013	May 01, 2024
Namnam	4-2014-002713	4-2014-002713	30 and 43	March 04, 2014	February 23, 2027
 Monde	4-2015-004856	4-2015-004856	30	May 07, 2015	June 20, 2026
 Nissin Logo	4-2019-006221	4-2019-006221	30	April 12, 2019	November 07, 2029
AIRWOK	4-2019-006222	4-2019-006222	30	April 12, 2019	July 21, 2029
ARAW IHAW Araw Ihaw	4-2016-006803	4-2016-006803	30 and 41	June 15, 2016	September 30, 2026
Jellyvit	4-2015-013180	4-2015-013180	29, 30, and 32	November 13, 2015	May 26, 2026
Nissin Crunchers	4-2016-002678	4-2016-002678	30	March 11, 2016	June 30, 2026

¹ Renewal process ongoing. Payment for the issuance fee was made on March 31, 2021. The application for the renewal is deemed approved and awaiting the release of the Certificate of Renewal of Registration.

Mark	Application Number	Registration Number	Nice Classification ⁽¹⁾	Date filed	Expiry Date
 nudie Nudie & Character Logo	4-2014-014347	4-2014-014347	29, 30, and 32	November 19, 2014	April 16, 2025
 Peckish	1227109	1227109	30	August 12, 2014	August 12, 2024
Nudie	4-2014-014345	4-2014-014345	29, 30, and 32	November 19, 2014	April 16, 2025
 Nudie Character Logo	4-2014-014346	4-2014-014346	29, 30, and 32	November 19, 2014	April 16, 2025
NEXTMONDE	4-2021-519731	4-2021-519731	35	August 19, 2021	October 29, 2031
 Walter Delightfully Healthy and Device	4-2018-000981	4-2018-000981	30	January 17, 2018	September 20, 2028
Walter	4-2018-014858	4-2018-014858	30	August 28, 2018	April 4, 2029
Walter Delightfully Good	4-2018-022670	4-2018-022670	30	December 21, 2018	November 28, 2029
 Walter Delightfully Good Logo	4-2018-022673	4-2018-022673	30	December 21, 2018	August 22, 2029
 Walter and Design	4-2016-003887	4-2016-003887	30	April 14, 2016	June 23, 2026
 Real Good (stylized)	4-2016-008925	4-2016-008925	30	July 27, 2016	September 30, 2026
 Walter Device	4-2016-003886	4-2016-003886	30	April 14, 2016	June 23, 2026
 Walter & Device	045263	045263	30	June 22, 2009	June 22, 2009
 Walter Device	4-1987-054109	4-1987-054109	30	June 2, 1987	February 1, 2023
Sakura	4-2021-515548	4-2021-515548	30	July 2, 2021	December 27, 2031
Happy We	4-2020-508813	4-2020-508813	30	May 26, 2020	December 14, 2030
Lucky Me! Milky Me	4-2020-517098	4-2020-517098	30	November 5, 2020	March 29, 2031

Mark	Application Number	Registration Number	Nice Classification ⁽¹⁾	Date filed	Expiry Date
Itnok	4-2021-518189	4-2021-518189	30	August 3, 2021	December 27, 2031
 SkyFee (SkyFlakes at Coffee)	4-2021-503423	4-2021-503423	30	February 11, 2021	June 6, 2031
 SkyPair & Design	4-2021-503420	4-2021-503420	30	February 11, 2021	June 6, 2031
 SkyFlakes Cracker Sandwich and Design	4-2021-503426	4-2021-503426	30	February 11, 2021	August 13, 2031
 M. Y. San Fita Crackers	4-2021-503430	4-2021-503430	30	February 11, 2021	September 24, 2031
M.Y. San	4-2021-503434	4-2021-503434	30	February 11, 2021	June 6, 2021
 Fita Crackers Package Design & Device	4-2011-005476	4-2011-005476	30	May 12, 2011	December 13, 2022
 Happy Time	4-2011-005401	4-2011-005401	30	May 11, 2011	December 09, 2021* *Request for Renewal of Registration has been filed. Awaiting issuance of the new Certificate of Registration
LION'S CREAM CRACKERS Lion's Cream Crackers	4-2011-004834	4-2011-004834	30	April 27, 2011	August 9, 2022
 Mixed-Up	4-2011-05402	4-2011-05402	30	May 11, 2011	October 27, 2031
 M.Y. San Danish Style Butter Cookies Mark & Device	4-2011-5400	4-2011-5400	30	May 11, 2011	October 01, 2031

Mark	Application Number	Registration Number	Nice Classification ⁽¹⁾	Date filed	Expiry Date
 Monde M.Y. San Corporation	4-2011-04833	4-2011-04833	30	April 27, 2011	February 07, 2023
 SkyFlakes Fit & Device	4-2011-04831	4-2011-04831	30	April 27, 2011	March 22, 2022
 SkyFlakes Crackers	4-2001-000673	4-2001-000673	30	January 31, 2001	September 18, 2026
 SkyFlakes	4-2015-006743	4-2015-006743	30	June 18, 2015	April 29, 2026
SkyFlakes	4-2017-00014030	4-2017-00014030	30	August 13, 2017	March 15, 2028

Note:

(1) Nice Classification is a system of classifying goods and services for the purpose of registering trademarks. It was established by the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks ("Nice Agreement"). Nation signatories to the Nice Agreement, including the Philippines, employ the designated classification codes in their official documents and publications.

Permits and Licenses

The Company and its Philippine subsidiaries have obtained, or are in the process of obtaining or updating where relevant, all material permits and licenses from the relevant and appropriate local government units and regulatory agencies in relation to their continued business.

MNC believes that it has all material permits and licenses necessary for it to operate its business as currently conducted and such permits and licenses are valid, subsisting, or pending renewal. With respect to material permits and licenses which are pending renewal, MNC expects to obtain such renewal in due course. MNC does not expect that the pending renewals will have a material adverse impact on its operations.

Quality and Safety Assurance

As part of its goal to continue providing better products to its consumers, MNC has not had any mandatory regulatory product recall. The APAC BFB Group employs world-class quality and food safety management systems which are significantly beyond the statutory minimum requirements. It implements the industry-wide accepted Current Good Manufacturing Practices in all respects of its manufacturing operations, including personal hygiene and sanitization, equipment maintenance, production and process control, integrated pest control management, and documents and records control.

The APAC BFB Group develops built-in quality control principles in three dimensions:

- *process and product standards* — process and product standards are clearly defined and the APAC BFB Group regularly reviews and validates these standards;
- *quality assurance and control*— production teams perform quality control and quality assurance teams verify product quality with a drive toward total quality management; and

- *continuous improvement* — the APAC BFB Group’s problem-solving teams are tasked to analyze customer feedback to improve product and process.

The APAC BFB Group has put in place product recall procedures, internal traceable Good Manufacturing Practices (“GMP”) audit, supplier audit, halal audit, certification audit, trade traceability audits (mock product recalls), and crisis management procedures. Labelling, nutrient claims and product registration by the APAC BFB Group follow regulatory requirements. The APAC BFB Group also designates the Hazard Analysis Critical Control Point (known as HACCP) for prevention of unintentional physical, biological, and chemical hazards.

The APAC BFB Group has a dedicated quality assurance and control team who monitors and ensures that accreditations are renewed and up-to-date. The following table sets forth quality management accreditation the APAC BFB Group has received as of December 31, 2021.

Valid Until	Accreditation	Related Facilities
Jan 2022 ⁽¹⁾	(FDA) Good Manufacturing Practice	Santa Rosa
Jan 2022 ⁽¹⁾	(FDA) Good Manufacturing Practice	Cainta
Apr 2022 ⁽¹⁾	(FDA) Good Manufacturing Practice	Calamba 1
Aug 2022	(IDCP HALAL) HALAL Product Certificate	Cainta
Oct 2022	(IDCP HALAL) HALAL Product Certificate	Cebu
Oct 2022	(SGS) Good Manufacturing Practice	Cainta
Nov 2022	(IDCP HALAL) HALAL Product Certificate	Calamba 1
Feb 2023	(Control Union) Food Safety System Certification (FSSC) 22000 Version 5.1	Calamba 1
Feb 2023	(SGS) Food Safety System Certification (FSSC) 22000 Version 5	Calamba 1
Mar 2023	(SGS) Food Safety System Certification (FSSC) 22000 Version 5	Santa Rosa
Mar 2023	(SGS) Food Safety System Certification (FSSC) 22000 Version 5	Cainta
Mar 2023	(Prime) HALAL Certification	Santa Rosa
Mar 2023	(SGS) HACCP Codex Alimentarius	Sta. Rosa
Mar 2023	(SGS) Good Manufacturing Practice	Santa Rosa
Mar 2023	(IDCP HALAL) HALAL Product Certificate	Santa Rosa
Feb 2024	(SGS) ISO 22000:2018	Davao
Mar 2024	(SGS) Food Safety System Certification (FSSC) 22000 Version 5	Cebu
Dec 2024	(FDA) Good Manufacturing Practice	Calamba 2
Aug 2026	(FDA) Good Manufacturing Practice	Pampanga
Nov 2026	(FDA) Good Manufacturing Practice	Cebu
Nov 2026	(FDA) Good Manufacturing Practice	Davao

Note:

(1) Renewal of the certificates are on process.

Sustainability

The APAC BFB Group operates with an aspiration to improve the well-being of people and the planet, and create sustainable solutions for food security.

Recognizing the importance of environmental, social, and governance (“ESG”) impacts and performance as drivers for shared and sustainable growth, the Group has embedded sustainability into its core business strategy and operations to help achieve a better world for all.

Pivot to a “healthier and better” portfolio

As a major player in the local food industry, the Group recognizes that it plays an integral role in providing nutritious and accessible food products for all. With over 90% household penetration cutting across all economic classes, its products’ affordability and widespread presence allow them to take the lead in influencing consumer behavior towards healthy lifestyles and holistic wellbeing.

The APAC BFB Group has taken various initiatives of pivoting towards a healthier and better portfolio. This strategic priority is reflected in its product innovations. For example, products fortified with essential nutrients account for

majority revenue share of *Lucky Me!* noodles portfolio. In addition, its annual sodium reduction initiative which started in 2020 continued in 2021.

The latest proprietary innovation used by the APAC BFB Group is the HSAF. Using this technology, the Group intends to migrate a majority, if not all, of its *Lucky Me!* products to better-for-you noodles that use non-frying process, significantly reducing oil usage, resulting to less fat and less calorie content per pack while maintaining parity product acceptability vs. fried version. Further to the positive impact on the health of consumers, this innovation also means that for the Group, its noodle production is lessening its use of palm oil which contributes to deforestation, biodiversity loss, and soil degradation. The non-fried *Lucky Me!* noodles was successfully marketed in North Central Luzon and Greater Manila Area in 2021 using one noodle line. In keeping with the plan to transition other lines to HSAF, the succeeding lines are already under study.

The Group continuously strives to develop new product offerings that are better and healthier for its consumers. In 2021, the Group established *Lucky Me!*'s Better-For-You portfolio with the launch of the new *Lucky Me! Milky Me*, a nutritious and yummy instant noodle soup with the creamy goodness and richness of milk, real vegetable garnish, fortified with Vitamin A and Iron and has less sodium. To further strengthen the Better-for-You portfolio, the brand intends to expand the line with more healthful and delicious instant noodle innovations in the coming years.

To complement the APAC BFB Group's efforts in enhancing its product portfolio, the Group has launched consumer education initiatives to influence consumer behavior towards a healthier or more balanced diet and lifestyle. In 2021, it established LMIM as a substantial breakfast choice by communicating the cooking suggestion to add nutritious, tasty, and accessible ingredients in the Breakfast Series Campaign. The campaign promoted healthy recipes that can turn *Lucky Me! Instant Mami* as a breakfast bowl of essentials to enable kids to jumpstart their days. The campaign was launched in January 2021 with the LMIM with milk recipe aired on TV nationwide followed by the second recipe, LMIM with veggies. The Group has also incorporated a front-of-pack source of protein seal to its *Monde Mamon* products and created a campaign to highlight the benefits to consumers.

Move toward a resource-efficient and zero waste value chain

The APAC BFB Group recognizes that environmental responsibility is an integral component of the business agenda as it continuously strives to monitor and improve its environmental impacts across its operations. It has set goals and commitments to reduce its environmental footprint on energy usage, water usage, and waste generation. The Group has developed smarter, more efficient ways to operate its supply chains while continuously changing its systems, capability, and behavior/culture towards sustainability.

The Group's manufacturing sites continue to reduce energy usage through better boiler efficiencies. In 2021, the Group has piloted its 1st ever LPG-powered boiler in its Batangas Plant. The Group's oven efficiencies have gone up as well for the biscuit lines enabling 4% improvement on total LPG consumptions. The Group's energy conservation efforts are anchored on utilities and process optimization. It continues to update its process to deliver optimum production with improved efficiency, updated technologies, and upskilling of the organization.

The Group is constantly looking for ways to improve the eco-efficiency of its facilities, particularly towards water use. Big use of water is on machines' Cleaning in Place ("CIP") systems, space cooling, machine cooling, and steam generation. Although most of its manufacturing plants do not suffer water shortage, the Group is taking measures to reduce its water consumption. It has implemented projects such as (1) putting electronic level sensor instead of mechanical float on our cooling towers to prevent malfunctions (2) reduction of backwashing time and rinsing time of water softener, (3) standardization of CIP procedures, (4) steam condensation recovery, and (5) rectification of leaks. In the future, the Group intends to explore rainwater harvesting, RO reject recovery, and use of its effluent from its wastewater treatment plant to further reduce its freshwater consumption.

The Group acknowledges that solid waste management is one of the primary environmental issues associated with the food products industry. In response to this, the Group is working on improving its waste management practices by taking on collaborative measures and process improvements to minimize its waste to landfill. In 2021, over 80% of the total waste generated from the manufacturing operations of the four biggest plants in the Philippines, namely Laguna, Cebu, Davao, and Pampanga, were recycled and diverted from landfill. The Group also strives to eliminate sources of waste through its waste mapping process. The Group's continued focus on loss elimination enables its

processes to deliver better process controls which allowed reduction in scrap generation from online production and even trade returns.

The Group's role in waste generation and management does not stop in the production process. It is also crucial for the Group to ensure the reduction of wastes going to landfill, whomever the consumer may be. While packaging is essential in delivering quality products to its customers, the Group is working towards minimizing its plastic packaging footprint. The Group has implemented design solutions to downsize its usage of packaging materials without compromising the quality of its products. These initiatives were implemented in the packaging materials of *Nissin Breadstix*, *Nissin Eggnog*, *Monde Mamon Classic* and semi-finished goods garnish packs of the Seasoning Plant. Also, in 2021, more than 90% of MNC's plastic packaging were transitioned to recycle-ready materials.

Transition to a low carbon value chain

The APAC BFB Group is continuously looking for pathways to reduce its carbon footprint in its operations. Aside from optimizing energy use to reduce emissions, the Company has also invested in a 1.3MW solar project at the Santa Rosa Plant. This initiative along with the biomass facility at the Cebu Plant which uses coconut shells to power its boilers resulted to greenhouse gas avoidance.

The Group intends to reduce the greenhouse gas intensity of its facilities by entering into a green-sourced power purchasing agreement in 2022 in identified sites. It is also exploring less carbon-intensive alternatives to complement its efforts to reduce greenhouse gas emissions. In 2021, it has started using LPG for steam production instead of coal in its Malvar Plant.

Scale Up Inclusive Distribution

The APAC BFB Group continues to strengthen its community distribution network by providing livelihood to its brand experts and to empower its *sari-sari* store partners by providing access to microfinance services. The Group also aims to increase the number of brand experts provided with livelihood opportunities as well as the number of its *sari-sari store* "partners" with access to financial credit. In September 2021, the Company signed a Memorandum of Agreement with Small Business Corporation ("**SB Corp**") on the Sustaining Trade Access to Primary Food and Link to Enterprises ("**STAPLES**") Program.

Small Business Corporation is a government financial institution. It has the primary responsibility of implementing comprehensive policies and program to assist micro, small, and medium enterprises ("**MSMEs**") in all areas, including but not limited to finance and information services, training, and marketing

STAPLES is a loan product for MSMEs in the retail food market's value chain that are in the supply chain of an SB Corp-accredited FMCG food manufacturer/producer/supplier down to the retail segments of the market.

It aims to assist MSMEs replenish their working capital and fund other business purposes. It will also help sustain the food supply chains and maintain sufficiency and affordability. By enabling MSMEs to continue their operations, it will help save jobs and grow their businesses to make a bigger contribution to our economy.

This arrangement enables the APAC BFB Group's *sari-sari store* partners to purchase additional multiple FMCG stocks — including the Group's products — at an affordable credit. The Group facilitates and monitors these arrangements and provides incentives such as loyalty points and onboarding product freebies to encourage *sari-sari stores* to use this loan facility.

The APAC BFB Group believes its collaboration with SB Corp bridges the gap and provides its *sari-sari store* "partners" access to financial solutions. The Group is working closely with SB Corp to simplify further the online application process and on-boarding requirements, as well as on how to increase digital literacy among *sari-sari store* owners. The Group plans to team up with multiple strategic collaborators to provide financial credit to *sari-sari stores*.

Foster Inclusive and Better Workplace Practices

Recognizing the value that each of its employees provides, the Group is committed to fostering an inclusive workplace

environment that upholds decent work standards, values diversity, provides social safeguards, and promotes talent development. The Group is deliberate in promoting a culture of continuous learning with a growth mindset, collaboration with empathy and care with action.

The Group fosters an inclusive work environment and culture which provides equal employment opportunity and respects every employee regardless of their gender, religion, disability, or race. In 2021, 52% of those in management positions in the Company are female. In addition, 56% of the Group's board are female. Diversity and equal opportunity is a topic that is aligned with the Group's commitment to collaborate with empathy. This topic is practiced during hiring, onboarding, ongoing employment, and disengagement/retiring periods. A whistleblowing policy and mechanism is also in place to report on matters which may include diversity or equality issues.

The Group provides opportunities for employees to develop their competencies and encourage progress in their respective careers. In 2021, multiple technical and leadership development programs across departments were initiated to prepare senior management executives ("SME") and leaders alike for the new requirements of the business and its stakeholders. For 2022, the Group intends to expand and scale learning opportunities through digital learning and the creation of learning communities. Flexible working arrangements gave rise to the opportunity of institutionalizing hybrid learning methodologies – and as such – the Company plans to leverage modern Learning Management Systems and ensure that training materials/resources can be accessed easily whenever, wherever. The Group also plans to tap into the expertise of its leaders and SMEs by creating Communities of Learning. Trainers and Coaches across all sites and departments will be developed and given opportunities to hone their skills by undergoing formal programs – from selection, training, structured application, to continuous education.

The Group constantly seeks to provide the appropriate venues for employees to express concerns in order to create a peaceful work environment that increases productivity. Leaders support open communications across all ranks, which allows for mentoring and cross-functional collaboration opportunities. The Group's employees are also provided with access to social safeguards, fair compensation, and flexible benefits.

The Group maintains a culture of safety by enforcing strict safety measures and protocols across all facilities. These are implemented by designated safety officers who monitor and coordinate safety performance within their respective sites. In 2021, MNC has recorded zero work-related fatalities and ill-health. Part of the Group's response to COVID-19 is prioritizing the health and safety of our employees. The Group has designed working arrangements and provided tools to ensure work continuity for its employees while keeping them safe. The Group has also extended medical assistance, shuttle services, free vitamin supplements, free vaccines, wellness programs, and continuous support for its employees across its sites. The Group makes a conscious effort in providing its employees with a workplace that nurtures their overall well-being. Holistic health and wellness programs are also implemented to promote physical and mental well-being.

Enable Key Stakeholders' Involvement in Driving the Company's Sustainable Development

The APAC BFB Group considers its employees as co-laborers in advancing its sustainability agenda. As such, the Group is proactive in engaging them through sustainability initiatives to instill the company purpose and principles in its people. In 2021, the Group launched the *Making Better Possible* Campaign in the Philippines, signifying the continued thrust of the Group toward sustainable development. Sustainability has always been a strategic focus of the Group, through continuous product improvement to make them more healthful, resource conservation, and programs that improve the lives of employees and the bigger community. Making Better Possible brings all these together into one inspiring campaign that focuses on working together to achieve the Group's aspiration of improving the wellbeing of people and the planet and creating sustainable solutions for food security. Various platforms were also provided to encourage employees to put the Group's corporate aspiration into action such as:

- Meatless Mondays: aims to reduce meat consumption and serve healthier, plant-based meals.
- Better Site, Better Monde: focuses on site-wide initiatives on eco-efficiency and having a safer and inclusive workplace.
- Better Me, Better Monde: encourages the growth and development of employees through training and activities that promote wellness and learning.
- We @MNC Care: highlights one of MNC's core values of caring with action for people and the planet while encouraging volunteerism and connecting with the broader community.

- Making Better Possible Virtual Idea Box: new tool to receive suggestions for improvement from everyone at MNC.

The APAC BFB Group envisions its people to embrace the sustainability mindset and change their behavior to cultivate a culture of sustainability. The Group aspires for a sustainable business transformation through responsible business processes, practices, and partnerships made possible by its employees resulting in an overflow of positive impact across their respective spheres.

MEAT ALTERNATIVE BUSINESS – QUORN FOODS

The story of Quorn Foods began in the 1960s with the objective of Joseph Arthur Rank (“**Lord Rank**”) to address food shortages at a time when the population was growing rapidly and amid mounting concern that traditional agriculture could not keep up with the demand for food. Lord Rank’s big idea was to convert waste carbohydrates from his bakeries into protein. His idea has proven to be farsighted and critical to the future health of mankind and the planet.

History and Milestones

Certain key dates and milestones for Quorn Foods’s business are set forth below.

1964	Lord Rank and Professor Spicer investigated the feasibility of a process to turn starch into protein using fermentation. Their objective was to find a new, sustainable source of protein that is safe for consumption by humans, high in nutritional value, and tastes great.
1967	A fungus microorganism, <i>fusarium graminearum</i> (subsequently reclassified as <i>fusarium venenatum</i>), was identified as the most suitable for further research owing to its filamentous structure, viewed as the key to addressing the texture challenge of a meat-free protein.
1974	Mycoprotein was named by the UK Food Standards Committee.
1982	Cauldron Foods was formed (the original name was “Samplefield Limited” which was changed to “Cauldron Foods Limited” in 1983).
1983	Mycoprotein was approved by the UK Ministry of Agriculture.
1985	The first <i>Quorn</i> products – two savory pies – were launched in the UK. Certificate of free sale was issued to Quorn Foods.
1988	Tim Finnigan joined Marlow Foods Limited as Senior Food Technologist.
1990-1992	<i>Quorn</i> products received approvals for sale in Sweden, Belgium, and the Netherlands.
1993	AstraZeneca (known as Zeneca at that time) acquired Marlow Foods Limited (known by its trading name “Quorn Foods”) as part of the de-merger of Imperial Chemical Industries.
2002	<i>Quorn</i> products were first sold in the US.
2003	Montagu Private Equity acquired Marlow Foods Limited from AstraZeneca.
2005	Premier Foods plc acquired Marlow Foods Limited (June) and Cauldron Foods Limited (October). Marlow Foods Limited and Cauldron Foods Limited were combined to create the meat alternative business unit trading under “Quorn Foods,” with Marlow Foods Limited being the legal trading entity.
2006	Marlow Foods Limited purchased the Methwold facility to provide in-house tertiary production capability for frying and packing of <i>Quorn</i> and <i>Cauldron</i> products.

2008	Quorn Foods initiated a project to commission the third fermenter at Belasis.
2010	<i>Quorn</i> products were first sold in Australia.
2011	Exponent Private Equity acquired Marlow Foods Limited from Premier Foods plc.
2013	Peter Harrison was appointed as Quorn Foods's Group Marketing Director.
2015	Quorn Foods's third fermenter commenced operations, enabling additional mycoprotein production capacity. MNC acquired Marlow Foods Limited from Exponent Private Equity.
2016	Tim Finnigan was promoted to Chief Scientific Advisor. James Harvey was appointed as Quorn Foods's Chief Financial Officer.
2018	Quorn Foods received approval for the construction of the fourth fermenter. Phil Watson was appointed as Quorn Foods's Commercial Director.
2019	Mark Taylor was appointed as Quorn Foods's Supply Chain Director.
2020	Marco Bertacca took up his role as Quorn Foods's Chief Executive Officer. Quorn Foods set up the Fermentation Development Center in Belasis with the objective to accelerate the protein research program. Stephanie Jochems (Group Strategy Director), Tim Ingmire (Research and Development Director), Tongwen Zhao (Director for People and Planet) and Charles Groves (Supply Chain Director) joined Quorn Foods, strengthening the management team.
2021	Judd Zusel was appointed as President of Quorn Foods Inc., a subsidiary of Marlow Foods Limited. Fourth fermenter becomes operational increasing product capacity of mycoprotein paste

Mycoprotein Technology

All *Quorn* products contain mycoprotein. Mycoprotein is a fungi-based, fermented protein that is high in protein, high in fiber, low in saturated fat, and contains no cholesterol. It has a natural ingredient base that does not include artificial colors, masking agents, or preservatives and is non-GMO. Mycoprotein has the natural texture and fibrosity that mimics meat. It is grown through the process of fermentation which utilizes significantly less land and water compared to the production of animal protein sources. Quorn Foods believes that its mycoprotein technology better aligns with the health and environmental concerns which are the main drivers of consumers switching to meat alternatives and category buyers selecting products to carry.

The building block of mycoprotein is *fusarium venenatum*, a member of the fungi family, comprised of tiny fibers (mycelium) that are naturally rich in intrinsic protein and dietary fiber. Quorn Foods believes the natural fibrosity of mycoprotein means its texture is closer to meat than any other plant-based protein and does not require texture additives. In addition, the ability of mycoprotein to absorb flavors enables it to fit in a large variety of meat dishes. The flavors that Quorn Foods offers include hot and spicy, garlic and herb, and salt and pepper, among others.

Mycoprotein contains all nine essential amino acids in quantities which provide a protein quality score (Protein Digestibility Corrected Amino Acid Score (PDCAAS) ratio) superior to that of beef, chicken, soya, and pea-protein isolate. In clinical studies, mycoprotein has been shown to yield health benefits including building muscles faster than milk protein, lowering cholesterol, and containing a unique combination of fibers that may play a key role in gut health. Diets rich in mycoprotein have been shown by Oxford University in the World Economic Forum to offer important

benefits with regard to lowering projected population mortality. In addition, a growing body of scientific research on health benefits shows that mycoprotein increases satiety and helps regulate glycaemia and insulinaemia. All of Quorn Foods's mycoprotein-based products are non-GMO and mycoprotein has low allergenicity of approximately 1 per 24.3 million servings, whereas up to 0.3% of adults are allergic to soy.

Mycoprotein is a sustainable source of protein. According to a report published in 2018 by Carbon Trust, a non-profit company providing specialist support on sustainability, the production of mycoprotein-based *Quorn Mince* results in only 7%, 11% and 8% of beef's carbon, land, and water footprint, respectively. Similarly, the production of mycoprotein-based *Quorn Pieces* results in 29%, 36% and 34% of chicken's carbon, land, and water footprint, respectively. The process of making mycoprotein is "net protein positive" which means that the process results in higher protein content in the food system than where the process begins.

Production

Quorn Foods is the only large-scale commercial provider of mycoprotein. The fermentation process required to produce mycoprotein at scale requires significant capital investment and, more importantly, a unique know-how which Quorn Foods has derived from over 30 years of operating experience to maximize yield and efficiency and thus optimize the process economics. In addition, any new competing fungal strains will require regulatory approvals before being sold to the public. Quorn Foods continues to collaborate with the Food Chemicals Codex and the US FDA in the creation of a monograph that will set out the compliance regulations and standards with regard to the key characteristics and substantial equivalence of mycoprotein for potential new entrants.

Quorn Foods utilizes air lift fermentation technology in its production of mycoprotein. In the air lift fermentation process, *fusarium venenatum* for mycoprotein production is grown under strictly defined conditions. Temperature, pH, nutrient concentration, dissolved oxygen, and growth rate are maintained at a constant rate throughout the process. The *fusarium* organism is grown on its own with no other living organism or contamination. The fermentation comprises food-grade carbohydrate together with other ingredients that are of food-grade quality and purity and appropriate for the growth of *fusarium venenatum*. The liquid and gaseous feeds are sterilized prior to addition to the fermenter. Quorn Foods's fermentation facilities and fermentation process are designed to prevent contamination. Its fermenters are approximately 50 meters in height and hold approximately 155 cubic meters of liquid.

In Quorn Foods's fermentation process, the fermenter continually produces broth which is heat-shocked to reduce the ribonucleic acid content. The broth is then centrifuged to produce mycoprotein paste. Mycoprotein is immediately chilled for use in the manufacture of food products.

Products and Markets

Quorn Foods produces and sells two categories of food products marketed under two brands: (i) mycoprotein-based products marketed and sold under the *Quorn* brand, and (ii) plant-based products marketed and sold under the *Cauldron* brand. *Quorn* and *Cauldron* products are healthy and environment-friendly alternative protein sources and are suitable for various cooking methods. *Quorn* and *Cauldron* products are suitable for a variety of different meal occasions and needs, such as breakfast, lunch, dinner, snacking, and food-on-the-go.

Quorn Products

Quorn Foods offers an extensive range of mycoprotein-based vegan and vegetarian products, some of which are gluten-free. *Quorn* products offer an alternative for the key meat types: beef, pork, poultry, and fish. Its products cover all key shop aisles: frozen, chilled, and food cupboards. Quorn Foods products are suitable for different meal occasions and needs, including breakfast, lunch/dinner, snacking, and food-on-the-go. The versatility of its products allows consumers to create their favorite meals in the comfort of their homes.

Quorn products are sold in the UK, the Republic of Ireland, the US, Belgium, Luxembourg, Denmark, Finland, The Netherlands, Norway, Sweden, Germany, Switzerland, Southeast Asia, and Australasia.

Cauldron products are sold in the UK and the Republic of Ireland. All *Cauldron* products are suitable for vegetarians and *Cauldron* tofu and falafel are suitable for vegans. Cauldron products offer alternative sources of protein which

complement *Quorn* products. *Cauldron* products are offered in chilled form and Quorn Foods sees an opportunity to grow further in the UK chilled food category.

New Product Development

Quorn Foods intends to continue to be at the forefront of mycoprotein research and development, with a particular focus on improving taste and texture and ensuring that its production is the most cost-efficient. Current research projects include studies into fungi strain improvement, waste stream valorization, application of lignocellulose, and production efficiency.

In addition, the scientific team at Quorn Foods works with leading researchers across top universities and research centers to continuously improve their understanding of mycoprotein and its role as part of a healthy lifestyle and healthy planet. Quorn Foods believes that mycoprotein is one of the most researched and best understood foods on the market.

Quorn Foods's NPD team works to gain a deeper insight into consumer experiences with Quorn Foods's products. It continuously endeavors to improve product quality and design in response to evolving consumer needs.

New products launched in 2021 included the following:

- *Makes Amazing* range in the UK with two varieties: *Peri Strips* and *Turkish Style Kebabs*. The *Makes Amazing* range is packed with flavor, easy to prepare and vegan.
- The *Roarsomes* range in the UK
- *Brilliant Bangers* in the UK
- The *Fakeaway* range in the UK
- Launch of the *ChiQuin* range in the US

Quorn Foods intends to direct its applied research and development work towards the introduction of new and improved products and the application of new technology to reduce unit and operating costs. It also aims to engage in continuous product development to leverage and further develop its proprietary technology.

Manufacturing Facilities

Quorn Foods has three manufacturing locations: Belasis, Stokesley and Methwold, all in the UK. Belasis and Stokesley are approximately 100 kilometers from Leeds and Methwold is approximately 150 kilometers from London. The manufacturing facility at Belasis is approximately 15 kilometers north of the Stokesley factory in Teesside. The Belasis facility has four fermenters. The Belasis facility also holds a forming facility which was commissioned in 2019. The site at Stokesley comprises an administrative block and a manufacturing facility. The manufacturing facility consists of four production lines and is where paste from Belasis is formed into shapes and frozen. The facility produces a mixture of finished products for sale and intermediate products for further processing. The facility at Methwold is approximately 300 kilometers south of Stokesley and comprises 15 production lines including coating and frying, retorting, packing, and slicing. The site produces products for both the *Quorn* and *Cauldron* brands and has the capability to produce chilled products. Quorn Foods also uses third party manufacturing partners to produce finished products where Quorn Foods has either a capacity constraint, no in-house capability (e.g. pastry products, ready meals), or it is more economic to do so such as breaded products in the US.

Raw Materials

All *Quorn* branded products contain mycoprotein that is produced at Belasis. Mycoprotein can be used in vegan as well as vegetarian products and uses glucose as a key ingredient. To ensure continuity of supply, Quorn Foods obtains its glucose supply from three suppliers based in the UK and France. There are other minerals used in the production of mycoprotein and, although some of these are purchased from a single supplier, Quorn Foods has identified alternative suppliers to avoid supply issues where required. Therefore, Quorn does not believe that the loss of any of its suppliers would have a material adverse effect on its operations.

To produce *Quorn* products, mycoprotein is mixed with other raw materials such as egg albumen (or its alternative for vegan products), natural flavors, seasonings, and coatings. *Cauldron* products are made from a range of ingredients including soya beans, chickpeas, soya protein, onion, and seasonings. These raw materials are sourced through a pool of accredited third-party suppliers who are regularly audited by Quorn Foods's Quality and Compliance team in accordance with Quorn Foods's sourcing procedures as well as food safety, quality assurance, and sustainability standards. Many suppliers of ingredients are long-standing suppliers of Quorn Foods with whom it has long-term supply agreements in place for key raw materials. Quorn Foods does not depend on a single raw materials supplier where the loss of such supplier would have a material adverse effect on its operations.

For the year ended December 31, 2021, the total amount paid to Cargill, Roquette, and Tereos, collectively, for glucose and the amount paid to Newly Weds Foods for coatings and seasonings accounted for more than 5% of Quorn Foods's raw material supply purchases.

Quorn Foods uses its standard supply contract with most of its suppliers. The general payment terms for local suppliers are 60 days after the end of the month in which the invoice is dated and 30 days after the end of the month in which the invoice is dated for international suppliers. Terms with key raw material suppliers provide for a supply period of approximately one year to three years, with a variety of commercial terms including both pre-determined fixed and formula market-based prices for the duration of the supply relationship. In all instances, renewal is done by negotiation and agreement.

The Procurement Department of Quorn Foods ensures continuity of supply through having multiple sources for the critical ingredients, and a geographical spread of suppliers. The Procurement Department closely coordinates with the Planning team to ensure that appropriate stock levels are maintained. Purchasing efficiencies are secured by regularly benchmarking and tendering all materials. Quality control is assured via a systemic technical audit program, Global Food Safety Initiative ("GFSI") accreditation, self-audit questionnaires and physical checks, as appropriate.

Distribution Channels

Quorn Foods uses third-party logistics providers to distribute products to retailers and foodservice customers. These logistics providers are regularly audited by Quorn Foods's Technical and Compliance team and covered by Quorn Foods's food safety, quality assurance, and sustainability standards.

In the UK, Quorn Foods uses two third-party logistics providers with whom it has long-term contracts. Reed Boardall is a national company providing services for frozen products. Reed Boardall's main warehouse and distribution center is in Boroughbridge, about 50 kilometers southwest of Stokesley. Reed Boardall also provides transport services to move products between Quorn Foods manufacturing locations and to third-party manufacturers. Fowler Welch Cool Chain provides chilled warehouse and distribution services to ensure that products arrive at retailers' distribution centers at the agreed time. Fowler Welch Cool Chain has a number of locations in the UK, with Quorn Foods products being managed principally from its Nuneaton facility, ideally located to optimize efficiency in the chilled foods supply chain. These two suppliers account for over 50% of Quorn Foods's logistical requirements as of December 31, 2021.

To service overseas customers, Quorn Foods has a network of shipping, warehouse, and transportation companies to ensure goods are stored and distributed to meet service and quality standards.

Retail

As of December 31, 2021, Quorn Foods products were available in approximately 300,000 points of distribution, primarily in the UK, the US, and Europe across leading food retailers.

Food retailers in the UK primarily purchase directly from Quorn Foods while food retailers outside the UK source Quorn Foods products largely via direct supply from Quorn Foods, but with some reliance on third-party distributors.

The table below sets forth key food retailers that market and sell Quorn Foods products as of December 31, 2021. *Quorn* branded products are sold in all the following markets, while *Cauldron* branded products are only sold in the UK and the Republic of Ireland.

Location	Food Retailers
UK	Aldi, Asda, Booths, Coop, Farmfoods, Heron Foods, Iceland, Lidl, Morrisons, Nisa, Ocado, Sainsbury's, Spar, Tesco, Waitrose
Australia	Coles, Drakes, Foodworks, IGA, iPantry, Ritchie's, Romeo's, Woolworths
Belgium	Cactus, Carrefour, Carrefour Market, Colruyt, Cora, Delhaize, Match
Denmark	Coop
Finland	Kesko, S Group
Republic of Ireland	Aldi, Centra, Co-op Superstores, Dunnes, Lidl, Londis, Mace, Musgrave Marketplace, Nisa, Spar, SuperValu, Tesco
Luxembourg	La Provencale, Lux Frias
The Netherlands	Albert Heijn, Boon's Markt, Deen, Dekka, Dirk, Hoogvliet, Jumbo
New Zealand	Countdown, Denny's, Hell, New World, PaknSave
Norway	Coop
Philippines	Available in selected retailers and e-commerce channels
Singapore	Cold Storage, Fair Price, Market Place, Prime Now, Red Mart, Shengsiong
Sweden	Bergendahls, City Gross, Coop, Hemkop, ICA, Willys
Switzerland	Coop @ Home, Migros
United States	Kroger, Albertsons, Publix, HEB, Instacart, Meijer, Pavilions, Randalls, Safeway, Target, Tom Thumb, Vons, Walmart, Whole Foods, All Ahold Group fascias

Quick Service Restaurants (QSR)

Quorn Foods has a strong presence in QSR distribution channels. Quorn Foods provides supplies to four out of the top ten, and nine out of the top 50 restaurant and fast-food chains in the UK, more restaurant and fast-food chains than competitors.

Quorn Foods has demonstrated its strength in the QSR segment with successful partnerships with KFC, Greggs, Costa, and Pizza Hut in the UK. It has collaboratively worked with these partners, and their supply chains, to develop products such as, among others, the *Vegan Sausage Roll*, an item in the top five of the most-purchased food products for Greggs, the *Fillet Vegan Burger* for KFC, the *Vegan Smoky Ham & Cheese Toastie* for Costa, and the *Vegan Nugget* for Pizza Hut. To increase market penetration, Quorn Foods continues to identify and target global and local QSR outlets worldwide, particularly in the US and Europe.

Foodservice Outlets

Quorn Foods believes it has a strong presence in the food service segment. Its products are served in approximately 70% of all schools (approximately 22,000 out of 32,000 schools) in the UK and are available on the menu of 3,000 pubs/bars (4,500 menu items) as of December 31, 2021 based on Quorn Foods's internal brand tracking. Foodservice outlets in the UK purchase directly from Quorn Foods and also indirectly through major food service wholesalers such as Brakes and Bidvest. Foodservice outlets outside the UK source Quorn Foods products primarily through third-party distributors.

Quorn Foods also sells to local authorities in the UK through third-party distributors where Quorn Foods products form part of a healthy menu offered in schools

Top Customers

For the year ended December 31, 2021, Quorn Foods's top five customers accounted for more than 50% of total net sales. These customers are all based in the UK and its largest single customer, Tesco, accounted for 20% of Quorn Foods's total net sales.

Quorn does not have written contracts with majority of its customers but agrees on joint business plans with them on an annual basis. Such practice is customary in the UK retail market. General payment terms vary from 15 days to 60 days.

Sales and Marketing

Quorn Foods's marketing strategy focuses on bringing new users to its *Quorn* and *Cauldron* brands and the meat alternative sector by demonstrating the benefits of taste, health, and sustainability.

Quorn Foods has experienced sales and marketing teams in a number of countries. The largest team, which is responsible for global marketing and international sales, is based in the UK. To support this, Quorn Foods has sales offices in the US (Chicago, Illinois), Germany, The Netherlands and Sweden. The UK sales team covers all aspects of the sales operation including customer contract negotiation, promotional activity, demand planning, and in-store merchandising.

In 2021, Quorn launched a campaign encouraging consumers in '*Helping the Planet One Bite at a Time*', to build upon its 2020 campaign *Take a Step in the Right Direction* continuing to bring to life sustainability benefits and great tasting food. In addition, Quorn Foods believes that its focus on, and transparency in relation to, the carbon footprint of the entire life cycle of its products will distinguish it from its competitors, promote loyalty among its current consumer base, and help attract new consumers.

The primary channels by which Quorn Foods drives consumer awareness and promotes interest in its products are through (i) social media platforms (such as Facebook, Instagram and Twitter) and other digital outlets, (ii) its website, (iii) network, cable television and radio programs, and (iv) sports organizations sponsorship. Quorn Foods also employs billboards, and in-store marketing. In addition, Quorn Foods partners with celebrities, athletes, and other key influencers who share its core values and mission for media/online collaborations and events. For example, Quorn Foods partners in the US with Drew Barrymore, a US actor with her own TV show and over 15.0 million followers on Instagram.

The *Quorn* brand is well-established in the UK market. A study conducted in December 2021 by Blue Yonder, a British data analytics firm, revealed that *Quorn* is widely recognized by consumers, with 88% of consumers recognizing *Quorn*, making it the brand with the highest prompted awareness in the category in the UK market.

Competition

The Meat Alternative Business competes with a broad category of market participants such as multinational corporates, venture capital-backed newer entrants, and private labels. The product group also competes with traditional meat brands.

Quorn Foods is the market leader in the meat alternatives market in the UK with *Quorn* and *Cauldron* being the No.1 and No.4 brands with 25.7% and 4.8% of grocery retail market share by value in 2021, respectively, according to IRI. *Quorn* has the broadest range of product portfolio in the UK market.

In the UK, the *Quorn* brand primarily competes with a range of meat alternative brands and private label products. *Cauldron* is a complementary brand to the *Quorn* brand and competes in the alternative protein category. In the frozen category, the main branded competitor is Linda McCartney with Birds Eye emerging in the last two years, whereas in the chilled category, competition comes from private labels as well as a range of brands such as Meatless

Farm, Richmond, Naked Glory, Vivera, and THIS. In the US, *Quorn* primarily competes with Boca (a brand of Kraft Heinz Foodservice), Gardein (a brand of Conagra Brands) and Morning Star Farms which offer products across multiple categories as well as Beyond Meat and Impossible. *Quorn* also competes with traditional meat brands such as Tyson. *Quorn* primarily competes on the basis of taste and texture, followed by health and sustainability benefits, value perception, product variety, and versatility and cost; and *Cauldron* primarily competes on taste, consumer experience, and health and sustainability benefits.

Quorn believes that its competitive position is differentiated by, among others, the taste, health benefits and sustainability of its food products, and its extensive meat alternative platforms of beef, pork, poultry, and fish.

Employees

As of December 31, 2021, Quorn Foods had 957 employees across five international locations. Quorn Foods believes that its pool of diverse, well-trained, and experienced employees is a strong asset.

It aims to support its operating functions, grow the capability of its employees and promote its core values (“Stronger Together,” “Think Big Act with Courage,” “Make Lives Better” and “Strive to be the Best”) through the implementation of various professional and personal development programs. These programs include:

- secondment opportunities to develop skills and capabilities and gain experience;
- financial support for professional qualifications;
- operational training to provide technical skills;
- an on-boarding program to introduce new joiners to Quorn Foods’s operations, policies, and administrative procedures;
- coaching programs developed to improve feedback conversations and enhance team performance; and
- a development plan framework to encourage conversations and ensure that employees have a clear plan for growth.

Quorn Foods expanded its management team in 2020 to prepare the organization for the next level of growth. This included Marco Bertacca taking up the role of Chief Executive Officer in 2020. As of December 31, 2021, the management team of Quorn Foods comprised ten members. There is a senior leadership team of over 50 individuals that drive the execution of Quorn Foods’s strategies.

The following tables detail Quorn Foods’s employees by employee type and by location.

Employee Type	Count
Executive management team	10
Other full-time employees	947
Total	957

Location	Count
UK	922
Continental Europe	11
US	24
Total	957

As of December 31, 2021, a number of the employees of Quorn Foods belonged to and were represented by two trade unions, Unite the Union at Belasis and Stokesley and the Bakers, Food and Allied Workers Union at Methwold.

As of December 31, 2021, Quorn Foods had a collective bargaining agreement with its employees in Belasis, Methwold, and Stokesley. The key provisions of these agreements include various aspects of pay, working hours and conditions, holidays, and resolution of grievances. As of December 31, 2021, there is no ongoing negotiation or formal disagreement with any of the unions. In February 2021, Quorn Foods concluded a negotiation on wages with the union at Belasis. Bargaining agreements are rolling by nature.

Quorn Foods believes that the compensation packages and benefits it offers to employees are competitive. Base salaries are benchmarked using independent external bodies and salary surveys to ensure they remain competitive. Employee benefits include:

- pension contribution with Quorn Foods's standard matching rate of up to 5% for most employees, with higher contributions for certain employees in legacy pension schemes. Contribution into pension schemes is made through a salary sacrifice arrangement to maximize tax efficiency for employees who contribute to their pension;
- company car (or equivalent cash allowance) for staff above a certain grade (both recently reviewed for competitiveness);
- health care benefits for staff above a certain grade augmented by permanent health insurance for executive level staff;
- life assurance for employees in the pension scheme at four times the salary (ten times the salary for those in Belasis bargaining group); and
- discretionary bonus scheme for employees who are above a certain grade at a level commensurate with their grades.

Insurance

Quorn Foods maintains adequate and reputable insurance coverage on its properties, assets, and liability exposures pertaining to its business operations in such amounts and covering such risks as it deems appropriate and as may be usually carried by other companies engaged in the same or similar activities and owning similar properties in the geographical areas where it operates. As of December 31, 2021, Quorn Foods's insurance coverage includes, but is not limited to, property, business interruption, general liability with products, employer and public liability cover, and director's and officer's liability. All Quorn Foods's insurance policies were renewed on March 7, 2022. Quorn Foods believes its insurance coverage is in accordance with its business exposure and in compliance with relevant regulatory requirements.

Information Technology

Quorn Foods believes that its information technology ("IT") systems play a crucial role in its day-to-day operations and overall efficiency. The core system of Quorn Foods's IT estate is SAP ERP which is used for financial control and management, procurement, stock management, sales and invoicing, and supply chain cost management. Quorn Foods also utilizes other systems and solutions to run its business.

There are a number of features of Quorn Foods's IT infrastructure which are implemented to reduce cybersecurity risks. These include, among others, dual firewall configuration, multi-factor authorization, annual penetration tests, and offsite backup. Quorn Foods regularly engages with employees to raise awareness on cybersecurity risks and it engages experts to assess such cybersecurity risks.

Quality Control, Health, and Safety

Food safety and quality assurance are top priorities of Quorn Foods. Quorn Foods implements food safety and quality assurance standards and policies across its operations and processes that are based on global standards, as well as various regulatory and statutory requirements that it is subject to. Quorn Foods believes that a consistent implementation of such standards and policies builds capacities and capabilities, improves supply chain relationships, protects its brand, and promotes sustainability.

The Quality Assurance ("QA") Department of Quorn is comprised of professionals and individuals with relevant industry certifications and experience. The QA Department conducts, among others, product evaluations, GMP audits, process and product validations and calibrations as well as liaising with various operations departments. It also assesses Quorn Foods's quality assurance system on a regular basis to promote GMP compliance and enhance the quality of its operations.

Each manufacturing facility's quality function includes internal auditing, which is supported further by corporate quality compliance and auditing to verify GMP standards on an ongoing basis. In addition, third-party certifying bodies conduct periodic audits (including unannounced audits) at Quorn Foods facilities covering Food Safety Management System certification in accordance with GFSI's BRC Global Standards. An additional third-party auditing body, FSSI, conducts regular factory standards audits against Quorn Foods's Corporate Quality Policy to ensure that benchmarked standards are implemented and maintained.

Quorn Foods conducts trainings to all its employees on food safety and quality assurance standards, policies, and operating procedures. The suppliers and vendors of Quorn Foods are covered by the same standards and policies. They are also required to possess the relevant accreditations and certifications from the relevant bodies in the jurisdiction where they operate. In addition, Quorn Foods's Vendor Assurance team, which reports to the Corporate Quality team, reviews, validates, and approves all suppliers and vendors through facility visits, sampling and testing of materials, and product quality inspections. Quorn Foods has procedures and systems in place in the event of non-compliance by its employees, suppliers, and vendors with its standards, policies, procedures, and requirements.

Quorn Foods is subject to laws, rules, and regulations pertaining to the regions and countries in which its products are manufactured and sold including the UK Food Standards Agency, the EU European Commission, and the US FDA regulatory requirements. Other countries where Quorn Foods has regulatory clearance include Switzerland, Australia, New Zealand, South Africa, Canada, Singapore, and the Philippines. As of the date of this document, Quorn Foods believes it is in material compliance with all applicable health and food safety laws.

Sustainability

Quorn Foods continues to drive its sustainability agenda as part of its purpose of "Healthy Food for People and the Planet". Compared to 2012, Quorn Foods has reduced its carbon emissions (scope 1 and 2) by 83% relative to production. In 2021 alone, this improved by 16% compared to 2020, through procuring certified green energy at its Belasis plant mid-way through 2021. As a result of this, mycoprotein is now produced using over 85% green energy. Quorn Foods continues to explore ways to reduce its carbon footprint, and from January 1, 2022, its *Cauldron* branded products are completely carbon neutral.

Item 2. Properties

As of December 31, 2021, the Group does not own any land in the Philippines. MNC does not have any principal properties that are subject to a mortgage, lien, or encumbrance. There are no legal restrictions that would preclude Monde Nissin Thailand Co. Ltd. and Monexco International Ltd. from owning land in Thailand by virtue of their foreign ownership. There are no legal restrictions that would preclude MNUK or Marlow Foods Limited from owning land in the UK by virtue of their foreign ownership.

The APAC BFB Group had eight manufacturing locations with seven co-located distribution centers in the Philippines. The properties that the Company owns and leases are in good condition, save for ordinary wear and tear.

A summary of the Company's properties that are used in the Group's businesses in the Philippines is set out below:

Type of Property Owned	Location	Approx. Gross Floor Area (sq.m.)
Building	Balibago, Santa Rosa, Laguna	120,000
Building	Carmelray Industrial Park 2, Calamba, Laguna	60,300
Building	Light Industry & Science Park 4, Malvar, Batangas	37,200
Building	Casuntingan, Mandaue, Cebu	34,200
Building	Alviera, Porac, Pampanga	26,000
Building	Sto. Domingo, Cainta, Rizal	24,000
Building	Bunawan District, Davao	13,900
Building	Carmelray Industrial Park 1, Calamba, Laguna	10,700
Building	Brixton, Pasig City	7,700

A summary of the properties leased and used in the Group's businesses in the Philippines is set out below:

Lessor	Lessee	Location	Approximate Leased Area (sq.m.)	Expiration Date	Renewal	Type of Property	Accounting Treatment	Rental Rate
Ayala Land, Inc.	MNC	Ayala Avenue, Makati City	1,345.21 sq.m. office space, 6 executive parking lots	31-Oct-23	N/A	Office	ROU asset	For Office: P5,644,262.44 quarterly rent with 5% per annum escalation rate For Parking: P213,891.68 quarterly rent with 8% per annum escalation rate
BDO Rental, Inc.	MNC	Brgy. Dolores and Banaba, Porac, Pampanga	47,091	29-Dec-30	Renewable for 15 years	Factory	ROU asset	P1,102,163.40 basic monthly rent starting January 29, 2021
Colorado Shipyard Corp.	MNC	Mandaue, Cebu	1,605	10-Mar-30	Renewable for 10 years	Factory	ROU asset	P17,478,450 upon execution of contract; Average monthly rent of P282,969 starting August 18, 2026
Philippine Rigid Construction Corp.	MNC	Mandaue, Cebu	1,605	10-Mar-30	Renewable for 10 years	Factory	ROU asset	P17,478,450 upon execution of contract; Average monthly rent of P282,969 starting August 18, 2026 (adjacent lot)
Juan Miguel V. Yulo Enterprises	SMFC	Carmelray Industrial Park 1, Canlubang, Calamba, Laguna	33,058	1-Jan-37	No automatic renewal	Factory	ROU asset	P1,039,817.01 monthly rent with 5% per annum escalation rate
Infinitus Corporation	MNC	Brixton, Pasig City	2,361	31-Mar-31	N/A	Office	ROU asset	P632,410.71 basic monthly rent with 6% escalation annually beginning April 1, 2019
Monde Land, Inc.	MNC	Sta. Rosa, Laguna	80,678	31-Jan-58	Renewable for 25 years	Factory	ROU asset	P1,815,255.00 basic monthly rent with 3% escalation every 2 years beginning January 1, 2020
Monde Land Inc.	MNC	Sta. Rosa, Laguna	61,199	20-May-52	Renewable for 25 years	Factory	ROU asset	P1,376,977.50 basic monthly rent with 3% escalation every 2 years starting January 1, 2022
Monde Land Inc.	MNC	Sta. Rosa, Laguna	29,279	1-Nov-37	Renewable for 25 years	Factory	ROU asset	P658,777.50 basic monthly rent with 3% escalation every 2 years beginning January 1, 2022
Monde Land Inc.	MNC	Brgy. Ilang, Davao City	42,153	1-Jan-37	Renewable for 25 years	Factory	ROU asset	P632,295 basic monthly rent with 3% escalation every 2 years beginning January 1, 2022
Monde Land Inc.	MNC	Mandaue, Cebu	24,598	31-Jan-58	Renewable for 25 years	Factory	ROU asset	P737,940.00 basic monthly rent with 3% escalation every 2 years beginning October 1, 2020
Monde Rizal Properties, Inc.	MMYSC	Cainta, Rizal	36,977	1-Oct-51	Renewable for 25 years	Factory	ROU asset	P2,033,735.00 basic monthly rent with 3% escalation every 2 years beginning October 1, 2020
Monde Rizal Properties, Inc.	MMYSC	Cainta, Rizal	32,735	1-Jul-52	Renewable for 25 years	Factory	ROU asset	P1,800,425.00 basic monthly rent with 3% escalation every 2 years beginning October 1, 2020
Monde Rizal Properties, Inc.	MMYSC	Calamba, Laguna	66,573	1-Apr-27	Renewable for 25 years	Factory	ROU asset	P3,594,942.00 quarterly rent with 3% escalation every 2 years beginning April 1, 2019
N&G Realty and Development Corporation	MNC	Cagayan de Oro	3,000	31-May-22	No automatic renewal	Warehouse	Outright rent expense	P442,681.74 basic monthly rent
Science Park of the Philippines, Inc.	MNC	Malvar, Batangas	66,008	22-Jun-95	Automatic renewal of 25 years	Factory	ROU asset	P457,435,440.00 up front payment
Science Park of the Philippines, Inc.	MNC	Malvar, Batangas	19,050	22-Jun-95	Automatic renewal of 25 years	Factory	ROU asset	P132,016,500.00 up front payment

ROU = Right of Use

Item 3. Legal Proceedings

The Group is not involved in any litigation, arbitration, or claims (including personal injuries, employee compensation or product liability claims) of material importance, and the Group is not aware of any litigation, arbitration, or claims of material importance pending or threatened against it that would have a material adverse effect on its business, financial condition, or results of operations.

Item 4. Submission of Matters to a Vote of Security Holders

Except for matters taken up during the annual stockholders' meeting, there was no other matter submitted to a vote of security holders during the period covered by this report. The matters submitted to the vote of the security holders are in the minutes of the Company's 2021 annual stockholders' meeting, a copy of which is available on the Company's website.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

Market Information

The Company's common shares are listed with the PSE.

The high and low prices of the Company's common shares for each quarter since its June 1, 2021 IPO ("Listing Date") until the end of the calendar year (*i.e.*, December 31, 2021) are as follows:

Quarter	2021	
	High (in ₱)	Low (in ₱)
2 nd *	16.52	13.10
3 rd	20.25	14.78
4 th	19.06	15.14

*from June 1, 2021 until June 30, 2021

Holders

The Company's Stock and Transfer Agent, BDO-Trust and Investments Group ("STA") reports that there are 16 stockholders of record as of December 31, 2021, ranked in terms of number of shareholdings as follows:

	Name of Stockholder	Number of Shares Held	% of Total Shares Outstanding Held
1	PCD Nominee Corp. (Non-Filipino)	4,503,432,369	25.063
2	Hartono Kweefanus	4,214,244,600	23.453
3	Betty T. Ang	3,265,920,000	18.176
4	Henry Soesanto	1,548,681,396	8.619
5	My Crackers, Inc.	1,228,611,496	6.838
6	PCD Nominee Corp. (Filipino)	1,108,484,431	6.169
7	Hoediono Kweefanus	948,324,600	5.278
8	Monica Darmono	765,897,596	4.262
9	AU Mountain Investments Corporation	381,060,000	2.121
10	Carousel Holdings, Inc.	3,000,000	0.017
11	Le Ha Co	950,000	0.005
12	Elvira M. Cruz or Bernardo A. Cruz	5,000	0.000
13	Nina Perpetua D. Aguas	2	0.000
14	Kataline Darmono	2	0.000
15	Delfin L. Lazaro	2	0.000
16	Marie Elaine Teo	2	0.000

Dividend Policy

The Board of Directors (or the "Board") is authorized to declare dividends only from the Company's unrestricted retained earnings, representing the net accumulated earnings of the Company with its unimpaired capital, which have not been allocated for any managerial, contractual, or legal purpose and which are free for distribution to the shareholders as dividends. The amount of retained earnings available for declaration as dividends may be determined pursuant to SEC regulations. The Board may not declare dividends which will impair the Company's capital. The Company may pay dividends in cash, property, or by the issuance of shares of stock, subject to certain requirements. Cash and property dividends are subject to Board approval, while stock dividends, in addition to Board approval, require the approval of stockholders representing at least two-thirds of the outstanding capital stock of the shareholders at a shareholders' meeting called for such purpose and the approval by the SEC.

In relation to foreign shareholders, dividends payable may not be remitted using foreign exchange sourced from the Philippine banking system unless the investment was first registered with the Bangko Sentral ng Pilipinas ("BSP").

The Revised Corporation Code generally requires a Philippine corporation with retained earnings in excess of 100% of its paid-in capital to declare and distribute as dividends the amount of such surplus. Notwithstanding this general requirement, a Philippine corporation may retain all or any portion of such surplus in the following cases: (i) when justified by definite expansion plans approved by the corporation's board of directors; (ii) when the corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such required consent has not been secured; (iii) when retention is necessary under special circumstances, such as when there is a need for special reserves for probable contingencies; or (iv) when the non-distribution of dividends is consistent with the policy or requirement of a government office.

Pursuant to existing SEC regulations, cash dividends declared by the Company must have a record date not less than ten (10) days nor more than thirty (30) days from the date the cash dividends are declared.

With respect to stock dividends, the record date is to be not less than 10 days and not more than 30 days from the date of shareholder approval. In either case, the set record date is not to be less than 10 trading days from receipt by the PSE of the notice of declaration. If no record date is set, under prevailing SEC regulations, the record date will be deemed fixed at 15 days from the date of declaration. In the event that a stock dividend is declared in connection with an increase in authorized capital stock, the corresponding record date is to be fixed by the SEC.

Pursuant to the SEC's Amended Rules Governing Pre-emptive and other Subscription Rights and Declaration of Stock and Cash Dividends, all cash dividends and stock dividends declared by the Company shall be remitted to the Philippine Depository & Trust Corporation ("PDTC") for immediate distribution to its participants not later than 18 trading days from the record date set by the SEC, provided, that in case of stock dividends, payment date shall in no case be later than the stock dividends' listing date.

In accordance with the PSE disclosure rules, for all cash and stock dividends accruing to shares lodged with the PDTC, whether from unissued capital or resulting from an increase in capital stock, the same shall be remitted/credited to the PDTC for immediate distribution to its participants not later than 18 trading days from the record date. For cash accruing to shares not lodged with the PDTC, the same shall be remitted/credited directly to the individual stockholders not later than 18 trading days from the record date.

Dividends

The following table sets out cash dividends declared by the Company in the two most recent years:

Declaration Date	Record Date	Payment Date	Dividend/ share (in ₱)	Total dividend (₱ in millions)
June 26, 2019	June 26, 2019	June 30, 2019	46.50	3,055.10
November 6, 2019	November 6, 2019	November 30, 2019	0.32	2,102.4
October 1, 2020	October 1, 2020	October 31, 2020	0.15	985.5
November 5, 2020	November 5, 2020	November 30, 2020	0.23	1,511.1
January 22, 2021	January 22, 2021	March 31, 2021	0.23	1,511.1
March 1, 2021	March 1, 2021	October 1, 2021 and December 20, 2021	1.19	8,549.3

As disclosed in the Company's final offering memorandum for its IPO, at the Board meeting held on March 12, 2021, the Board resolved to adopt and maintain an annual dividend payment ratio of 60% of the preceding fiscal year's net income after tax, subject to the requirements of applicable laws and regulations, capital expenditure requirements, compliance with the Company's loan covenants, and other circumstances which restrict the payment of dividends. As of the date hereof, the Company's loan covenants do not impose any restrictions that limit the payment of dividends on the Company's common shares.

Recent Sales of Unregistered or Exempt Securities including Recent Issuance of Securities Constituting an Exempt Transaction

In April 2019, the Company issued a convertible note in favor of Arran Investment Pte. Ltd. ("Arran") at an issue price of ₱9,122,684,658.00 ("Arran CN"). The Arran CN was convertible into common shares of the Company representing 7.0% of the Company's total issued and outstanding capital stock on a fully-diluted basis (in 2021, approximately 6.44% of the Company's issued and outstanding shares, as a result of the issuance of the Company's common shares to My Crackers, Inc.). The Arran CN's issue price was fully paid upon its issuance on April 12, 2019. The Arran CN was convertible to common shares at a base conversion price of ₱9.22385 per share, subject to various adjustment scenarios.

The foregoing transaction was an exempt transaction pursuant to the SRC's Section 10.1(c), the Arran CN's issuance being an isolated transaction made by the Company in favor of only one investor, i.e., only to Arran and to no other.

In a disclosure to the regulators and to the market posted on June 4, 2021, the Company reported that it had received confirmation that Arran was in receipt of the listing redemption amount equal to ₱13,351,934,700.00, in full settlement by the Company of the Arran CN. This was in accordance with the use of proceeds declared in the Company's final offering memorandum that the net proceeds from the IPO will be used, among others, for the Arran CN's full redemption.

Item 6. Management's Discussion and Analysis or Plan of Operation.

SIGNIFICANT FACTORS AFFECTING THE GROUP'S RESULTS OF OPERATIONS

The Group's results of operations are affected by a variety of factors. Set out below is a discussion of the most significant factors that have affected its results in the past, and which the Group expects, will continue to affect its results in the foreseeable future. Factors other than those discussed below could also significantly impact the Group's results of operations and financial condition in the future.

Demand and Pricing

The Group's results of operations are affected by consumers' demand for its products, and pricing, in turn, affects demand. When determining its selling prices, the Group considers various factors, including, among others, prices of raw materials and packaging materials, taxes, fuel prices and other costs of doing business, distribution channels, and general economic conditions. The Group believes that instant noodles, bread, biscuits, and culinary aids are considered consumer staples. Biscuits, beverages, and packaged cakes are less of a priority during a period of high inflation and restricted mobility. These products can be sensitive to movements in disposable incomes, changes in product prices, and competitive pressures. 2021 saw flat to declining demand for biscuits and beverages as these products are purchased for lunch boxes, between meals, and on-the-go consumption. Restricted mobility affected some occasions for use of biscuits, beverages, and packaged cakes during the COVID-19 pandemic.

Demand for fast-moving consumer goods is price elastic in general, particularly for consumers in the lower socio-economic classes where disposable income is limited. When prices increase or during periods of relatively weak economic growth where disposable income falls, consumers tend to switch to comparable lower-priced staple products and cut back on their consumption of discretionary products, particularly those in the lower socio-economic classes. With inflation reaching a three-year high in 2021, breaching the BSP target, such effects may be more prone to drive consumer behavior if the high-inflation scenario persists.

In addition, demand for fast-moving consumer goods is also influenced by the relative price relationships between such goods, consumer products, and other products and services in general. Consumers are prone to adjust their buying choices according to shifts in the perceived value-for-money propositions of the products. The Group intends to continue to innovate its products to enhance the perceived product values.

Changes in Consumer Tastes and Preferences

The Group's future growth will depend on its ability to maintain the competitive positions of its product portfolios and brands by proactively anticipating and responding to constant changes in consumer tastes and preferences. A key element in maintaining the market share for the Group's product portfolios is the ability to continuously and successfully introduce new products and product extensions to capture prevailing consumer preferences.

Consumer preferences may change due to various factors, including changes in economic conditions and income levels, shifts in demographic and social trends, changes in lifestyle and leisure activity patterns, regulatory actions and actions of competitors, any of which may affect consumers' perception of and willingness to purchase the Group's products, which may significantly impact its results of operations.

The Group regularly keeps abreast of the evolving consumer preferences and believes that its current broad array of products can address the shifts in trends. For example, to cater to a preference for a healthier product, the Group adopted HSAF technology, infused its instant noodles with vegetable oil, and reduced palm oil in one of its *Lucky Me!* products. The Group believes that *Quorn* mycoprotein meat alternative products are well-placed to serve this segment for customers who demand food products that are more environment-friendly and offer health benefits. To take advantage of the "premiumization" trend of consumers, particularly from the growing rising middle class seeking higher quality and higher value products, the Group expanded its mass premium segment (the segment between premium and mainstream price points) by launching instant noodles with Asian flavors and instant pasta under the *Lucky Me!* brand and introducing *Monde Specials* as its mass premium packaged baked goods line offering high-quality baked products such as sponge cake, among other initiatives.

Effectiveness of Sales and Marketing Activities

The effectiveness of the Group's sales and marketing activities is critical to its market share expansion and revenue growth. The Group communicates with consumers through various channels and touchpoints, including advertisements on television, radio programs, social media platforms (such as YouTube, Facebook, Instagram, and Twitter), its website, program sponsorships, billboards, and brand activation roadshows. Customer touchpoints at the purchase stage include in-store promotions and loyalty programs. In addition, the Group partners with celebrities and other key influencers for media or online collaborations and events.

Advertising affects consumer awareness of the Group's products and brands, which, in turn, affects purchase decisions and, consequently, sales volumes. The Group believes that product differentiation and brand loyalty are achieved through its marketing and image-building efforts, and consumer brand preferences are the cumulative result of exposure to the brands over an extended period. However, the effects of these sales and marketing activities may be delayed. This results in delayed revenue growth, which may not be fully reflected during the period in which the sales and marketing activities took place.

Prices of Raw Materials and Packaging Materials

Direct materials are major components of the Group's cost of goods sold. Direct materials comprise raw materials and packaging materials. Raw materials primarily consist of wheat, palm oil, flour, sugar, and coconut oil. The Group sources majority of raw materials and all of its packaging materials from both local and international third-party suppliers.

Raw materials are subject to significant price volatility caused by a number of factors, including changes in global supply and demand, extreme weather conditions, size of harvests, transportation and storage costs, governmental agricultural policies, and currency exchange rate fluctuations. In addition, the Group's ability to obtain raw materials and packaging materials is affected by a number of factors beyond its control, including armed conflict, natural disasters, governmental laws and policies, interruptions in production by suppliers, and the availability of transportation.

The Group's profitability is dependent on, among other things, its ability to anticipate and react to fluctuations in the price of commodities, raw materials, and packaging materials. An increase in prices for or shortage of the Group's raw materials and packaging materials generally leads to an increase in production costs or interruption in the Group's production schedules, each of which could adversely affect its operating margins. Production delays could lead to reduced sales volumes and profitability as well as loss of market share. Conversely, favorable movements of raw materials costs and other items might improve the Group's margins and results of operations. The Group has been able to mitigate price fluctuations in raw materials to some extent through a combination of (i) operational synergies, (ii) the use of long-term contracts with suppliers to lock in pricing, and the (iii) diversification of sources of supply.

Given that a significant portion of the Group's flour requirement is produced in-house at its Santa Rosa facility, the Group enjoys consistent supply, quality, and cost savings for flour from this operational synergy. Operational synergy is also achieved in the supply of seasoning for instant noodles production, and the Group set up a seasoning plant in Thailand to produce seasoning and condiments for its noodle plants in the Philippines.

Increases in costs of raw materials and packaging materials can typically be passed on to consumers. However, this may affect consumer demand as the Group's consumers are generally price-sensitive. In some cases, these increases are not immediately passed on, if at all, to consumers in order to maintain or grow sales volumes and to protect the Group's market share. As a result, any material increase in the market price of raw materials could adversely affect the Group's operating margins, which may affect its financial position and operating performance.

Product Mix

The Group has a diversified product mix which primarily includes instant noodles, biscuits, other fast-moving consumer products, and meat alternatives. The Group adopts a multi-brand approach, where each product category

further consists of one or more brands or product lines. Under each brand, the Group offers products with different flavors, different package sizes and/or different types of products for variety. For example, in the instant noodles product group, there are three product lines under the *Lucky Me!* brand: (i) wet pouch; (ii) dry pouch; and (iii) cups. Each *Lucky Me!* product line offers a wide array of flavors. In the Meat Alternative Business, *Quorn* has an extensive range of vegan and vegetarian, some of which are gluten-free. *Quorn* products also cover all key shop aisles: frozen, chilled, and ambient products. The ability of the Group to continuously develop new products and launch product extensions to capture various consumer preferences enables the Group to successfully make available to its consumers a diverse and innovative product mix in a timely manner.

Typically, different products vary in product pricing, revenue growth rate, and gross profit margin. Each of the Group's brands has its own unique positioning with different marketing strategies and promotional costs. As a result, the Group's revenue and profitability are largely affected by its product mix.

Competition

The Group's products face competition from other domestic producers as well as from imported products and foreign brands. Competitive factors facing the Group's products include price, product quality, availability, production efficiency, brand awareness and loyalty, distribution coverage, security of raw material supply, customer service, and the ability to respond effectively to changes in the regulatory environment as well as to shifting consumer tastes and preferences.

The Group's main competitors for the instant noodles product group are domestic producers which compete on pricing and regional brands that offer different flavors and taste experiences. The biscuits and other fast-moving consumer product groups face competition from multinational, national, regional, and local competitors. Similar to the instant noodles product group, these players compete on pricing, taste, and innovation. The Meat Alternative Business competes with a broad category of market participants such as multinational corporates, venture capital-backed newer entrants, and private labels, and the product group also competes with traditional meat brands. Changes in the competitive landscape, including new entrants into the market, consolidation of existing competitors, and other factors, could have a material impact on the Group's financials and results of operations.

Economic, Social and Political Conditions in the Philippines and Other Countries

Majority of the Group's assets and revenues from its APAC BFB Business are located in or derived from its business operations in the Philippines. Therefore, the Group's business, financial condition, results of operations, and prospects are substantially influenced by the economic, social, and political conditions in the Philippines, although the Group is also significantly exposed to global commodity markets (mainly those for agricultural goods and energy). While the Philippine economy has experienced stable growth in recent years prior to the COVID-19 outbreak, the Philippine economy has in the past experienced periods of slow or negative growth, high inflation, interest rates, fuel prices, power rates, other costs of doing business, and significant depreciation of the Philippine Peso. It has been significantly affected by weak economic conditions and volatilities in the global economy and the Asia-Pacific region. The COVID-19 pandemic, which led to nationwide and global restrictions and lockdown, has caused global and local economic recessions, and the Philippine economy has been hard hit as a result. We expect the effects of the COVID-19 pandemic to extend well into 2022, and recovery remains challenging. In addition, the Russia-Ukraine conflict and the attached impacts on the global markets will materially influence the Group in areas such as commodity costs, supply constraints, and shipping. As consumers grapple with uncertainty, their buying behavior and preferences become more erratic. Please see further discussion under "Geopolitical Situation in Ukraine and Russia," outlining our management's response to address challenges arising geopolitical situation in Ukraine and Russia.

Sales of most of the products of the Group's APAC BFB Business have been influenced, and will continue to be influenced, to some degree, by the general state of the Philippine economy as well as the stability of social and political conditions in the country, with 2022 being particularly impacted by the national elections. While sales of a portion of the Group's products such as biscuits, beverages, and packaged cakes can be sensitive to changes in income and social conditions such as restricted mobility, the Group offers products that are considered as staple items or components to staple items which are less sensitive to income changes and adverse economic, social, and political conditions. These include instant noodles, bread, and culinary aids.

As the Group also conducts its APAC BFB Business (including export operations) in Thailand, economic, social, and political conditions in Thailand may also affect the Group's business, financial condition, results of operations, and prospects. In addition, the COVID-19 pandemic presented certain challenges in relation to the Group's interactions with its export distributors and assessment of the quality of in-market execution. With significant price increases in the shipping industry, availability of ships and containers and the resulting delays may influence the growth and profitability of the export business.

A significant portion of the Group's assets and revenue from its Meat Alternative Business are also located in or derived from its operations in the UK. Therefore, economic, social, and political conditions in the UK may also affect the Group's business, financial condition, results of operations, and prospects. The UK continues to be affected by the ongoing COVID-19 pandemic and extended recovery period, as well as the lingering effects of its exit from the European Union. Labor shortages in the food and transport industry and significant commodity and utility inflation are present and may persist well into 2022. The UK presently posts material inflation numbers which have reached levels that have not been experienced in more than 25 years. This strong inflation footprint may impact the consumer buying behavior, and the Company's input costs

Seasonality

In the consumer goods industry, results of operations generally follow the seasonality of consumer buying patterns, and the Group's sales are affected accordingly. In the Philippines, most food and beverage products, including those of the Group, experience increased sales from October to December related to the Christmas and New Year's season. Consequently, the fourth quarter has historically been the Group's strongest quarter by volume for culinary aids and some of its biscuit products, including *M.Y. San Grahams*. Seasonality during certain events also affects the Group's sales. In addition, seasonality varies across product types. Some of the Group's products have distinct seasonality. For instance, *Lucky Me!* wet pouch instant noodles see an increase in sales in the colder months as customers' preference for warm food increases. The Government also sources instant noodles, a staple in its relief goods package, from the Group for distribution to the public. A number of biscuit products experience higher sales during the school year as the Group's products are generally purchased for lunch boxes, between-meals, on-the-go consumption, and consumption at home. As a result, seasonality could affect the Group's financial condition and results of operations from one quarter to another, particularly in relation to the fourth quarter of each year. To counter the seasonality of some of its products, the Group created marketing and advertising initiatives that encourage the sustained consumption of its products throughout the year. The Group believes that the diversity of its product mix reduces the specific seasonality impact of certain products in its portfolio.

Innovation

In addition to its ability to introduce new product innovations and renovations, delivering on the Group's aspiration will also depend on the Group's ability to continuously drive loss-eliminating process innovations and work system innovation. Continuous improvement in process innovation and work system redesign will impact multiple fronts such as superior quality and consumer experience, fresher products to market, higher productivity, and improved sustainability via less wastage/use of resources and better process reliability.

COVID-19 Pandemic

At the early onset of the COVID-19 pandemic in the Philippines, the Group faced the difficult task of ensuring the health and welfare of its employees while ensuring food supply especially noodles pouches and crackers, which are considered staples during tough times. The Group adapted quickly, and both objectives were achieved without compromises. The Group stayed in touch with the local communities, related industries, customers, suppliers, and people. The management team gathered daily to swiftly align decisions on the rapidly evolving situation. It also immediately deployed the infection control process in all of its facilities. Overall, the Group did not experience a material disruption in its production process and supply chain.

For the year ended December 31, 2020, when the COVID-19 pandemic widely spread, there was flat to declining demand for biscuits, beverages, and packaged cakes. The Group believes that this is due to these products being less of a priority during a period of weak economy. In addition, as biscuits and other snack-type products are generally purchased for lunch boxes and between-meals and on-the-go consumption, there were fewer occasions to use these

products while the general public was in lockdown and relied more on home cooking. The APAC BFB Group, however, saw a spike in sales volume of instant noodles and culinary aids, especially the oyster sauce, in the same period as these are perceived to be staple products. Given that *Lucky Me!* is seen as comforting food and *Mama Sita's* oyster sauce is a versatile product, the Group believes that the public tends to resort to these products during tough times. During the COVID-19 pandemic, the Group prioritizes the safety of its employees and provides various support to ensure the well-being of its workforce. For example, the Group, in coordination with the local government, has implemented free vaccination programs, installed sanitization equipment such as alcohol gel dispensers throughout its facilities, handed out masks, allowed employees to take special leaves, and provided isolation facilities for suspected cases. The Group encourages employees to care for their health and implemented the "Commit to COVID-19 free" program, which provides incentives to employees who do not contract COVID-19 throughout the relevant period.

Geopolitical Situation in Russia and Ukraine

In February of 2022, an armed conflict between Russia and Ukraine commenced. As a result of this event, numerous sanctions were implemented against Russia. Both countries account for large parts of global agricultural supply, specifically, wheat, corn, and sunflower seeds and oil. Furthermore, the two countries are key producers of other commodities such as oil and gas, related petrochemical products, and fertilizer, among others.

The armed conflict has put the 2022 growing season in Ukraine at risk, and the export infrastructure inland and in the Black Sea inaccessible, severely damaged, or destroyed. Possible effects may continue during the 2022-2023 growing season. Such effects may be further amplified if weather conditions in other crop-growing regions of the world do not produce the necessary compensating output, impacting the already low stock-to-use ratios of most agricultural commodities globally.

The Group is impacted by the accompanying world market price movements. Thus, the sanctions imposed on Russia may likely cause shortage in certain commodities, thereby resulting in increased prices for the said commodities. Furthermore, shortage of supply in certain inputs arising from the conflict could impact the revenue and profitability of the Group.

In light of the foregoing, the Group is implementing measures to mitigate the identified risks above. Such measures include, entering into supply contracts with longer terms, increasing inventory holding of key materials, and exploring diversification of sourcing regions for supply assurance. In parallel, some pricing considerations coupled with accelerated cost savings initiatives are underway to mitigate cost headwinds.

Capacity and Utilization of the Group's Facilities

The ability of the Group to meet the demand for its products depends on its ability to build, maintain, and expand its production capacity. Capacity expansion affects the ability of the Group to introduce new products or new uses for its existing products, which, in turn, impacts the ability of the Group to be agile and responsive to rapidly changing customer needs and expectations.

Capacity improvement and expansion require significant capital investment, including rapidly changing technologies and innovations. An investment in new technology or an enhancement of existing technology, in each case to increase capacity and utilization, may result in similar or other operational challenges. Furthermore, the effects of these investments may be delayed, resulting in delayed revenue growth which may not be fully reflected during the period in which the investments were made.

Financial Highlights and Key Indicators

The summary financial information presented below as at December 31, 2021 and 2020, and for the three years ended December 31, 2021 was derived from the Group's audited consolidated financial statements, prepared in accordance with Philippine Accounting Standards. The information below is not necessarily indicative of the results of future operations.

In this report and as defined below, Core EBITDA, Core EBITDA Margin, Core Income Before Tax, Core Income Before Tax Margin, Core Income (After Tax), Core Income (After Tax) Margin, Core Income (After Tax) at Ownership, and Core Income (After Tax) at Ownership Margin are internal management performance measures and are not measures of performance under Philippine Financial Reporting Standards (“PFRSs”). Thus, users of this report should not consider foregoing financial non-PFRS measures in isolation or as an alternative to Net Income as an indicator of the Company’s operating performance or to cash flow from operating, investing, and financing activities.

Core EBITDA is measured as net income excluding depreciation and amortization of property and equipment and intangible assets, asset impairment on noncurrent assets, financing costs, interest income, share in net earnings (losses) of associates and joint ventures, net foreign exchange gains (losses), net gains (losses) on derivative financial instruments, loss on redemption of Arran’s convertible note, provision for (benefit from) income tax, and other non-recurring income (expenses) NRI(E). In 2021, NRE pertains to IPO and COVID-19-related expenses. Core EBITDA margin pertains to Core EBITDA divided by segment net sales.

Core Income Before Tax is measured as net income excluding the effects of asset impairment on noncurrent assets, non-recurring financing costs, interest income, equity in net earnings (losses) of associates and joint ventures, net foreign exchange gains (losses) except those related to U.S dollar balances that the company hedge against foreign exchange risks, net gains (losses) on derivative financial instruments, loss on redemption of Arran’s convertible note, NRI/(E). In 2021, NRE pertains to IPO and COVID-19-related expenses. Core Income Before Tax Margin pertains to Core Income Before Tax divided by segment net sales.

Core Income (After Tax) pertains to Core Income Before Tax less income tax based on recurring tax rate per entity. Core Income (After Tax) Margin pertains to Core Income (after tax) divided by segment net sales.

Core Income (After Tax) at Ownership pertains to Core Income (After Tax) less core income attributable to non-controlling interest (NCI).

The following discussion should be read in conjunction with the attached Audited Consolidated Financial Statements and related notes of the Group as at and for the year ended December 31, 2021.

I. SUMMARY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

I.A CORE INCOME AFTER TAX RECONCILIATION

	in ₱ millions, except percentages								
	2021 Audited			2020 Audited			2019 Audited		
	Amount	% to Net Sales (in %)	Inc (Dec) (in %)	Amount	% to Net Sales (in %)	Inc (Dec) (in %)	Amount	% to Net Sales (in %)	Inc (Dec) (in %)
Net Sales	69,284	100.0	2.0	67,946	100.0	3.8	65,451	100.0	3.3
Less: Cost of Goods Sold	43,693	63.1	5.4	41,440	61.0	3.1	40,194	61.4	2.6
Gross Profit	25,591	36.9	(3.5)	26,506	39.0	4.9	25,257	38.6	4.4
Less: Sales, General & Administrative (SGA)									
(1)	15,095	21.8	12.6	13,409	19.7	2.0	13,141	20.1	(11.9)
Other Income (Expense)									
Less: Interest expense (2)	(81)	(0.1)	(73.2)	(302)	(0.5)	8.6	(278)	(0.4)	424.5
Foreign exchange loss (gain) - net (3)	262	0.4	n/m	–	–	–	–	–	–
	181	0.3	(159.9)	(302)	(0.5)	8.6	(278)	(0.4)	424.5
Core Income Before Tax	10,677	15.4	(16.6)	12,795	18.8	8.1	11,838	18.1	28.5
Less: Provision for income tax (4)	2,362	3.4	(30.8)	3,415	5.0	5.3	3,243	5.0	31.8
Core Income (After Tax)	8,315	12.0	(11.4)	9,380	13.8	9.1	8,595	13.1	27.2
Less: Non-Controlling Interest	130	0.2	(82.1)	725	1.1	(11.8)	822	1.2	19.5
Core Income (After Tax) at Ownership	8,185	11.8	(5.4)	8,655	12.7	11.3	7,773	11.9	28.1

n/m = not meaningful %

1. (1) Excluding non-recurring expenses related to IPO and COVID-19 amounting to ₱655.3 million and ₱213.3 million, respectively (included in the SG&A)

(2) Recurring interest expense on Loans and Trust Receipts Payable

2. (3) Foreign exchange gain on U.S dollars balances for the Group’s natural hedge

3. (4) Based on recurring income tax rate per entity

I.B REPORTED INCOME AFTER TAX RECONCILIATION

	in ₱ millions, except in percentages								
	2021 Audited			2020 Audited			2019 Audited		
	Amount	% to Net Sales (in %)	Inc (Dec) (in %)	Amount	% to Net Sales (in %)	Inc (Dec) (in %)	Amount	% to Net Sales (in %)	Inc (Dec) (in %)
Core Income (After Tax)	8,315	12.0	(11.4)	9,380	13.8	9.1	8,595	13.1	27.2
Other income (expenses)									
Foreign exchange gain (loss) – net ⁽¹⁾	149	0.2	(83.7)	914	1.4	938.6	88	0.1	(43.9)
Share in net earnings (losses) from associates and Joint ventures	36	0.1	(136.7)	(98)	(0.1)	(61.0)	(251)	(0.4)	83.2
Gain on sale of property, plant and equipment	2	–	(33.3)	3	–	(103.7)	(81)	(0.1)	376.5
Miscellaneous income ⁽²⁾	294	0.4	19.5	246	0.4	(30.7)	356	0.5	(21.5)
Impairment (loss)/reversal	(223)	(0.3)	(78.0)	(1,014)	(1.5)	28.2	(791)	(1.2)	(4.1)
Non-recurring SGA ⁽³⁾	(868)	(1.2)	n/m	–	–	–	–	–	–
	(610)	(0.8)	n/m	51	0.2	n/m	(680)	(1.0)	83.8
Finance income (expense)									0.0
Interest expense ⁽⁴⁾	(1,488)	(2.1)	0.3	(1,484)	(2.2)	(31.3)	(2,160)	(3.3)	6.7
Interest income	83	0.1	(68.4)	263	0.4	(13.5)	304	0.5	181.5
Loss on redemption of convertible note	(1,579)	(2.3)	n/m	–	–	–	–	–	–
Derivative gain (loss) – net	(2,258)	(3.3)	n/m	99	0.1	n/m	(178)	(0.3)	n/m
	(5,242)	(7.6)	367.2	(1,122)	(1.7)	(44.8)	(2,034)	(3.1)	7.1
Add: Provision for income tax ⁽⁵⁾	782	1.1	n/m	(243)	(0.4)	n/m	768	1.2	341.4
Reported net income (after tax)-continuing operation	3,245	4.7	(59.8)	8,066	11.9	21.3	6,649	10.2	42.7
Net Income							6,649	10.2	143.7

n/m = not meaningful %

- Excluding foreign exchange gain on USD reserves for the Group's natural hedge (included in the Core Income calculation above)
- Miscellaneous income includes the reversal of provision for expected credit losses, market valuation gain on financial instruments on FVTL, and other income.
- Non-recurring expenses includes related to IPO and COVID-19 amounting to ₱655.3 million and ₱213.3 million, respectively.
- Excluding recurring interest expense on Loans and Trust Receipts Payable (included in the Core Income calculation above)
- Income tax effect of Other Income(expenses), non-recurring finance income (expenses), one-off credit due to the impact of CREATE law partly offset by a one-off increase due to deferred tax liability adjustment in MNUK in 2021. To simplify, this is the difference between Total provision for income tax as reported and provision for income tax related to Core Income.

II – OPERATING SEGMENTS OF THE GROUP

As mentioned in the business overview section, the Group's two core businesses are the APAC BFB Business and the Meat Alternative Business.

Segment performance is evaluated based on: Core Earnings before interest, taxes, and depreciation and amortization, or Core EBITDA; Core EBITDA margin; and Core Income before tax, Core Income before margin, Core Income (after tax), Core Income (after tax) margin, Core Income (after tax) at Ownership and Core Income (after tax) at Ownership margin.

The table below presents certain financial information relating to the Group's results of operation by segment for the periods indicated.

	in ₱ millions, except percentages					
	FY 2021 (Audited)	% to Total (in %)	FY2020 (Audited)	% to Total (in %)	FY219 (Audited)	% to Total (in %)
Net Sales						
APAC BFB	54,039	78.0	52,911	77.9	50,260	76.8
Growth vs. prior year	2.1%		5.3%		3.9%	
Meat Alternative	15,245	22.0	15,035	22.1	15,191	23.2
Growth vs. prior year	1.4%		(1.0%)		1.4%	
Total	69,284	100.0	67,946	100.0	65,451	100.0
Growth vs. prior year	2.0%		3.8%		3.3%	
Gross Profit	% of Segment Net Sales		% of Segment Net Sales		% of Segment Net Sales	

	in ₱ millions, except percentages					
	FY 2021 (Audited)	% to Total (in %)	FY2020 (Audited)	% to Total (in %)	FY219 (Audited)	% to Total (in %)
		(in %)		(in %)		(in %)
APAC BFB	19,564	36.2	20,928	39.6	19,696	39.2
Meat Alternative	6,027	39.5	5,578	37.1	5,561	36.6
Total	25,591	36.9	26,506	39.0	25,257	38.6
Core Income before Tax						
APAC BFB	9,892	18.3	11,433	21.6	10,387	20.7
Meat Alternative	785	5.1	1,362	9.1	1,451	9.6
Total	10,677	15.4	12,795	18.8	11,838	18.1
Core Income (after tax)						
APAC BFB	7,664	14.2	8,276	15.6	7,419	14.8
Meat Alternative	651	4.3	1,104	7.3	1,176	7.7
Total	8,315	12.0	9,380	13.8	8,595	13.1
Core Income (after tax) at Ownership						
APAC BFB	7,534	13.9	7,551	14.3	6,597	13.1
Meat Alternative	651	4.3	1,104	7.3	1,176	7.7
Total	8,185	11.8	8,655	12.7	7,773	11.9
Core EBITDA ⁽¹⁾						
APAC BFB	11,829	21.9	13,269	25.1	12,152	24.2
Meat Alternative	1,471	9.6	2,283	15.2	2,026	13.3
Total	13,300	19.2	15,552	22.9	14,178	21.7

Note: (1) See "Other Financial Data - Core EBITDA Reconciliation"

RESULTS OF OPERATIONS

For the year ended December 31, 2021, compared to the year ended December 31, 2020

Net Sales

Net sales continued to grow in a challenging environment, up by 2.0%, from ₱67,946 million in 2020 to ₱69,284 million in 2021, driven by the APAC BFB segment and the favourable effect of foreign exchange (forex). Growth was softened by volume decline in the Meat Alternative segment.

APAC BFB

Net sales in the APAC BFB segment increased by 2.1%, from ₱52,911 million in 2020 to ₱54,039 million in 2021. The increase was primarily driven by high double-digit growth in the international sales, robust sales growth of noodles and culinary in the Philippines, and the effect of price increase in Q3 2021. High growth in international business was due to Thailand and Philippines export business even though sales were tapered by the shortage of shipping containers/vessels and port congestion. Moreover, Thailand's biscuits gained market share despite category decline primarily due to effective in-store execution and efficient promos. Noodles was able to sustain a high level of sales in the Philippines, grew low single-digit growth, despite volume upsurge last year. This was primarily driven by successful usage-building programs, proven strong relevance of the category, and price increase in Q3 2021. Culinary and cakes sales grew double-digit this year pushed by solid Q4 performance, while biscuits and beverage full year decline was tapered by stronger Q4 results. Biscuits grew single digit in Q4 primarily due to marketing push toward in-home consumption, mobility improvement, and price increase. Beverage also saw an encouraging trend, as Q4 sales grew high single-digit growth due to improvement in mobility and supply.

Meat Alternative

Net sales in the Meat Alternative segment up by 1.4% from ₱15,035 million in 2020 to ₱15,245 million in 2021, driven by the positive effect of forex. Excluding the effect of forex, Meat Alternative's overall net sales growth was down by 3.9% due to volume decline across geographic markets. Meat Alternative sales were tapered by challenging macro-economic conditions in the UK and the effect of the COVID-19 pandemic. Effect of decline in retail segment was tapered by solid performance in food service segment, Q4 2021 was up 69% and full year was up by 36.0%. Further, carry-over price action in the UK and US helped soften the effect of volume decline.

Cost of Goods Sold

Cost of goods sold increased by 5.4%, from ₱41,440 million in 2020 to ₱43,693 million in 2021, primarily due to effect of rising commodity prices, higher utilities, repairs, and maintenance softened primarily by hedging and forward buying of wheat, palm, and edible oil. Cost of goods sold as a percentage of net sales slightly increased by 2.1%, from 61.0% in 2020 to 63.1% in 2021.

APAC BFB

The cost of goods sold in the APAC BFB segment increased by 7.8%, from ₱31,983 million in 2020 to ₱34,475 million in 2021, primarily due to rising commodity prices, utilities, and repairs and maintenance. Prices of key raw materials and ingredients such wheat/flour, palm oil, coconut oil, and shortening liquid have increased significantly in 2021 as compared last year. The effect of rising commodity prices was partly softened by hedging, forward buying, continuing cost reduction initiatives in the supply chain. 2020 repairs were significantly low primarily due to the postponement of the planned repairs to focus more on the throughput. Further, this year's repairs include the purchase of various spare parts and the maintenance of the noodle lines.

Meat Alternative

The cost of goods sold in the Meat Alternative segment decreased by 2.5%, from ₱9,457 million in 2020 to ₱9,218 million in 2021, primarily due to the decline in volume across geographic markets and operational improvements partly offset by increasing energy cost which was more pronounced in Q4.

Gross Profit

Gross profit decreased by 3.5%, from ₱26,506 million in 2020 to ₱25,591 million in 2021, for the reasons discussed above. The gross margin decreased by 2.1%, from 39.0% in 2020 to 36.9% in 2021.

APAC BFB

Gross profit for the APAC BFB segment decreased by 6.5%, from ₱20,928 million in 2020 to ₱19,564 million in 2021, for the reasons discussed above. Gross margin decreased by 3.4%, from 39.6% in 2020 to 36.2% in 2021.

Meat Alternative

Gross profit for the Meat Alternative segment increased by 8.0%, from ₱5,578 million in 2020 to ₱6,027 million in 2021, for the reasons discussed above. The gross margin increased by 2.4%, from 37.1% in 2020 to 39.5% in 2021.

Sales, General and Administrative Expenses (excluding non-recurring expenses related to IPO and COVID-19 pandemic)

Sales, general and administrative expenses (excluding non-recurring expenses) increased by 12.6%, from ₱13,409 million in 2020 to ₱15,095 million in 2021, primarily due to an increase in advertising and promotion expenses, a one-off credit in Meat Alternative due to fire insurance claims and a higher research and development expenses. The increase in advertising and promotion was primarily on brand building and consumer marketing activities. Moreover, advertising and promotion's year-on-year growth was higher partly due to the low base in APAC BFB, as last year's activities were postponed due to lockdowns.

APAC BFB

Sales, general and administrative expenses excluding non-recurring expenses in the APAC BFB segment increased by 4.6%, from ₱9,462 million in 2020 to ₱9,897 million in 2021. As explained above, the increase was mainly due to normalization of spend on advertising and promotional expenses.

Meat Alternative

Sales, general, and administrative expenses for the Meat Alternative segment increased by 31.7%, from ₱3,947 million in 2020 to ₱5,198 million in 2021. The increase was mainly due to brand building, consumer marketing, product development activities, and a one-off credit due to fire insurance claims received last Q1 2020.

Core Income (After Tax)

Core Income (after tax) decreased by 11.4%, from ₱9,380 million in 2020 to ₱8,315 million in 2021, for the reasons discussed above.

Core Income (After Tax) at Ownership

Core Income (after tax) at Ownership decreased by 5.4%, from ₱8,655 million in 2020 to ₱8,185 million in 2021. Core Income attributable to non-controlling interest was significantly down by 82.1%, from ₱725 million to ₱130 million, due to acquisition by the Parent Company on January 29, 2021 of the minority shares of MMYSC owned by MCI.

Share in Net Losses of Associates and Joint Ventures

The Group reported a gain of ₱36 million in 2021, from a loss of ₱98 million in 2020. 2021 gain was mainly from KBT International Holdings, Inc. while the loss in 2020 was from SMFC. The Group started to consolidate SMFC in September 2020 as the result of increased ownership from 25% to 80%. The Group's share in the losses of SMFC went down to zero because of the effect of consolidating SMFC's operating results in 2021, which is now reflected in the group's core income.

Foreign Exchange Gain – Net (excluding foreign exchange on USD reserves for a natural hedge against foreign exchange risks)

Net foreign exchange gain decreased by 83.7%, from ₱914 million in 2020 to ₱149 million in 2021, primarily due to a higher 2020 base. Last year's foreign exchange gain was driven by the realization of gain on payment of US dollar and pound sterling-denominated loans because of the strengthening of the Philippine Peso against the US dollar and pound sterling and the unrealized foreign exchange gain on convertible notes, which was pegged at US\$1: ₱52.186 while the Philippine Peso closing rate was US\$1: ₱48.036.

Miscellaneous Income

Miscellaneous income increased by 19.5%, from ₱246 million in 2020 to ₱294 million in 2021, due to reversal of allowance for doubtful accounts and impairment on advances due to effective collection efforts.

Impairment Losses

Impairment loss decreased by 78.0% from ₱1,014 million in 2020 to ₱223 million in 2021. In 2021, impairment loss recognized were mainly from the Meat Alternative segment related to the underperforming reactor in its BF1 facility since it operated. This was softened by reversal of allowance in 2021 due to the improvement of the result of the operation of biscuit line in MNTH. In 2020, impairment loss recognized were from the Meat Alternative segment related to the introduction of a new forming production line which involved a new production process but resulted in fermentation capacity that was significantly lower than expected, and higher operating costs. The production line is still in use but the carrying value has been adjusted accordingly, and the Group expects that future capacity expansion projects will revert to established processes in the future.

Interest Expense (excluding recurring interest on Loans Payable and Trust Receipts Payable)

Interest expense flat by 0.3%, from ₱1,484 million in 2020 to ₱1,488 million in 2021. Lower interest expense from bank loan was offset by recognition of cash variable interest amounting to ₱588 million. The cash variable interest is equal to the dividends received by the Parent Company's shareholder, Arran, that the latter would have received if the convertible note was converted into shares prior to the declaration of such dividend. The decrease in the interest expense from bank loans was due to the repayment of term loans. As at December 31, 2021, the Group's loan payable decreased by ₱22,547 million versus December 31, 2020, this was partly driven by the Parent Company's early repayment of the outstanding term loans amounting ₱15,565 million as part of the change in use of IPO proceeds approved by the Board of Directors ("BOD") last August 9, 2021.

Interest Income

Interest income decreased by 68.4%, from ₱263 million in 2020 to ₱83 million in 2021 mainly due to recognition of gain on loan modification amounting to ₱165 million in 2020. In 2020, the Parent Company and financial institutions amended the fixed rate from 4.5% to 3.75% and extended the maturity from October 26, 2020 to October 26, 2023. This modification in the contractual cash flows was not substantial and therefore did not result in the derecognition of the affected financial liabilities. As a result of this, the Group recognized a gain.

Derivative Gain (Loss)

The Group recorded derivative losses of ₱2,258 million in 2021 compared to the derivative gains of ₱99 million in 2020. The derivative loss for 2021 was primarily due to the full settlement of Arran's convertible note last June 3, 2021, while the derivative gains pertain to the one-time gain due to the unwinding of the European Union Knockout Option.

Loss on Convertible Note Redemption

The Group recognized additional ₱1,579 million losses in 2021 on top of the derivative loss due to redemption of Arran's convertible note on June 3, 2021.

The derivative loss and the loss on convertible note redemption are due to the difference between the carrying value of convertible note and related derivative liability as at June 3, 2021, redemption date, and the amount that the Group paid upon redemption.

Income Before Income Tax

Income before income tax decreased by 58.9%, from ₱11,725 million in 2020 to ₱4,825 million in 2021 due to the one-off loss related to the redemption of Arran's convertible note, IPO-related expenses, and others as discussed above.

Total Income Tax Expense

Income tax expense decreased by 56.8%, from ₱3,659 million in 2020 to ₱1,580 million in 2021, due to the lower income tax rate under the Corporate Recovery and Tax Incentives for Enterprise ("CREATE") Act from 30% to 25%, the recognition of the actual loss on redemption of the convertible note, and the reversal of previously recognized deferred tax liability related to the said note. The decrease was partly offset by the effect of the increase in deferred tax liability primarily in Meat Alternative. The UK tax rate was announced to increase from 19% to 25% by April 2023. As a result of the change in tax rate in UK, the Group adjusted its deferred tax liability on its *Quorn* and *Cauldron* brand by ₱1,335.6 million to reflect the expected tax rate as at December 31, 2021. MNUKL also reflected impact of the super capital allowance for qualifying capital expenditures as at December 31, 2021. In accordance with PAS 12.46, *Income Taxes*, the current tax liabilities are measured at the amount expected to be paid to taxation authorities, using the rates/laws that have been enacted or substantially enacted as of the balance sheet date. The adjustment on deferred tax liability pertains to items such as the brand value of *Quorn* and *Cauldron*.

Reported Net Income (after tax)

As a result of the foregoing, net income declined by 59.8%, from ₱8,066 million in 2020 to ₱3,245 million in 2021. Net income as a percentage of net sales decreased by 7.2%, from 11.9% in 2020 to 4.7% in 2021.

For the year ended December 31, 2020 compared to year ended December 31, 2019

Net Sales

Net sales increased by 3.8% from ₱65,451 million in 2019 to ₱67,946 million in 2020 driven by an increase in the APAC BFB segment which was softened by a decline in the Meat Alternative segment.

APAC BFB

Net sales in the APAC BFB segment increased by 5.3% from ₱50,260 million in 2019 to ₱52,911 million in 2020. This increase was primarily due to higher net sales of noodles, culinary, and beverage products by the Company, which underwent double-digit growth in 2020 compared to 2019. This was driven mainly by volume increases and to a lesser extent, pricing. This was offset by negative product mix. Such higher sales of noodles, culinary, and beverage products in the Philippines was partially offset by lower net sales of biscuits in 2020 compared to 2019, primarily due to softer demand for this category due to the impact of the COVID-19 pandemic.

Meat Alternative

Net sales in the Meat Alternative segment decreased by 1.0% from ₱15,191 million in 2019 to ₱15,035 million in 2020. In British Pound terms, net sales increased by 2.6% from £230 million in 2019 to £236 million in 2020, primarily due to list price increases, lower promotional discounts, and product mix, partially offset by a reduction in sales volume reflecting the impacts of the COVID-19 pandemic.

Cost of Goods Sold

Cost of goods sold increased by 3.1% from ₱40,194 million in 2019 to ₱41,440 million in 2020 primarily due to an increase in volume in both segments. Cost of goods sold as a percentage of net sales slightly decreased by 0.4%, reflecting a decrease in overhead expenses as a result of increased production efficiency in APAC BFB and partially offset by the increase in direct materials and labor in both segments.

APAC BFB

Cost of goods sold in the APAC BFB segment increased by 4.6% from ₱30,564 million in 2019 to ₱31,983 million in 2020, driven by an increase in volume and an increase in prices of direct material costs, primarily palm and coconut oil. These increases were partially offset by lower prices of wheat and flour, tracking world prices for these commodities. Cost of goods sold in this segment, as a percentage of segment net sales, decreased by 0.4%, mainly due to the decrease in overhead costs as a percentage of segment net sales in 2020 resulting from increased production efficiency.

Meat Alternative

Cost of goods sold in the Meat Alternative segment decreased by 1.8% from ₱9,630 million in 2019 to ₱9,457 million in 2020 mainly due to a decrease in raw materials and overhead expense. Cost of goods sold in this segment, as a percentage of segment net sales decreased by 0.5%.

Gross Profit

Gross profit increased by 4.9% from ₱25,257 million in 2019 to ₱26,506 million in 2020, for the reasons discussed above. Gross margin increased by 0.4% from 38.6% in 2019 to 39.0% in 2020.

APAC BFB

Gross profit for the APAC BFB segment increased by 6.3% from ₱19,696 million in 2019 to ₱20,928 million in 2020, for the reasons discussed above. Gross margin increased by 0.4% from 39.2% in 2019 to 39.6% in 2020.

Meat Alternative

Gross profit for the Meat Alternative segment slightly increased by 0.3% from ₱5,561 million in 2019 to ₱5,578 million in 2020, for the reasons discussed above. Gross margin increased by 0.5% from 36.6% in 2019 to 37.1% in 2020.

Sales, General and Administrative Expenses

Sales, general and administrative expenses increased by 2.0% from ₱13,141 million in 2019 to ₱13,409 million in 2020, primarily due to increases in salaries and wages and other benefits partially offset by a reduction in miscellaneous expenses.

APAC BFB

Sales, general and administrative expenses in the APAC BFB segment increased by 2.6% from ₱9,224 million in 2019 to ₱9,462 million in 2020. The increase was mainly due to additional costs in salaries, wages and benefits, supplies and transportation costs, and donation and contributions to various institutions, partially offset by a reduction in advertising and promotional expenses and outside services due to lower merchandising fees due to the COVID-19 pandemic.

Meat Alternative

Sales, general and administrative expenses for the Meat Alternative segment slightly increased by 0.8% from ₱3,917 million in 2019 to ₱3,947 million in 2020. The slight increase was mainly due to additional costs in salaries, wages and benefits together with fringe benefits in relation to the strengthening of the management team as well as insurance costs, offset by lower miscellaneous expenses.

Core Income (After Tax)

Core Income (after tax) increased by 9.1%, from ₱8,595 million in 2019 to ₱9,380 million in 2020, for the reasons discussed above.

Core Income (After Tax) at Ownership

Core Income (after tax) increased by 11.3%, from ₱7,773 million in 2019 to ₱8,655 million in 2020, for the reasons discussed above.

Impairment Loss

Impairment loss increased by 28.2% from ₱791 million in 2019 to ₱1,014 million in 2020. In 2020, impairments were made mainly in the Meat Alternative segment and related to the introduction of a new forming production line which involved a new production process but resulted in fermentation capacity that was significantly lower than expected, and higher operating costs. The production line is still in use but the carrying value has been adjusted accordingly, and the Group expects that future capacity expansion projects will revert to established processes in the future. In 2019, impairments were made mainly to plant, property, and equipment in the APAC BFB segment in the Philippines due to initiatives that were not commercialized.

Share in Net Losses of Associates and Joint Ventures

Share in the net losses of associates and joint ventures decreased by 61% from ₱251 million in 2019 to ₱98 million in 2020, as a result of the decrease in the Group's ownership of SMFC from 45% to 25% in December 2019, and the consolidation of that entity in September 2020.

Foreign Exchange Gain – Net

Net foreign exchange gain increased by 938.6% from ₱88 million in 2019 to ₱914 million in 2020, primarily due to realization of gain on payment of US dollar and pound sterling denominated loans as a result of the strengthening of the Philippine Peso against the US dollar and pound sterling and unrealized foreign exchange gain on convertible notes which was pegged at US\$1: ₱52.186 while the Peso closing rate was US\$1: ₱48.036.

Gain/(Loss) on Sale of Property, Plant and Equipment

The Group recorded a gain in 2020 of ₱3 million from the sale of used machineries and equipment compared to a loss in 2019 of ₱82 million.

Miscellaneous Income

Miscellaneous income decreased by 30.6% from ₱356 million in 2019 to ₱247 million in 2020 due to reversal of provision for expected credit losses in 2019 partially offset by an increase in service income from Monde Malee, Dutch Mill and Dairy Plus.

Interest Expense (excluding recurring interest on Loans Payable and Trust Receipts Payable)

Interest expense decreased by 31.3% from ₱2,160 million in 2019 to ₱1,484 million in 2020. This decrease was primarily the result of repaying a portion of principal on the Group's borrowings as well as lower interest rates in 2020.

Interest Income

Interest income decreased by 13.5% from ₱304 million in 2019 to ₱263 million in 2020. This decrease was primarily due to settlement of MNA's loan to MNSPL in May 2019. Moreover, there was a reduction in money market placements in 2020 due to prioritization of repayment of loan and acceptances and trust receipts payable to secure favorable exchange rates. Gain on loan modification was more than offset by the decline in interest income from market placements.

Derivative Gain/(Loss)

The Group recorded derivative losses of ₱178 million in 2019 compared to derivative gains of ₱99 million in 2020, primarily due to the termination of CCS and EKO.

Income Before Income Tax

Income before income tax increased by 28.5% from ₱9,124 million in 2019 to ₱11,725 million in 2020.

Income Tax Expense

Income tax expense increased by 47.8% from ₱2,475 million in 2019 to ₱3,659 million in 2020. This increase was primarily due to the higher current income tax expense resulting from the increase in taxable income of the APAC BFB Business which was partially offset by a decline in the taxable income of the Meat Alternative segment. The effective tax rate increased by 4.1% from 27.1% in 2019 to 31.2% in 2020 primarily due to an increase in the deferred tax liability of the Meat Alternative segment where the forward-looking tax rate increased from 17% to 19%. The UK government did not proceed with its original proposals to reduce the tax rate. Further, current tax decreased in the Meat Alternative segment due to impairments relating to the BF1 production plant.

Reported Net Income (after tax)

As a result of the foregoing, net income increased by 21.3% from ₱6,649 million in 2019 to ₱8,066 million in 2020. Net income as percentage of net sales increased by 1.7% from 10.2% in 2019 to 11.9% in 2020.

For the year ended December 31, 2019 compared to year ended December 31, 2018

Net Sales

Net sales increased by 3.3% from ₱63,367 million in 2018 to ₱65,451 million in 2019. Both the APAC BFB and Meat Alternative segments grew due to a combination of list price increases and volume growth.

APAC BFB

Net sales in the APAC BFB segment increased by 3.9% from ₱48,389 million in 2018 to ₱50,260 million in 2019. The increase was primarily due to list price increases in the Philippines and volume growth, partly softened by deconsolidation of SMFC following divestment of 20% share. The noodles, biscuits, and beverage sales increased, with biscuits experiencing particularly strong growth. Noodles underwent low single digit growth as the impact of price increase was softened by volume decline. Meanwhile, biscuit experienced high single digit growth due to higher volumes driven by increased out-of-home consumption of *M.Y. San Grahams*. Beverage sales saw strong double-digit growth driven by the success in new channel development of *Dutch Mill Delight*.

Meat Alternative

Net sales in the Meat Alternative segment increased by 1.4% from ₱14,978 million in 2018 to ₱15,191 million in 2019. In British Pound terms, net sales before inter segment elimination increased by 4.5% from £220 million in 2018 to £230 million in 2019, driven by volume growth and lower promotional discounts.

Cost of Goods Sold

Cost of goods sold increased by 2.6% from ₱39,182 million in 2018 to ₱40,194 million in 2019 due to an increase in overhead costs. Cost of goods sold as a percentage of net sales decreased by 0.4% from 61.8% in 2018 to 61.4% in 2019, as increased overhead costs (as a percentage of net sales) were offset by decreased direct materials and labor costs.

APAC BFB

Cost of goods sold in the APAC BFB segment decreased by 2.3% from ₱31,289 million in 2018 to ₱30,564 million in 2019, mainly due to lower direct materials costs, in particular hard wheat and oil-based products such as palm and coconut oil, and shortening liquid, tracking world market prices for these commodities. Cost of goods sold in this segment as percentage of segment net sales decreased by 3.9% from 64.7% in 2018 to 60.8% in 2019, driven by the decline in direct materials prices as described herein.

Meat Alternative

Cost of goods sold in the Meat Alternative segment increased by 22.0% from ₱7,893 million in 2018 to ₱9,630 million in 2019 due to an increase in volume and an increase in raw materials costs, as some production was switched to third-party manufacturers, which were partly offset by lower direct labor costs. Moreover, the increase in overhead was the result of increased utility unit costs, investments in capability and capacity, higher maintenance costs and transport and delivery. Consequently, cost of goods sold as a percentage of segment net sales increased by 10.7% from 52.7% in 2018 to 63.4% in 2019.

Gross Profit

Gross profit increased by 4.4% from ₱24,185 million in 2018 to ₱25,257 million in 2019, for the reasons discussed above. Gross margin increased slightly by 0.4% from 38.2% in 2018 to 38.6% in 2019.

APAC BFB

Gross profit for the APAC BFB segment increased by 15.2% from ₱17,100 million in 2018 to ₱19,696 million in 2019, for the reasons discussed above. Gross margin increased by 3.9% from 35.3% in 2018 to 39.2% in 2019.

Meat Alternative

Gross profit for the Meat Alternative segment decreased by 21.5% from ₱7,085 million in 2018 to ₱5,561 million in 2019, for the reasons discussed above. Gross margin decreased by 10.7% from 47.3% in 2018 to 36.6% in 2019.

Sales, General and Administrative Expenses

Sales, general, and administrative expenses decreased by 11.9% from ₱14,917 million in 2018 to ₱13,141 million in 2019, primarily due to lower transportation/delivery, advertising and promotion expenses and bad debts, partially offset by an increase in miscellaneous expense as described in more detail below.

APAC BFB

Sales, general and administrative expenses in the APAC BFB segment slightly decreased by 1.2% from ₱9,336 million in 2018 to ₱9,224 million in 2019, as higher salaries and benefits and outside services were more than offset by reduced transportation/delivery and lower provision for bad debts in 2019 compared to 2018. The decrease in bad debt expense was due to the reversal in expected credit loss provision in 2019, which was booked in miscellaneous income compared to the initial expected credit loss provision from the initial adoption of PFRS 9.

Meat Alternative

Sales, general and administrative expenses in the Meat Alternative segment decreased by 29.8% from ₱5,581 million in 2018 to ₱3,917 million in 2019, primarily due to reduction in transport and delivery, advertising and promotional expense, partially offset by an increase in miscellaneous expenses due to headcount rationalization.

Core Income (After Tax)

Core Income (after tax) increased by 27.2%, from ₱6,756 million in 2018 to ₱8,595 million in 2019, for the reasons discussed above.

Core Income (After Tax) at Ownership

Core Income (after tax) increased by 28.1%, from ₱6,068 million in 2018 to ₱7,773 million in 2019, for the reasons discussed above.

Impairment Loss

Impairment loss decreased by 4.1% from ₱825 million in 2018 to ₱791 million in 2019. In 2019, impairments were made mainly to property, plant, and equipment in the Philippines due to initiatives that were not commercialized. In 2018, majority of the impairments for both property, plant, and equipment, as well as investments were booked in the Philippines, Thailand, and Singapore.

Share in Net Losses of Associates and Joint Ventures

Share in net losses of associates and joint ventures increased by 83.2% from ₱137 million in 2018 to ₱251 million in 2019 mainly due to losses in SMFC. Losses were driven by high customer returns, manufacturing overhead and selling and general administrative expense.

Foreign Exchange Gain – Net

Net foreign exchange gain decreased by 43.9% from ₱157 million in 2018 to ₱88 million in 2019, mainly driven by realized loss on the capital repatriation from Monde Nissin Singapore to the Company.

Gain/(Loss) on Sales of Property, Plant and Equipment

Loss on sale of property, plant and equipment increased by 382.4% from ₱17 million 2018 to ₱82 million in 2019.

Miscellaneous Income

Miscellaneous income decreased by 21.2% from ₱452 million in 2018 to ₱356 million in 2019. The decrease was mainly from the APAC BFB segment, resulted from the discontinuation of the Kellogg's/Pringles distribution arrangement and lower service income from *Dutch Mill*, partially offset by a reversal of provision for expected credit losses in 2019.

Interest Expense (excluding recurring interest on Loans Payable and Trust Receipts Payable)

Interest expense increased by 6.7% from ₱2,025 million in 2018 to ₱2,160 million in 2019. This increase was primarily due to interest payment on additional borrowings, amortization of transaction costs relating to the issuance of convertible notes, and the impact of recognition of interest expense on lease liability due to the implementation of PFRS 16 on January 1, 2019.

Interest Income

Interest income increased by 181.5% from ₱108 million in 2018 to ₱304 million in 2019, primarily due to higher amount of money market placements.

Income before Income Tax

Income before income tax increased by 31.4% from ₱6,946 million in 2018 to ₱9,124 million in 2019. The increase was mainly from the APAC BFB segment, for the reasons discussed above.

Income Tax Expense

Income tax expense increased by 8.3% from ₱2,286 million in 2018 to ₱2,475 million in 2019, mainly due to the increase in taxable income of the APAC BFB segment. Meanwhile, the effective tax rate decreased by 5.8% from 32.9% in 2018 to 27.1% in 2019 due to the higher effective tax rate in the APAC BFB segment in 2018 primarily due to the Company's loss on the sale of shares of MNA which is non-deductible for income tax calculation purposes.

Reported Income (after tax) from continuing operations

Net income after tax from continuing operation increased by 42.7% from ₱4,660 million in 2018 compared to ₱6,649 million in 2019, as a result of the foregoing.

Net Loss after Tax from Discontinued operations

Net loss after tax from discontinued operation was ₱1,932 million in 2018 compared to nil in 2019. The loss incurred in 2018 related primarily to the disposal of MNA following impairments on goodwill.

STATEMENT OF FINANCIAL POSITION

Financial condition as at December 31, 2020, compared to as at December 31, 2021

Current Assets

The Group's current assets increased by 48.6%, from ₱20,595 million as at December 31, 2020, to ₱30,613 million as at December 31, 2021. The increase was mainly due to higher cash and cash equivalents and inventories.

	December 31, 2021		December 31, 2020		Increase (Decrease)	
	Audited	% to Total (In %)	Audited	% to Total (In %)	Amount	In %
in ₱ millions, except percentages						
Cash and cash equivalents	13,857	45	7,093	34	6,764	95.4
Trade and other receivables	6,249	20	6,457	31	(208)	(3.2)
Inventories	8,572	28	6,073	30	2,499	41.1
Financial assets at fair value through profit or loss (FVTPL)	1	–	–	–	1	n/m
Loans receivable – Current	165	1	–	–	165	n/m
Prepayments and other current assets	1,769	6	972	5	797	82.0
Total	30,613	100.0	20,595	100	10,018	48.6

Cash and cash equivalents increased by 95.4%, from ₱7,093 million as at December 31, 2020, to ₱13,857 million as at December 31, 2021. This was mainly due to the remaining proceeds from IPO.

Inventories increased by 41.1%, from ₱6,073 million as at December 31, 2020, to ₱8,572 million as at December 31, 2021, primarily due to the increase in inventory in both business segments. APAC BFB increased its level of inventory for wheat and palm oil as part of mitigation plan to contain costs. For Meat Alternative, the increase in inventory was due to a low base, as it was recovering from forming capacity issues, lower volume demand, and the build-up of materials ahead of the new capacity that will be available.

Prepayments and other current assets increased by 99.1%, from ₱972 million as at December 31, 2020, to ₱1,935 million as at December 31, 2021, due to the excess payment of taxes in 2020 and Q1 2021 and higher unused creditable withholding tax (CWT) due to lower taxable income in 2021 as a result of the enactment of CREATE Act.

Noncurrent Assets

The Group's noncurrent assets increased by 8.5%, from ₱63,807 million as at December 31, 2020, to ₱69,244 million as at December 31, 2021. The increase was driven by higher property, plant and equipment, and intangible assets as described below.

	December 31, 2021		December 31, 2020		Increase (Decrease)	
	Audited	% to Total (In %)	Audited	% to Total (In %)	Amount	In %
in ₱ millions, except percentages						
Intangible assets	35,647	51	33,600	52	2,047	6.1
Property, plant and equipment	29,952	43	26,637	42	3,315	12.4
Investments in associates and joint ventures	1,094	2	1,024	2	70	6.8
Deferred tax assets – net	885	1	843	1	42	5.0
Noncurrent receivables	500	1	655	1	(155)	(23.7)
Other noncurrent assets	1,166	2	1,048	2	118	11.3
Total	69,244	100	63,807	100	5,437	8.5

Intangible assets increased by 6.1%, from ₱33,600 million as at December 31, 2020, to ₱35,647 million as at December 31, 2021, mainly due to the effect of foreign currency translation adjustments in MNUK.

Property, plant, and equipment increased by 12.4%, from ₱26,637 million as at December 31, 2020, to ₱29,952 million as at December 31, 2021, primarily due to the continued investments in improving the production capability and capacity of the Group. APAC BFB segment continued the construction of a new manufacturing facility in Malvar,

Batangas, the purchase of various machineries, and the construction of new noodle lines. The Meat Alternative segment's major investment pertains to the construction of the new fermentation equipment in its Belasis facility.

Investment in associates and joint ventures increased by 6.8%, from ₱1,024 million as at December 31, 2020, to ₱1,094 million as at December 31, 2021, mainly due to an additional ₱60 million investment to Calaca Harvest Terminal Inc.

Noncurrent receivable decreased by 23.7%, from ₱655 million as at December 31, 2020, to ₱500 million as at December 31, 2021, due to the reclassification of loan receivable from MNSG Holdings PTE Ltd from noncurrent to current as it will mature on July 23, 2022.

Other noncurrent assets increased by 11.3%, from ₱1,048 million as at December 31, 2020, to ₱1,166 million as at December 31, 2021, due to the increased advances to suppliers and deferred input VAT related to the Group's major equipment and construction/improvements as discussed above.

Current Liabilities

The Group's current liabilities increased by 6.9%, from ₱20,956 million as at December 31, 2020, to ₱22,409 million as at December 31, 2021. The increase was mainly due accounts and trust receipts payable offset by settlement of loans payable.

	December 31, 2021		December 31, 2020		Increase (Decrease)	
	Audited	%To Total (in %)	Audited	%To Total (in %)	Amount	%
In ₱ millions, except percentages						
Accounts payable and other current liabilities	11,156	50	10,141	48	1,015	10.0
Acceptances and trust receipts payable	3,715	17	606	3	3,109	513.0
Current portion of loans payable	6,999	31	9,559	46	(2,560)	(26.8)
Refund liabilities	304	1	280	1	24	8.6
Current portion of lease liabilities	97	–	88	1	9	10.2
Income tax payable	138	1	282	1	(144)	(51.1)
Total	22,409	100	20,956	100	1,453	6.9

Accounts payable and other current liabilities increased by 10%, from ₱10,141 million as at December 31, 2020, to ₱11,156 million as at December 31, 2021. The increase was due to higher capital expenditure this year as compared last year.

Acceptances and trust receipts payable increased by 513%, from ₱606 million as at December 31, 2020, to ₱3,715 million as at December 31, 2021. The increase was due to significant payments made in the last quarter of 2020 brought about by good cash flows and to take advantage of favourable exchange rates in 2020.

The current portion of loans payable decreased by 26.8%, from ₱9,559 million as at December 31, 2020, to ₱6,999 million as at December 31, 2021, primarily due to the repayment of outstanding loans payable of the Parent Company. As at December 31, 2021, loans of MFL, a wholly owned UK-based indirect subsidiary, was reclassified to current portion as MFL exceeded the gross leverage covenant threshold of 3.0x. To address this issue, on March 24, 2022, the Parent Company entered into a Guarantee Agreement with Citicorp International Limited (as agent for and on behalf of certain financial institutions) to guarantee the ₱7,059.4 million (£103.0 million) (see Note 29). The financial institutions formally granted a waiver of the covenant requirement on January 11, 2022, which became effective on March 24, 2022. The waiver is effective covering December 31, 2021 covenant requirement. Long-term loans payable presented as current as at December 31, 2021 amounted to ₱5,346.0 million (£78.0 million).

Refund liabilities increased by 8.6%, from ₱280 million as at December 31, 2020, to ₱304 million as at December 31, 2021 mainly due to timely actualization of returns as effect of process improvements.

Income tax payable decreased by 51.1%, from ₱282 million as at December 31, 2020, to ₱138 million as at December 31, 2021, mainly due to the excess payments in 2020 and Q1 2021 brought about by a lower income tax rate and lower taxable income in 2021.

Noncurrent Liabilities

The Group's noncurrent liabilities decreased by 75.5%, from ₱36,906 million as at December 31, 2020, to ₱9,033 million as at December 31, 2021, primarily due to the Group's repayment of bank loans and full settlement of Arran's convertible notes.

	December 31, 2021		December 31, 2020		Increase (Decrease)	
	Audited	In %	Audited	In %	Amount	%
in ₱ millions, except percentages						
Loans payable	0	0	19,986	54	(19,986)	(100.0)
Convertible notes	0	0	7,027	19	(7,027)	(100.0)
Deferred tax liabilities - net	5,702	64	4,200	12	1,502	35.8
Derivative liability	0	0	2,514	7	(2,514)	(100.0)
Lease liabilities	2,662	29	2,675	7	(13)	(0.5)
Pension liability	649	7	482	1	167	34.6
Other noncurrent liabilities	20	0	22	—	(2)	(9.1)
Total	9,033	100	36,906	100	(27,873)	(75.5)

Loans payable as at December 31, 2021 was nil from ₱19,986 million as at December 31, 2020, primarily due to the repayment of outstanding loans payable and reclassification of MNUK's loan from noncurrent to current. For more information on the reclassification, please refer to the discussion under current loans payable above.

Convertible notes and derivative liability were nil as at December 31, 2021 from ₱7,027 million and ₱2,514 million respectively due to the redemption of Arran's convertible note last June.

Deferred tax liabilities increased by 35.8%, from ₱4,200 million as at December 31, 2020, to ₱5,702 million at December 31, 2021, primarily due to increase in Meat Alternative. The increase pertains to increase in the tax rate in the UK from 19% to 25% by April 2023 and impact of super capital allowance of 130% on certain capital expenditures. In accordance with PAS 12.46, *Income Taxes*, the current tax liabilities are measured at the amount expected to be paid to taxation authorities, using the rates/laws that have been enacted or substantially enacted as at the balance sheet date. The adjustment on deferred tax liability pertains to items such as the value of the brand of *Quorn* and *Cauldron*.

Pension liability increased by 34.6%, from ₱482 million as at December 31, 2020, to ₱649 million as at December 31, 2021, which was based on December 31, 2021 actuarial valuation reports. The increase in pension liability was primarily due to change in disability benefit and death benefit.

Equity

The Group's total equity increased by 157.8%, from ₱26,540 million as at December 31, 2020, to ₱68,416 million as at December 31, 2021, due to the additional capital stock and the additional paid-in capital from the issuances of common shares during IPO and to MCI.

Financial condition as at December 31, 2019 compared to as at December 31, 2020

The following is a discussion of the Group's current and noncurrent assets and liabilities as at the year ended December 31, 2019 compared to the year ended December 31, 2020.

Current assets

The Group's current assets decreased by 15.4% from ₱24,335 million as at December 31, 2019 to ₱20,595 million as at December 31, 2020. The decrease was mainly due to lower cash and cash equivalents as discussed below.

	December 31, 2020		December 31, 2019		Increase (Decrease)	
	% to Total		% to Total			
	Audited	(In %)	Audited	(In %)	Amount	In %
	in ₱ millions, except percentages					
Cash and cash equivalents	7,093	34	10,499	43	(3,406)	(32.4)
Trade and other receivables	6,457	31	7,276	30	(819)	(11.3)
Inventories	6,073	30	5,859	24	214	3.7
Prepayments and other current assets	972	5	701	3	271	38.7
Total	20,595	100	24,335	100	(3,740)	(15.4)

Cash and cash equivalents decreased by 32.4% from ₱10,499 million as at December 31, 2019 to ₱7,093 million as at December 31, 2020. This was mainly due to repayment of acceptances and trust receipts payable and loans to secure favorable exchange rates.

Trade and other receivables decreased by 11.3% from ₱7,276 million as at December 31, 2019 to ₱6,457 million as at December 31, 2020, resulting from better trade credit management in both the APAC BFB and Meat Alternative segments.

Inventories increased by 3.7% from ₱5,859 million as at December 31, 2019 to ₱6,073 million as at December 31, 2020, primarily as a result of higher inventory in the Group's Meat Alternative segment which more than offset the lower inventory in the APAC BFB segment. The Meat Alternative segment was operating at deficient inventory level due to capacity constraint. The higher inventory level was a result of new capacity that came on-stream in 2020.

Prepayments and other current assets increased by 38.7% from ₱701 million as at December 31, 2019 to ₱972 million as at December 31, 2020, primarily as a result of consolidation of SMFC into the Group. In December 2019, the Company reduced its ownership from 45% to 25%. Subsequently, the Company entered into a share purchase agreement in September 2020 increasing its ownership from 25% to 80%. Although the purchase of the additional equity interest was completed in January 2021, the Group consolidated SMFC starting September 2020 since under the Share Purchase Agreement, management control was transferred to the Group on this date. SMFC's prepayment balances are mainly due to excess input VAT accumulated over the years. SMFC had been operating in a net purchase position.

Noncurrent assets

The Group's noncurrent assets increased by 3.6% from ₱61,619 million as at December 31, 2019 to ₱63,807 million as at December 31, 2020. The increase was mainly due to the increase in the Group's property, plant, and equipment as discussed below.

	December 31, 2020		December 31, 2019		Increase (Decrease)	
	% to Total		% to Total			
	Audited	(In %)	Audited	(In %)	Amount	In %
	in ₱ millions, except percentages					
Intangible assets	33,600	53	34,336	56	(736)	(2.1)
Property, plant and equipment	26,637	41	24,121	39	2,516	10.4
Investments in associates and joint ventures	1,024	2	993	2	31	3.1
Deferred tax assets – net	843	1	883	1	(40)	(4.5)
Noncurrent receivables	655	1	500	1	155	31.0
Other noncurrent assets	1,048	1	786	1	262	33.3
Total	63,807	100	61,619	100	2,188	3.6

Intangible assets decreased by 2.1% from ₱34,336 million as at December 31, 2019 to ₱33,600 million as at December 31, 2020, due to amortization and currency translation adjustments.

Property, plant, and equipment increased by 10.4% from ₱24,121 million as at December 31, 2019 to ₱26,637 million as at December 31, 2020, primarily as a result of the construction of a new manufacturing facility in Malvar, Batangas

for the Group's APAC BFB segment and the new fermenter in the Belasis facility for the Group's Meat Alternative segment. The Group also recorded an additional ₱1,262 million right of use asset mainly for the lease of lot for the Group's Malvar, Batangas facility and amendment of the Group's lease contract for its Santa Rosa facility.

Investment in associates and joint ventures increased by 3.1% from ₱993 million as at December 31, 2019 to ₱1,024 million as at December 31, 2020, primarily as a result of an additional ₱60 million investment in Calaca Harvest Terminal Incorporated in March 2020.

Deferred tax assets decreased by 4.5% from ₱883 million as at December 31, 2019 to ₱843 million as at December 31, 2020.

Noncurrent receivables increased by 31% from ₱500 million as at December 31, 2019 to ₱655 million as at December 31, 2020.

Other noncurrent assets increased by 33.3% from ₱786 million as at December 31, 2019 to ₱1,048 million as at December 31, 2020, primarily as a result of advance payments for the Group's major equipment and construction/improvements.

Current liabilities

The Group's current liabilities decreased by 12.1% from ₱23,846 million as at December 31, 2019 to ₱20,956 million as at December 31, 2020. The decrease was mainly due to repayments of the acceptances and trust receipts payable.

	December 31, 2020		December 31, 2019		Increase (Decrease)	
	Audited	% to Total (In %)	Audited	% to Total (In %)	Amount	In %
in ₱ millions, except percentages						
Accounts payable and other current liabilities	10,141	49	9,016	38	1,125	12.5
Acceptances and trust receipts payable	606	3	2,594	11	(1,988)	(76.6)
Current portion of loans payable	9,559	46	11,246	47	(1,687)	(15.0)
Refund liabilities	280	1	259	1	21	8.1
Current portion of lease liabilities	88	0	31	0	57	183.9
Income tax payable	282	1	700	3	(418)	(59.7)
Total	20,956	100	23,846	100	(2,890)	(12.1)

Accounts payable and other current liabilities increased by 12.5% from ₱9,016 million as at December 31, 2019 to ₱10,141 million as at December 31, 2020. This was mainly due to phasing of the Group's trade payables.

Acceptances and trust receipts payable decreased by 76.6% from ₱2,594 million as at December 31, 2019 to ₱606 million as at December 31, 2020, primarily as a result of repayment.

Current portion of loans payable decreased by 15.0% from ₱11,246 million as at December 31, 2019 to ₱9,559 million as at December 31, 2020, primarily as a result of the settlement of loans.

Refund liabilities increased by 8.1% from ₱259 million as at December 31, 2019 to ₱280 million as at December 31, 2020. The change was based on the different year-end estimates as required by PFRS 15.

Current portion of lease liabilities increased by 183.9% from ₱31 million as at December 31, 2019 to ₱88 million as at December 31, 2020, primarily as a result of the amendment of the Group's lease contracts with respect to its Santa Rosa facility.

Income tax payable decreased by 59.7% from ₱700 million as at December 31, 2019 to ₱282 million as at December 31, 2020, mainly due to the Meat Alternative segment's operating losses and tax payment phasing.

Noncurrent liabilities

The Group's noncurrent liabilities decreased by 5.1% from ₱38,886 million as at December 31, 2019 to ₱36,906 million as at December 31, 2020, primarily due to Group's partial payments of its loans partially offset by an increase in lease and pension liabilities. Details discussed below.

	December 31, 2020		December 31, 2019		Increase (Decrease)	
	Audited	% to Total (In %)	Audited	% to Total (In %)	Amount	In %
	in ₱ millions, except percentages					
Loans payable	19,986	54	22,776	59	(2,790)	(12.2)
Convertible notes	7,027	19	7,258	19	(231)	(3.2)
Deferred tax liabilities - net	4,200	11	3,929	10	271	6.9
Derivative liability	2,514	7	2,714	7	(200)	(7.4)
Lease liabilities	2,675	7	2,013	5	662	32.9
Pension liability	482	1	190	-	292	153.7
Other noncurrent liabilities	22	1	6	-	16	266.7
Total	36,906	100	38,886	100	(1,980)	(5.1)

Loans payable decreased by 12.2% from ₱22,776 million as at December 31, 2019 to ₱19,986 million as at December 31, 2020, primarily as a result of repayment of outstanding loans payable.

Convertible notes decreased by 3.2% from ₱7,258 million as at December 31, 2019 to ₱7,027 million as at December 31, 2020, primarily as a result of foreign exchange revaluation from the closing rate of ₱50.744 in 2019 to ₱48.036 in 2020.

Deferred tax liabilities increased by 6.9% from ₱3,929 million as at December 31, 2019 to ₱4,200 million as at December 31, 2020, primarily as a result of the adjustment in the Meat Alternative segment's forward-looking tax rate which changed from 17% to 19%. The U.K. government did not proceed with its original proposals to reduce the tax rate.

Derivative liability decreased by 7.4% from ₱2,714 million as at December 31, 2019 to ₱2,514 million as at December 31, 2020 due to the reversal of the derivative liability in the Group's GBP/PHP cross currency swap.

Lease liabilities increased by 32.9% from ₱2,013 million as at December 31, 2019 to ₱2,675 million as at December 31, 2020, primarily as a result of the Group's expansion in Malvar, Batangas and the amendment of the Group's existing lease contracts with respect to its Santa Rosa facility.

Pension liability increased by 153.7% from ₱190 million as at December 31, 2019 to ₱482 million as at December 31, 2020 based on the actuarial valuation report as of the reporting dates.

Other noncurrent liabilities increased by 266.7% from ₱6 million as at December 31, 2019 to ₱22 million as at December 31, 2020, primarily as a result of the consolidation of SMFC to the Group. In December 2019, the Company reduced its ownership from 45% to 25%. Subsequently, the Company entered in a share purchase agreement in September 2020 increasing its ownership from 25% to 80% which was completed in January 2021.

Equity

The Group's total equity increased by 14.3% from ₱23,222 million as at December 31, 2019 to ₱26,540 million as at December 31, 2020 due to the increase in retained earnings resulting from higher net income.

LIQUIDITY AND CAPITAL RESOURCES

Overview

The Group's principal sources of liquidity are cash flows from its operations, borrowings, and IPO proceeds. For the year ended December 31, 2021, and December 2019 the Group's cash flows from operations have been sufficient to provide cash for its operation, capital expenditures, and dividends requirements. The Group's borrowings in the year ended December 31, 2020, have been primarily used to refinance the Group's existing indebtedness. For the twelve months ended December 31, 2021, the Group's cash flows from operations were sufficient to provide for its operations, partial settlement of outstanding loans payable, and dividend payments. The IPO proceeds financed the Company's capital expenditures requirements, the redemption of Arran's convertible notes, and the settlement of Parent's outstanding loans payable as part of the change in use of IPO proceeds approved by BOD last August 2021, see Note 17 of Audited Consolidated FS.

The Group's principal requirements for liquidity are for purchases of raw materials and payment of other operating expenses, investments in production equipment, payment of cash dividends, and other working capital requirements. The cash flows of the Group are primarily from the operations of its APAC BFB Business. The Group expects that its operating cash flow will continue to be sufficient to fund its operating expenses for the foreseeable future. The Group also maintains long- and short-term credit facilities with various financial institutions, which can support any temporary liquidity requirements. Part of the operating cash flow will also be used to fund capital expenditures (CapEx). Any excess CapEx beyond the operating cash flow will be funded by the IPO proceeds or bank borrowings.

Cash Flows

The following discussion of the Group's cash flows for the year ended December 31, 2021, December 31, 2020, and December 31, 2019 should be read in conjunction with the statements of cash flows and notes included in Audited Consolidated Financial Statements.

The table below sets forth the principal components of the Group's statements of cash flows for the years indicated.

	2021	2020	2019
	in millions		
Net cash flows provided by operating activities	13,474	11,397	11,931
Net cash flows used in investing activities	(7,471)	(4,493)	1,178
Net cash flows from (used in) financing activities	686	(10,241)	(9,187)
Net increase in cash and cash equivalents	6,689	(3,337)	3,922
Effect of foreign exchange rate changes on cash and cash equivalents	75	(69)	-
Cash and cash equivalents at beginning of year	7,093	10,499	6,578
Cash and cash equivalents as at December 31,	13,857	7,093	10,500

Net cash flow provided by operating activities

The net cash flows provided by operating activities were ₱13,474 million for the year ended December 31, 2021. The Group's income before income tax for the year was ₱4,825 million. Cash generated from operations (after adjusting for, among other things, depreciation, and amortization, and working capital changes) was ₱13,928 million. The Group generated cash from interest received amounting to ₱82 million and paid income taxes of ₱537 million.

The net cash flows provided by operating activities were ₱11,397 million for the year ended December 31, 2020. The Group's income before income tax for this period was ₱11,725 million. Cash generated from operations (after adjusting for, among other things, depreciation, and amortization, and working capital changes) was ₱14,912 million. The Group generated cash from interest received amounting to ₱97 million and paid income taxes of ₱3,612 million.

Net cash flows provided by operating activities were ₱11,931 million for the year ended December 31, 2019. The Group's income before income tax for this period was ₱9,124 million. Cash generated from operations (after adjusting for, among other things, depreciation and amortization, and working capital changes) was ₱13,948 million. The Group generated cash from interest received of ₱303 million and paid income taxes of ₱2,320 million.

Net cash flows used in investing activities

The Group's net cash flows used in investing activities were ₱7,471 million for the year ended December 31, 2021. The cash outflow primarily for the Group's payments for CapEx of ₱5,216 million and MNC also bought the additional shares in MMYSC from MCI, amounting to ₱1,822 million, increasing its ownership to 100%.

The Group's net cash flows used in investing activities were ₱4,493 million for year ended December 31, 2020. The cash outflow primarily for the Group's payments for CapEx of ₱3,753 million.

The Group's net cash inflows from investing activities were ₱1,178 million for the year ended December 31, 2019. The main cash inflow from the Group's investing activities was the proceeds from loans receivable of ₱4,937 million, which was offset by cash outflows primarily from payments by the Group for Capital Expenditure of ₱3,660 million and investment in associates and joint ventures of ₱372 million.

Net cash flows used in financing activities

The net cash flows inflows in financing activities were ₱686 million for the year ended December 31, 2021. The net cash inflows amount consisted primarily of the IPO proceeds of ₱48,931 million additional paid-in capital (net of transaction costs). The cash outflow was primarily used in settlement of the outstanding loans amounting to ₱23,115 million, full settlement of Arran's convertible notes ₱13,352 million, cash dividends of ₱10,061 million, and interest expenses amounting to ₱1,437 million from bank loans, trust receipts, and cash variable interest from convertible notes.

The net cash flows used in financing activities were ₱10,241 million for the year ended December 31, 2020. This amount consisted primarily of the payment of loans of ₱4,336 million, cash dividends of ₱3,509 million and interest expense of ₱1,477 million, and the payment of lease liability of ₱846 million.

Net cash flows used for financing activities were ₱9,187 million for the year ended December 31, 2019. Proceeds from availment of loans of ₱14,454 million and convertible notes of ₱9,123 million were used to finance the Group's loan payments of ₱23,803 million. Moreover, key cash outflows were payment for interest expense of ₱2,361 million, the payment of debt issue costs of ₱467 million, and the payment of principal position of lease liability of ₱240 million. Cash dividends amounting to ₱5,878 million were paid during the period.

FINANCIAL RATIOS / KEY PERFORMANCE INDICATORS

The following are the major financial ratios that the Group uses and monitors.

The top five key performance indicators are Sales Growth, Gross Margin, Net Profit margin, Core EBITDA margin, and Core Return on equity.

	December 31, 2021	December 31, 2020	December 31, 2019
Current ratio	1.37	0.98	1.02
Acid test ratio	0.90	0.65	0.75
Solvency ratio	0.18	0.17	0.13
Debt-to-equity ratio	0.46	2.29	2.89
Asset-to-equity ratio	1.46	3.34	3.96

	For the 12 months ended December 31,		
	2021	2020	2019
Net Sales Growth	2.0%	3.8%	3.3%

Gross Margin	36.9%	39.0%	38.6%
Core Net Income After Tax margin (at ownership)	11.8%	12.7%	11.9%
Core EBITDA Margin	19.2%	22.9%	21.7%
Core Return on equity	17.5%	36.9%	35.7%
Core Return on assets	8.9%	10.2%	13.9%
Interest rate coverage ratio	4.0	7.4	4.6

The manners by which the ratios are computed are as follows:

Financial ratios	Formula
Current ratio	Current assets Current liabilities
Acid test ratio	Cash and cash equivalents + Current receivables+ Current Financial Assets Current liabilities
Solvency ratio	Net income attributable to equity holders of the Company + Depreciation and amortization Total liabilities
Debt-to-equity ratio	Total liabilities (current + noncurrent) Equity attributable to equity holders of the Company
Asset-to-equity ratio	Total assets (current + noncurrent) Equity attributable to equity holders of the Company
Interest rate coverage ratio	EBIT Interest Expense
Net Sales Growth	Current period net sales – prior period net sales Prior period net sales
Gross margin	Gross profit Net Sales
Core EBITDA Margin	Core EBITDA Net Sales
Net profit margin	Core Income after-tax at Ownership Net sales
Core Return on equity	Core income after-tax at Ownership Equity attributable to equity holders of the Company (average)*
Core Return on assets	Core income after tax at Ownership Total assets (average)*

Note:

* (average) means the average of the amounts from the beginning and end of the same period.

OTHER FINANCIAL DATA

I. EBITDA Reconciliation

The following tables set out EBITDA reconciliation with respect to the Group's business segments for the period indicated:

For the twelve months ended Dec 31, 2021 (Audited)			
	APAC BFB	Meat Alternative	Total
	(in ₱ millions)		
Income before Income Tax	4,335	490	4,825
Interest Expense	1,514	55	1,569
Interest Income	(82)	(1)	(83)
EBIT	5,767	544	6,311
Loss on Convertible Note Redemption	1,579	–	1,579
Derivative Loss	2,258	–	2,258
Foreign Exchange Loss (Gain) – Net	(412)	1	(410)
Non-recurring (IPO & COVID-19-related included in SG&A)	869	–	869
Impairment	(61)	284	223
Depreciation and Amortization Expense	1,829	642	2,471
EBITDA	11,829	1,471	13,300

For the twelve months ended December 31, 2020 (Audited)			
	APAC BFB	Meat Alternative	Total
	(in ₱ millions)		
Income before Income Tax	11,137	588	11,725
Interest Expense	1,517	269	1,786
Interest Income	(257)	(6)	(263)
EBIT	12,397	851	13,248
Derivative Gain	(99)	–	(99)
Foreign Exchange Gain – Net	(901)	(13)	(914)
Depreciation and Amortization Expense	1,642	661	2,303
Impairment	230	784	1,014
EBITDA	13,269	2,283	15,552

For the twelve months ended December 31, 2019 (Audited)			
	APAC BFB	Meat Alternative	Total
	(in ₱ millions) (audited)		
Income before Income Tax	7,913	1,211	9,124
Interest Expense	2,245	193	2,438
Interest Income	(298)	(6)	(304)
EBIT	9,860	1,398	11,258
Derivative (Gain) /Loss	178	–	178
Impairment Loss	679	112	791
Foreign Exchange Gain – Net	(136)	48	(88)
(Gain)/Loss on Sale of Shares	(14)	–	(14)
Depreciation and Amortization Expense	1,585	468	2,053
EBITDA	12,152	2,026	14,178

FINANCIAL LIABILITIES

The following table summarizes the Group's financial liabilities as at December 31, 2021 and December 31, 2020.

	2021					
	In ₱, in thousands					
	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	More than 5 Years	Total
Financial Liabilities						
Accounts payable and other current liabilities*	3,096,780	6,942,309	64,012	–	–	10,103,101
Loans payable	–	31	7,064,161	–	–	7,064,192
Acceptance and trust receipts payable	–	–	3,714,690	–	–	3,714,690
Lease liabilities	–	65,324	240,554	1,011,071	7,155,601	8,472,550
	3,096,780	7,007,664	11,083,417	1,011,071	7,155,601	29,354,533

	2020					Total
	In ₱, in thousands					
	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	More than 5 Years	
Financial Liabilities						
Accounts payable and other current liabilities*	4,694,075	4,986,731	59,042	–	–	9,739,848
Loans payable	–	518,168	9,839,682	21,227,318	–	31,585,168
Acceptance and trust receipts payable	–	–	605,902	–	–	605,902
Convertible note	–	–	603,370	7,818,485	–	8,421,855
Lease liabilities	–	35,731	151,811	1,124,135	7,598,833	8,910,510
	4,694,075	5,540,630	11,259,807	30,169,938	7,598,833	59,263,283

* Includes principal amount and interest expense.

Capital Expenditures

The Group's Capital Expenditures were primarily attributable to positioning the Group's APAC BFB Business and Meat Alternative Business to develop new business, expand the Group's production capacity and capability, and improve operational efficiencies. The Group invested in the construction of a new manufacturing plant, new production lines, and machineries.

The table below sets out the CapEx for the twelve months ended December 31, 2021, December 31, 2020, and December 31, 2019 of the Group:

	Twelve-Months ended December 31,		
	2021	2020	2019
	(in ₱ millions)		
APAC BFB	3,399	1,969	2,138
Meat Alternative	1,817	1,784	1,522
Total	5,216	3,753	3,660

In 2019, the Group completed the construction of a new facility in Porac, Pampanga at ₱1,021 million. The construction started in 2017.

In 2020, the Group started the construction of a new facility in Malvar, Batangas costing ₱815 million as at December 31, 2020. Moreover, the Group completed the construction of a new production line in M.Y San Calamba at ₱705 million. The construction started in 2019.

In 2021, the Group's major CapEx in its APAC BFB segment was primarily for the continued construction of a new manufacturing plant in Malvar Batangas, investment in machineries to improve operational machineries and new Noodles production line.

The Group's major Capital Expenditure in its Meat Alternative segment was mainly to increase production capacity primarily by investing in the fermenting and forming process in its Belasis facility from 2019 to 2020, as well as upgrade of its IT system.

In 2021, the Group's major CapEx in its Meat Alternative segment was mainly due to continued investment in capacity and capability, in particular in its Belasis Plant.

Off-Balance Sheet Arrangements

As at December 31, 2021, the Group did not have any material off-balance sheet arrangements or obligations that were likely to have a current or future effect on the Group's financial condition, revenues or expenses, results of operations, liquidity, Capital Expenditures, or capital resources.

Quantitative and Qualitative Disclosure of Market Risk

The Group's APAC BFB Business and Meat Alternative Business are exposed to various types of market risks in the ordinary course of business, including foreign currency risk, commodity price risk, interest rate risk, liquidity risk, and credit risk.

1. Foreign Currency Risk

The Group operates internationally and is exposed to foreign currency risk arising from currency fluctuations in respect of business transactions denominated in foreign currencies. The Group enters into derivative transactions to manage foreign currency risks, including currency swaps and currency options. For more information regarding the Group's foreign currency rate risk exposure and related derivative instruments, see Note 26 to the Audited Consolidated Financial Statements.

2. Commodity Price Risk

The Group is exposed to price volatility arising from the utilization of certain commodities as raw materials, packaging materials, and fuel in its production processes. To minimize the Group's risk of potential losses due to volatility of international crude and product prices, the Group enters into longer tenor contracts for commodities such as flour and palm oil. In the past, the Group utilized derivative instruments to mitigate the price movement of certain commodities.

3. Interest Rate Risk

The Group is exposed to interest rate risk arising from its long-term debt obligations with floating interest rates. The Group manages its interest rate risk by maintaining a balanced portfolio of fixed and variable rate loans and borrowings. For more information regarding the Group's interest rate risk exposure, see Note 26 to the Audited Consolidated Financial Statements

4. Liquidity Risk

The Group is exposed to the risk of not meeting its payment obligations when they fall due. The Group manages its liquidity risk by monitoring and maintaining a level of cash deemed adequate by management to finance the Group's operations, ensure continuity of funding, and mitigate the effects of fluctuations in cash flows. For more information regarding the Group's liquidity risk exposure, see Note 26 to Audited Consolidated Financial Statements.

5. Credit Risk

The Group is exposed to the risk that a counterparty may not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating (primarily trade receivables) and financing activities. The Group manages its credit risk by monitoring receivables from each customer. For more information regarding the Group's credit risk exposure, see Note 26 to the Audited Consolidated Financial Statements.

Contingencies

As at December 31, 2021, the Group is involved in various legal proceedings and regulatory assessments, and management believes that these proceedings will not have a material effect on the consolidated financial statements. Disclosure of additional details beyond the present disclosure may seriously prejudice the Group's position and negotiating strategy.

Commitments

The Group has capital commitments for acquisitions of machineries and building expansions amounting to ₱1,423.5 million, ₱1,624.8 million, and ₱1,333.3 million as at 2021, 2020 and 2019, respectively (see Note 27).

OTHER MATTERS

- There are no unusual items regarding the nature and amount affecting assets, liabilities, equity, net income, or cash flows, except those stated in Management's Discussion and Analysis of Financial Position and Financial Performance.
- There were no material changes in estimates of amounts reported in prior interim periods of the current year or changes in estimates of amounts reported in prior financial years.
- As at December 31, 2021, loans of MFL, a wholly owned UK-based indirect subsidiary, was reclassified to current portion as MFL exceeded the gross leverage covenant threshold of 3.0x. To address this issue, on March 24, 2022, the Parent Company entered into a Guarantee Agreement with Citicorp International Limited (as agent for and on behalf of certain financial institutions) to guarantee the ₱7,059.4 million (£103.0 million) (see Note 29). The financial institutions formally granted a waiver of the covenant requirement on January 11, 2022, which became effective on March 24, 2022. The waiver is effective and covers the December 31, 2021 covenant requirement. Long-term loans payable presented as current as at December 31, 2021 amounted to ₱5,346.0 million (£78.0 million).
- Below is the foreign exchange rate used in the translation of the Income Statement and Balance Sheet Items to Philippine Peso.

	Twelve months average		Closing Rate	
	For the period ended December 31,		As at December 31,	
	2021	2020	2021	2020
1GBP	67.7991	63.6620	68.5347	64.6228
1USD	49.2815	49.6241	50.2980	48.0360

Item 7. Financial Statements

The consolidated audited financial statements and supplementary schedules and parent company audited financial statements and supplementary schedules are filed as part of this report.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The Company has engaged the services of SyCip Gorres Velayo & Company (“SGV & Co.”) during the five most recent calendar years. There were no disagreements with SGV on any matter of accounting and financial disclosure.

Information on Independent Public Accountant

- a. The Company’s external auditor is SGV & Co. The Board, upon the recommendation of the Company’s Audit Committee (with Independent Directors Nina Perpetua D. Aguas as Chairman, and Delfin L. Lazaro and Marie Elaine Teo as members), approved the election of SGV & Co. as the Company’s independent auditor for 2021 based on its performance and qualifications, and fixed its remuneration amounting to ₱13,970,000, exclusive of value-added taxes.

The election of SGV & Co., and the fixing of its remuneration was approved by the stockholders at the annual stockholders’ meeting held on November 23, 2021.

- b. Representatives of SGV & Co. for the current year and for the most recently completed fiscal year are expected to be present at the annual stockholders’ meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

Pursuant to the General Requirements of Revised SRC Rule 68, Par. 3 (Qualifications and Reports of Independent Auditors), the Company has engaged SGV & Co. as external auditor, and Ms. Editha V. Estacio was the Partner-in-Charge for audit years 2020-2021 while Ms. Djole S. Garcia was the Partner-in-Charge for the audit years 2018 to 2019.

External Audit Fees and Services

Fees billed for the professional services rendered by the Company’s external auditor for the last three completed calendar years are as follows:

Year	Audit and Audit-Related Fees (in ₱)
2021	94,120,720.00
2020	23,298,702.00
2019	12,466,086.00

SGV & Co. was engaged by the Company to audit its annual and mid-year financial statements, review its prospectus in connection with the statutory and regulatory filings or engagements for the years ended 2021, 2020, and 2019, and initial public listing requirements. The audit-related fees include assurance and advisory services that are reasonably related to the performance of the audit or review of the Company’s financial statements pursuant to the regulatory requirements.

The Audit Committee has an existing policy to review and to pre-approve the audit and non-audit services rendered by the Company’s independent auditor. The Company is proscribed from engaging the independent auditor for certain non-audit services which are expressly prohibited by prevailing SEC regulations to be performed by an independent auditor for its audit clients. This is to ensure that the independent auditor maintains the highest level of independence from the Company, both in fact and appearance.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

(a) Information Required of Directors and of Executive Officers

(1) Directors and Executive Officers

In accordance with the Company's Amended By-Laws' Article I, Section 2.1, the Company's directors, i.e., the individual members of the Board, hold office for one (1) year or until their successors' election and qualification.

The following directors as of December 31, 2021 were elected during the Company's 2021 annual stockholders' meeting to serve for a term of one year:

Hartono Kweefanus, Chairperson Emeritus
Kataline Darmono, Chairperson
Hoediono Kweefanus, Vice-Chairperson
Betty T. Ang
Henry Soesanto
Monica Darmono
Delfin L. Lazaro, Lead Independent Director
Nina Perpetua D. Aguas, Independent Director
Marie Elaine Teo, Independent Director

A summary of the qualifications and personal data as of December 31, 2021 of the directors is set forth below.

Mr. Hartono Kweefanus, Indonesian, age 71, serves as the Company's Chairperson Emeritus and Director. He also serves as chairman of the board of directors of Monde M.Y. San Corporation, PT Khong Guan Biscuit Indonesia, and KBT International Holdings, Inc.; and as director of Monde Land, Inc., Monde Nissin Singapore Pte. Ltd., Monde Nissin International Investments Ltd., Monde Nissin Holdings (Thailand) Ltd., Monde Nissin New Zealand Limited, Suntrak Corporation, Monexco International Ltd., and Monde Nissin (Thailand) Co., Ltd. He graduated from Nanyang University, Singapore where he majored in Industrial and Business Management. Mr. Kweefanus has served as a Director of the Company for 42 years.

Ms. Kataline Darmono, Indonesian, age 43, serves as the Company's Chairperson of the Board. She currently serves on the board of directors of PT Wahana Mekar Lestari and PT Khong Guan Biscuit Indonesia. She received her Bachelor of Arts, majoring in Finance, from Lehigh University, Pennsylvania, US, and her Master of Business Administration from Pepperdine University in California, US. Ms. Darmono joined the Company as Non-Executive Director on April 12, 2021.

Mr. Hoediono Kweefanus, Indonesian, age 70, serves as the Company's Vice Chairman of the Board and Director. He is president and director of P.T. Nissin Biscuit and P.T. Monde Makkota; and serves as a director of Monde Nissin Singapore Pte. Ltd., Monde Nissin International Investments Ltd., Monde Nissin Holdings (Thailand) Ltd., Monde Nissin New Zealand Limited, KBT International Holdings, Inc., Monexco International Ltd., and Monde Nissin (Thailand) Co. Ltd. Mr. Kweefanus graduated from Nanyang University Singapore with a Bachelor of Commerce degree. Mr. Kweefanus has served as a Director of the Company for 9 years.

Ms. Betty T. Ang, Filipino, age 67, serves as the Company's President and Director. She also serves as a director of Suntrak Corporation. Ms. Ang graduated from Assumption College with a Bachelor of Science in Commerce, majoring in Business Management. Ms. Ang has served as President and a Director of the Company for more than 42 years. Ms. Ang has been with the Company since its incorporation on May 23, 1979 or for more than 42 years.

Mr. Henry Soesanto, Indonesian, age 69, serves as the Company's Executive Vice-President, Chief Executive Officer, and Director. He is the president of Monde M.Y. San Corporation, and likewise serves on the board of directors of Monde Land, Inc., Monde Rizal Properties, Inc., Monde Nissin Singapore Pte. Ltd., Monde Nissin UK Ltd., Monde Nissin International Investments Ltd., Monde Nissin Holdings (Thailand) Ltd., Monde Nissin New Zealand Limited, All Fit & Popular Foods Inc., Monde Nu Agri Corporation, Suntrak Corporation, KBT International Holdings, Inc., Sarimonde Foods Corporation, Monexco International Ltd., and Monde Nissin (Thailand) Co. Ltd. He is also the treasurer and a director at Monde Malee Beverage Corporation. Mr. Soesanto graduated from the Institute of Technology, Surabaya, Indonesia with a Bachelor of Science, majoring in Chemical Engineering, and a Master of Science in Chemical Engineering, and finished eCornell University, US's Plant-Based Nutrition Certificate Program. Mr. Soesanto has served as Director of the Company for 33 years. Mr. Soesanto has been with the Company for 40 years.

Ms. Monica Darmono, Indonesian, age 67, serves as the Company's Treasurer and Director. She is also the treasurer of KBT Holdings, Inc. and is the treasurer and a director at Monde Malee Beverage Corporation. Ms. Darmono also serves as director of Monexco International Ltd. She graduated from the Standard College of Singapore with a Bachelor of Science, majoring in Accounting. Ms. Darmono has served as Director of the Company for 16 years.

Mr. Delfin L. Lazaro, Filipino, age 75, served as an Independent Director of the Company from April 15, 2021 until April 27, 2022. As of December 31, 2021, he also serves on the board of directors of AC Industrial Technology Holdings, Inc., Ayala Corporation, AYC Holdings, Ltd., Purefoods International Limited, AC International Finance Limited, Integrated Micro-Electronics, Inc., and Globe Telecom, Inc. Mr. Lazaro is also the chairman and president of A.C.S.T. Business Holdings, Inc., Bellbridge Resources Corporation, Beyond Borders Medical Solutions, Inc., Lazaro Agricultural Corporation, DLL Shaw Holdings Corporation, DLL Woodstown Holdings Corporation, DLL Maunong Holdings Corporation. He is also the President and CEO of Quezon Avenue Holdings, Inc., the vice chairman and president of Asiacom Philippines, Inc., the treasurer of Probe Productions, Inc., and is an advisor to the board of Ayala Land, Inc. as well as being a member of the advisory council of the Bank of the Philippine Islands. He earned his Bachelor of Science in Metallurgical Engineering from the University of the Philippines, and his Masters of Business Administration (with distinction) from the Harvard Graduate School of Business. Mr. Lazaro joined the Company as Independent Director on April 15, 2021.

Ms. Nina Perpetua D. Aguas, Filipino, age 69, serves as an Independent Director of the Company. She also currently serves as the chairman of the boards of Insular Healthcare Inc., Insular Foundation, Inc., and Bank of Florida, and as a director of Unionbank of the Philippines, Pilipinas Shell Petroleum Corporation, and the Insurance Institute for Asia & the Pacific. She is a member of the World Bank Group's Advisory Council on Gender and Development, and an Independent Board Trustee and the Executive Chairman of Insular Life Assurance Co. She received her Bachelor of Science in Commerce, Accounting from the University of Santo Tomas. Ms. Aguas joined the Company as Independent Director on April 15, 2021.

Ms. Marie Elaine Teo, Singaporean, age 55, serves as an Independent Director of the Company. She also currently serves as a director of Mapletree Investments Pte Ltd, Mapletree Oakwood Pte Ltd, and ICHX Tech Pte Ltd; and as non-executive and independent director of Olam International Ltd, and GK Goh Holdings Ltd. Ms. Teo has around 20 years of public market investment experience. She was formerly the chairman of Capital International Research Group and managing director of Capital International Inc., Asia. At the Capital Group companies, she held oversight and board level responsibilities in Asia for global emerging markets and group operations across risk control, portfolio management, operations, human capital, and client services. Ms. Teo holds a Bachelor of Arts (Honours) in Experimental Psychology from Oxford University. Ms. Teo joined the Company as Independent Director on April 7, 2021.

The following are the Company's executive officers as of December 31, 2021:

Betty T. Ang, President
Henry Soesanto, Executive Vice-President and Chief Executive Officer
Monica Darmono, Treasurer
Marivic N. Cajucom-Uy, Chief Sustainability Officer
Helen G. Tiu, Chief Legal Officer, Corporate Secretary, and Data Protection Officer
Jesse C. Teo, Chief Financial Officer
Samuel C. Sih, Chief Commercial Officer
Michael J. Paska, Corporate Business Development and Investor Relations Director
Michael Stanley D. Tan, Chief Operations Officer
Melissa C. Pabustan, Chief Marketing Officer
Daniel Teichert, Chief Risk Executive
Jon Edmarc R. Castillo, Chief Compliance Officer
Shiela P. Alarcio, Chief Internal Audit Executive
Katherine C. Lee-Bacus, Assistant Corporate Secretary
Elvira S. Mensalvas, Quality Assurance Department Head
Romeo L. Marañon, Jr., Bakery Business Unit Head
Wendy T. Antioquia, Regional Research and Development Director
Luzviminda M. Mercurio, Human Resources Director

A summary of the qualifications and personal data as of December 31, 2021 of the executive officers is set forth below.

Ms. Marivic N. Cajucom-Uy, Filipino, age 57, serves as the Company's Chief Sustainability Officer. She has been with the Company since 1989, and has served in various capacities, including Sustainability Director, Internal Consulting Director, Core Business Strategy Director, Marketing Director, and Marketing Manager. Ms. Cajucom-Uy received her Bachelor of Arts in Economics (cum laude) from the University of the Philippines. Ms. Cajucom-Uy has been with the Company for 33 years.

Mr. Samuel C. Sih, Filipino, age 58, serves as the Company's Chief Commercial. He was previously manager of the Seiko Service Center Head Office. He has degrees in BS Commerce Major in Business Management, and Graduate Studies – Management from De La Salle University. Mr. Sih has been with the Company for 32 years.

Ms. Helen G. Tiu, Filipino, age 61, serves as the Company's Chief Legal Officer, Corporate Secretary, and Data Protection Officer. She serves as director and corporate secretary of Sarimonde Foods Corporation and Monde Malee Beverage Corporation; as a trustee of the Harvard Law School Alumni Association of the Philippines; as assistant corporate secretary for Philstar Daily, Inc., Pilipino Star Ngayon, Inc., and Pilipino Star Printing Co., Inc.; and as corporate secretary for Philstar Global Corporation and JS Publications (The Freeman) Co., Inc. Ms. Tiu also previously served as independent director for NiHAO Mineral Resources International, Inc., Asiabest Group International, Inc., and Dizon Copper Silver Mines, Inc.; as a director in Petron Corporation; as president of the Harvard Law School Alumni Association of the Philippines; as corporate secretary for Aboitiz Transport System Corporation (now 2Go Group, Inc.); as a partner in SGV & Co.; as head executive assistant to the Secretary of Energy at the Philippine Department of Energy; and as an instructor at the College of Business Administration, University of the Philippines. She is a member of the Integrated Bar of the Philippines, the UP Women Lawyers' Circle, Inc., the Good Governance Advocates and Practitioners of the Philippines (GGAPP), the Harvard Law School Alumni Association of the Philippines, and the Harvard Club of the Philippines Foundation, Inc. Ms. Tiu received her Bachelor of Science in Business Administration and Accountancy (cum laude) and Bachelor of Laws from the University of the Philippines, and her Master of Laws from Harvard University. Atty. Tiu has served as Corporate Secretary since May, 2014 and joined the Company as its Chief Legal Officer in July, 2017.

Mr. Jesse C. Teo, Filipino, age 50, serves as the Company's Chief Financial Officer. He also serves as director of Monde Nissin Singapore Pte. Ltd., Monde Nissin UK Ltd., Monde Nissin New Zealand Ltd., and

Sarimonde Foods Corporation. He graduated from the Ateneo de Manila with a degree in BS Management – Honours Program. Mr. Teo has been with the Company for seven years.

Mr. Michael J. Paska, American, age 52, serves as Corporate Business Development and Investor Relations Director of the Company. He was previously an independent consultant of ADB, and was connected with Edtech Capital Advisors, Amalgamated Investment Bancorporation, Fortman Cline Capital Markets, Groveland Capital, Whitebox Advisors, Wachovia Securities (now Wells Fargo), Progress Energy, Andersen Consulting (now Accenture), and the Central Intelligence Agency. He has a Bachelor of Science in Electrical Engineering from the University of Minnesota, a Master of Economics from North Carolina State University, and an MBA from the University of Chicago. Mr. Paska has been with the Company since 2019.

Mr. Michael Stanley D. Tan, Filipino, age 50, serves as the Company’s Chief Operations Officer. He has previously served in various capacities including Value Creation Officer and Supply Chain Director in his three plus years in the Company. Prior to joining MNC, Mr. Tan held various positions in Procter and Gamble in the Philippines, Vietnam, and Malaysia across the 4 Global Business Units including Senior Director and Supply Chain Manager. He also was appointed as Asia Internal Consultant for integrated Work System in Product Supply. He graduated Magna cum Laude from Silliman University with a degree in Bachelor of Science in Electrical Engineering.

Ms. Melissa Chua-Pabustan, Filipino, age 49, serves as Chief Marketing Officer of the Company. She was previously connected with RFM Corporation and has degrees in BS Applied Economics and BS Marketing Management from De La Salle University. Ms. Chua-Pabustan has been with the Company for 24 years.

Mr. Daniel Teichert, German, age 43, serves as the Company’s Chief Risk Executive. He has served in various financial management roles, including as Vice President Finance of the IT Sourcing Division at Siemens Inc. Philippines. He was also the CFO of ATOS Philippines, and Vice President Corporate — Head of Finance at Atlantic, Gulf and Pacific. He has degrees in Industriekaufmann (IHK, DE) from Siemens AG “Stammhauslehre,” Bachelor in Commercial Economics from Hogeschool Zeeland, NL, and Betriebswirt (VWA), Verwaltungs und Wirtschaftakademie, (Essen DE). Mr. Teichert has been with the Company since August, 2016.

Mr. Jon Edmarc R. Castillo, Filipino, age 34, is a member of the Philippine Bar and serves as the Company’s Chief Compliance Officer. He is a Certified Compliance Officer and was a Senior Associate at SyCip Salazar Hernandez & Gatmaitan, and Litigation, Labor, and Permits Manager of Philex Mining Corporation. He was also a researcher at the University of the Philippines Law Center. He is a member of the Philippine Institute of Arbitrators and the Good Governance Advocates and Practitioners of the Philippines. He received his J.D. from the University of the Philippines College of Law, and his Bachelor of Arts (magna cum laude), from the University of the Philippines — Diliman. Atty. Castillo has been with the Company since July, 2020.

Ms. Shiela P. Alarcio, Filipino, age 41, serves as the Company’s Chief Internal Audit Executive. She was previously the Head of Group Internal Audit at AIA PhilamLife, Head of Internal Audit at Splash Corporation, and senior audit manager at PricewaterhouseCoopers (Manila and London). She received her Bachelor of Science in Accountancy from St. Scholastica’s College. Ms. Alarcio has been with the Company since 2020.

Ms. Katherine C. Lee-Bacus, Filipino, age 32, serves as the Company’s Assistant Corporate Secretary. She was previously an Associate at SyCip Salazar Hernandez & Gatmaitan, a risk and internal audit associate at Isla Lipana & Co., and an audit specialist at Bank of the Philippine Islands. She received her J.D. from Ateneo Law School, and her Bachelor of Science in Accountancy (magna cum laude) from Saint Louis College. Atty. Lee-Bacus joined the Company in January, 2021.

Ms. Elvira S. Mensalvas, Filipino, age 59, serves as the Quality Assurance (QA) Department Head of the Company. Ms. Mensalvas has been with the Company for 30 years.

Mr. Romeo L. Marañon, Jr., Filipino, age 48, serves as the Head of the Bakery Business Unit of the Company. He previously worked in Monde Nissin Thailand Co. Ltd. as its National Sales Manager and Export Business Development Manager. He was also the New Business Development Director of the Company. Mr. Marañon, Jr. has been with the Company for 24 years.

Ms. Wendy T. Antioquia, Filipino, age 55, serves as Regional Research and Development Director of the Company. She was previously the General Manager-Biscuits and Wafer Business Unit of the Company. Ms. Antioquia has been with the Company for 28 years.

Ms. Luzviminda M. Mercurio, Filipino, age 56, serves as the Human Resource (HR) Director of the Company. She was previously the Vice President for HR-Training and Staffing at GE Consumer Finance, the HR and Organization & Talent Development Manager at Mondelez Philippines (previously Kraft Foods Philippines), the Regional Learning and Development Leader – ASEAN Region at General Electric, and the Chief Executive Officer of Strategic Learning and Professional Development Consulting. Ms. Mercurio joined the Company in 2021.

(2) Significant Employees

While the Company values the contribution of each of its executive and non-executive employees, the Company believes that there is no single executive or non-executive employee whose resignation or loss would have a material adverse impact on the Company's business.

(3) Family Relationships

Mr. Hartono Kweefanus, Mr. Hoediono Kweefanus, and Ms. Monica Darmono are siblings. Ms. Betty T. Ang is married to Mr. Hoediono Kweefanus. Mr. Henry Soesanto is married to Ms. Monica Darmono. Ms. Kataline Darmono is the daughter of Mr. Hartono Kweefanus.

There are no other known family relationships either by consanguinity or affinity up to the fourth civil degree between and among the Company's incumbent directors and executive officers.

(4) Involvement in Certain Legal Proceedings

To the best of the Company's knowledge and belief and after due inquiry, none of the directors, or the executive officers of the Group, in the five-year period prior to the date of this Annual Report, had: (1) any petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within a two-year period of that time; (2) been convicted by final judgment in a criminal proceeding, domestic or foreign, or has been subjected to a pending judicial proceeding of a criminal nature, domestic or foreign, excluding traffic violations and other minor offenses; (3) been subjected to any order, judgment, or decree, not subsequently reversed, suspended, or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities, or banking activities; or (4) been found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange, or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended, or vacated.

The Group is not involved in any litigation, arbitration, or claims (including personal injuries, employee compensation or product liability claims) of material importance, and the Group is not aware of any litigation, arbitration, or claims of material importance pending or threatened against it that would have a material adverse effect on its business, financial condition, or results of operations.

(b) Resignation of Directors

From Listing Date up to the present, no director has resigned or declined to stand for re-election to the Board due to any disagreement with the Company on any matter relating to the Company's operations, policies, or practices. Director Delfin Lazaro resigned on April 27, 2022 due to personal reasons.

(c) Others

Other matters on directors and executive officers such as the Committees of the Board, attendance in Board meetings, and trainings and continuing education programs, among others, are in Item 5 of the Company's 2021 Definitive Information Statement which are available in the Company's website and also found in the Company's portal at the PSE EDGE website.

Item 10. Executive Compensation

(a) Executive Compensation

The aggregate compensation paid or incurred during the last two calendar years, as well as those estimated to be paid in the ensuing calendar year, to the Company's Chief Executive Officer ("CEO") and the Company's senior executive officers are as follows:

Name and Principal Position	Year	Salary (in ₱PPP)	Bonus (in ₱PPP)	Others (in ₱PPP)	Total (in ₱PPP)
Betty Ang <i>President</i>					
Henry Soesanto <i>Chief Executive Officer & Executive Vice President</i>					
Tomasito D. Tiu ² <i>Vice President for Manufacturing</i>					
Marivic N. Cajucom-Uy <i>Chief Sustainability Officer</i>					
Samuel C. Sih <i>National Sales Director</i>					
Helen G. Tiu ³ <i>Chief Legal Officer,</i>					

² Mr. Tomasito D. Tiu was the Vice President for Manufacturing and had retired on March 31, 2021. He was one of the top five most highly compensated officers in 2020.

³ Atty. Helen G. Tiu replaced Mr. Tomasito D. Tiu as one of the top five most highly compensated officers in 2021.

Name and Principal Position	Year	Salary (in ₱PPP)	Bonus (in ₱PPP)	Others (in ₱PPP)	Total (in ₱PPP)
Corporate Secretary					
Michael Stanley Tan Chief Operations Officer					
Total compensation of the CEO and 5 most highly compensated officers ⁴					
	2020	28,859,466.00	112,665,726.00	0.00	141,525,192.00
	2021	42,680,238.00	118,264,793.00	2,325,125.00	163,270,156.00
	2022 (est.)	44,977,933.00	126,970,876.00	2,441,382.00	174,390,191.00
All other officers and directors as a group unnamed ⁵					
	2020	49,605,491.00	51,744,801.00	0.00	101,350,292.00
	2021	82,460,366.00	44,389,387.00	10,652,880.00	137,502,633.00
	2022 (est.)	71,796,088.00	57,676,685.00	20,512,880.00	149,985,653.00
Total					
	2020	78,464,957.00	164,410,527.00	0.00	242,875,484.00
	2021	125,140,604.00	162,654,180.00	12,978,005.00	300,772,789.00
	2022 (est.)	116,774,021.00	184,647,561.00	22,954,262.00	324,375,844.00

(b) Compensation of Directors

Under the Amended By-Laws' Article I, Section 5, "directors shall be entitled to receive from the [Company] fees and other compensation for their services in accordance with Section 29 of the Revised Corporation Code. In no case shall the total yearly compensation of [d]irectors exceed three percent (3.0%) of the net income before income tax of the [Company] during the preceding year. The Board's Corporate Governance, Nomination, & Remuneration (i.e., CGNR) Committee shall have the responsibility of recommending such fees and other compensation of [d]irectors. In discharging this duty, the CGNR Committee shall be guided by the principle that [d]irectors should be fairly remunerated for their performance and for work required and responsibility assumed in a company of the [Company's] size and scope."

(1) Standard Arrangements

Other than payment of reasonable per diems for the attendance by independent directors at the meetings of the Board and of Board Committees, there are no other arrangements pursuant to which the directors are compensated, directly or indirectly, for any services provided as a director and for their committee participation or special assignments.

⁴ CEO and Executive Vice President Mr. Henry Soesanto, President Ms. Betty T. Ang, Vice President for Manufacturing Mr. Tomasito D. Tiu, Chief Sustainability Officer Ms. Marivic N. Cajucom-Uy and Chief Commercial Officer Mr. Samuel C. Sih were the top five most highly compensated officers in 2020. Mr. Tomasito D. Tiu, who was one of the top five most highly compensated officers in 2020 retired on March 31, 2021 and was replaced on the list by Chief Legal Officer Atty. Helen G. Tiu. Atty. Helen G. Tiu will reach mandatory retirement age and will be retiring in July, 2022. Atty. Tiu will be replaced by Michael Stanley Tan as one of the top five most highly compensated officers in 2022. Unlike Mr. Henry Soesanto, Ms. Betty T. Ang, Ms. Marivic N. Cajucom-Uy, Mr. Samuel C. Sih and Mr. Tomasito D. Tiu who have been with the Company for over 30 years and have low salary bases but high bonus bases, Chief Legal Officer Atty. Helen G. Tiu and Chief Operations Officer Mr. Michael Stanley Tan were hired at a high salary base but with a lower bonus base. Consequently, the salary base markedly increased in 2021 and 2022 compared to 2020 due to the higher salary base of Atty. Helen G. Tiu and Mr. Michael Stanley Tan, but the bonus compensation did not increase proportionately with the salary increase. The bonus compensation of the Company's executive officers is dependent on Company performance. In 2022, the executives' base salaries were only increased by less than 5.0% or an adjustment for inflation applicable to all employees of the Company.

⁵ The salary of "All Other Officers and Directors as a Group Unnamed" decreased in 2022 compared to 2021 as the salaries of one of the officers who retired in September 2021, and of Chief Operations Officer Michael Stanley D. Tan, who in 2022 is among the top six most highly compensated officers, are included in the unnamed group in 2021.

On March 1, 2021, the Board approved a resolution fixing the current meeting fees of independent directors, as follows:

Board Meeting Fee per meeting attended (per diem)	240,000.00
Board Committee Meeting Fee per meeting attended (per diem)	₱ 120,000.00

Directors who are not independent directors do not receive meeting fees or any other remuneration. The foregoing meeting fees were determined before the current independent directors became members of the Board. The current independent directors did not participate in the determination of said meeting fees.

In accordance with the requirement of the Revised Corporation Code's Sections 29 and 49 relating to an annual report of the total compensation of each director, below is a table showing the gross compensation received by the directors in 2020 and 2021 and those estimated to be payable in 2022. In 2020, or prior to the Company's IPO in 2021, the Company had no independent directors, and there were thus no per diems, fees, or other compensation paid out to directors:

	2020 (in ₱)		2021 (in ₱)			2022 - estimate (in ₱)		
	Board meetings	Committee meetings	Board meetings	Committee meetings	Total	Board Meetings	Committee Meetings	Total
Non-independent directors	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Independent directors								
Delfin L. Lazaro	-	-	1,920,000.00	1,680,000.00	3,600,000.00	480,000.00	1,080,000.00	1,560,000.00
Nina Perpetua D. Aguas	-	-	1,920,000.00	1,080,000.00	3,000,000.00	1,680,000.00	1,440,000.00	3,120,000.00
Marie Elaine Teo	-	-	1,920,000.00	1,080,000.00	3,000,000.00	1,680,000.00	1,440,000.00	3,120,000.00
Total	0	0	5,760,000.00	3,840,000.00	9,600,000.00	5,040,000.00	4,920,000.00	9,960,000.00

(2) Other Arrangements

Other than as disclosed above, there are no arrangements pursuant to which any of the directors were compensated or are to be compensated, directly or indirectly, by the Company for services rendered as directors or Board Committee officers during the last calendar year, and the ensuing calendar year.

In 2020, there were no Board Committees. All the current Board Committees were created by the Board at its meeting on March 1, 2021. Moreover, in 2020, there were no independent directors. Accordingly, no per diem was paid to any independent director in 2020. As aforementioned, directors who are not independent directors do not receive meeting fees nor any other form of remuneration as directors. Thus, no meeting fees or any other form of remuneration were incurred or paid to directors for their services as directors in 2020.

(c) Employment Contracts and Termination of Employment and Change-in-Control Arrangements

There are no employment contracts between the Company and its executive officers.

There are neither special compensatory plans nor arrangements with respect to an executive officer that has resulted or will result from the resignation, retirement, or any other termination of such executive officer's employment with the Company, or from a change-in-control of the Company, or a change in an executive officer's responsibilities following a change in control of the Company.

(d) Warrants and Options Outstanding: Repricing

There are no outstanding warrants or options held by the CEO, by executive officers, nor by all directors and officers as a group.

Item 11. Security Ownership of Certain Beneficial Owners and Management

(a) Security Ownership of Certain Record and Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners of more than 5% as of December 31, 2021:

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent (of total outstanding shares)
Common	Hartono Kweefanus JL Syamsurizal Kota Adm. Jakarta Pusat, Indonesia (Director)	Hartono Kweefanus (same as record owner)	Indonesian	4,214,244,600	23.453%
Common	Hoediono Kweefanus ⁶ JL Raya Darmo 65 Surabaya, Indonesia (Director)	Hoediono Kweefanus (same as record owner)	Indonesian	948,324,600	5.278%
Common	Betty T. Ang ⁷ 45B Park Terraces Condominium, Palm Drive, Ayala Center, Makati (Director)	Betty T. Ang (same as record owner)	Filipino	3,265,920,000	18.176%
Common	Henry Soesanto ⁸ Unit 45A, Discovery Primea Suites 6749 Ayala Avenue, Brgy. Urdaneta (Director)	Henry Soesanto (same as record owner)	Indonesian	1,548,681,396	8.619%
Common	My Crackers, Inc. 1763 P.M. Guanzon St. Paco, Manila	Keng Sun Mar Peter Mar	Filipino	1,228,611,496	6.838%
Common	PCD Nominee Corporation (Non-Filipino) ⁹ Philippine Depository & Trust Corp., 29 th Floor, BDO	PCD participants acting for themselves or for their customers ¹⁰	Various Non-Filipino	4,503,432,369	25.063%

⁶ Mr. Hoediono Kweefanus is the spouse of Ms. Betty T. Ang. As such, under Rule 3.1.2 of the SRC Implementing Rules and Regulations (“SRC IRR”), Mr. Hoediono Kweefanus is deemed to have an indirect beneficial interest in Ms. Betty Ang’s 3,265,920,000 shares.

⁷ Ms. Betty T. Ang is the spouse of Mr. Hoediono Kweefanus. As such, under the SRC IRR, Ms. Betty Ang is deemed to have an indirect beneficial interest in Mr. Hoediono Kweefanus’s 948,324,600 shares.

⁸ Mr. Henry Soesanto is the spouse of Ms. Monica Darmono. As such, under the SRC IRR, Mr. Henry Soesanto is deemed to have an indirect beneficial interest in Ms. Monica Darmono’s 765,897,596 shares.

⁹ PCD Nominee Corporation is the registered owner of the shares in the books of the Company’s stock transfer agent. PCD Nominee Corporation is a corporation wholly owned by the PDTC, whose sole purpose is to act as nominee and legal title holder of all shares of stock lodged in the PDTC. PDTC is a private corporation organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. Under the PDTC’s current system, only PCD participants (i.e., brokers and custodians) are recognized by the PDTC as the owners of the lodged shares.

¹⁰ Each beneficial owner of shares through a PCD participant (i.e., brokers and custodians) is the beneficial owner to the extent of the number of shares in his/her/its account with the PCD participant. Based on the reports provided to the Company by the STA, out of the PCD Nominee Corporation account, the following PCD participants hold more than 5% of the Company’s outstanding capital stock for various trust accounts as of December 31, 2021: 1,782,907,602 common shares or 9.922% of the voting stock is for the account of BDO Securities Corporation, 1,263,637,748 common shares or 7.032% of the voting stock is for the account of The Hong Kong and Shanghai Banking Corp. Ltd. – Clients’ Acct, and 1,168,860,585 common shares or 6.505% of the voting stock is for the account of Standard Chartered Bank.

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent (of total outstanding shares)
	Equitable Tower 8751 Paseo de Roxas, Makati City				
Common	PCD Nominee Corporation (Filipino) Philippine Depository & Trust Corp., 29 th Floor, BDO Equitable Tower 8751 Paseo de Roxas, Makati City	PCD participants acting for themselves or for their customers	Various Filipino	1,108,484,431	6.169%

(2) Security Ownership of Directors and of Management (Executive Officers) as of December 31, 2021:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent (of total outstanding shares)
DIRECTORS				
Common	Hartono Kweefanus	(direct) 4,214,244,600	Indonesian	23.4534%
Common	Hoediono Kweefanus ¹¹	(direct) 948,324,600	Indonesian	5.2777%
Common	Betty T. Ang ¹²	(direct) 3,265,920,000	Filipino	18.1757%
Common	Henry Soesanto ¹³	(direct) 1,548,681,396	Indonesian	8.6188%
Common	Monica Darmono ¹⁴	(direct) 765,897,596	Indonesian	4.2624%
Common	Delfin L. Lazaro ¹⁵	(direct and indirect) 740,002 Henry Soesanto is the beneficial owner of 2 shares	Filipino	0.0041%
Common	Nina Perpetua D. Aguas ¹⁶	(direct and indirect) 252,002 Henry Soesanto is the beneficial owner of 2 shares	Filipino	0.0014%
Common	Kataline Darmono	(direct) 2 Monica Darmono is the beneficial owner of 2 shares	Indonesian	0.0000%
Common	Marie Elaine Teo	(direct) 2 Monica Darmono is the beneficial owner of 2 shares	Singaporean	0.0000%
CEO and Four Most Highly Compensated Officers				
Common	Betty T. Ang	(direct) 3,265,920,000	Filipino	18.1757%
Common	Henry Soesanto (CEO)	(direct) 1,548,681,396	Indonesian	8.6188%
Common	Marivic N. Cajucom-Uy	(direct) 395,000	Filipino	0.0022%
Common	Samuel C. Sih	(direct) 3,300,000	Filipino	0.0184%
Common	Helen G. Tiu	(direct) 4,000,000	Filipino	0.0223%
Other Executive Officers				
Common	Wendy T. Antioquia	(direct) 1,093,000	Filipino	0.0061%
Common	Jesse C. Teo	(direct) 750,000	Filipino	0.0042%
Common	Romeo L. Marañon, Jr.	(direct) 508,500	Filipino	0.0028%
Common	Melissa C. Pabustan	(direct) 375,000	Filipino	0.0021%
Common	Elvira S. Mensalvas	(direct) 255,000	Filipino	0.0014%

¹¹ Mr. Hoediono Kweefanus is the spouse of Ms. Betty T. Ang. Please refer to footnote 8.

¹² Ms. Betty T. Ang is the spouse of Mr. Hoediono Kweefanus. Please refer to footnote 9.

¹³ Mr. Henry Soesanto is the spouse of Ms. Monica Darmono. Please refer to footnote 10.

¹⁴ Ms. Monica Darmono is the spouse of Mr. Henry Soesanto. As such, under the SRC IRR, Ms. Monica Darmono is deemed to have an indirect beneficial interest in Mr. Henry Soesanto's 1,548,681,396 shares.

¹⁵ As of December 31, 2021, Mr. Delfin L. Lazaro's has indirect beneficial ownership over the 370,000 shares held by a company he controls.

¹⁶ Ms. Nina Perpetua D. Aguas has indirect beneficial ownership over the 252,000 shares held by her spouse.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent (of total outstanding shares)
Common	Michael Stanley D. Tan ¹⁷	(direct and indirect) 200,000	Filipino	0.0011%
Common	Michael J. Paska	(direct) 75,000	American	0.0004%
Common	Daniel Teichert	(direct) 105,700	German	0.0006%
Common	Shiela P. Alarcio	(direct) 37,500	Filipino	0.0002%
Common	Jon Edmarc R. Castillo	(direct) 35,000	Filipino	0.0002%
Common	Katherine C. Lee-Bacus	(direct) 15,000	Filipino	0.0001%
Common	Luzviminda M. Mercurio	(direct) 10,000	Filipino	0.0001%
All Directors and Officers as a group		10,755,214,900		59.8532%

(3) Voting Trust Holders of 5% or more

The Company knows of no person holding more than 5% of common shares under a voting trust or similar agreement.

(4) Changes in Control

No change of control in the Company has occurred since the beginning of its last calendar year.

Item 12. Certain Relationships and Related Transactions

The Group, in its regular conduct of business, has entered into transactions with associates and other related parties principally consisting of advances and reimbursement of expenses, purchase and sale of trade inventory/merchandise, leasing, and administrative service agreements. Sales and purchases of goods and services to and from related parties are made on an arm's length basis and at current market prices at the time of the transactions. Under the Company's Material Related Party Transactions Policy, material related party transactions are subject to review by the Board's Risk and Related Party Transactions Committee for endorsement to and further approval by the Board.

The Company's directors and employees are required to promptly disclose any business and family-related transactions with the Company to ensure that they are at arm's length, under fair terms, and will inure to the Company's and its shareholders' best interest in accordance with applicable laws and regulations.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

The Company has a robust good governance culture in place. Its Articles of Incorporation, Amended By-Laws, Manual on Corporate Governance ("**CG Manual**"), Code of Conduct and Ethics, together with the respective charters of its Board of Directors and the Board Committees, as well as its Company policies, incorporate the principles and best practices of corporate governance embodied in the Revised Corporation Code of the Philippines and the corporate governance-related issuances of the SEC, as well as the Listing and Disclosure Rules of the PSE. The inclusion of good governance principles in the foregoing documents, and the adoption of the best practices of corporate governance Company-wide, highlight the Company's commitment to observing the highest standards of corporate governance.

Adherence to Good Corporate Governance Principles.

The Company's Board spearheads the promotion and observance of good corporate governance. In line with the principles and recommendations under the SEC's MC No. 19, Series of 2016, or the *Code of Corporate Governance for Publicly-Listed Companies* ("**CG Code**"), the Board has approved the adoption of the Company's (a) key Board charters to guide its members in the Board's oversight functions, *i.e.*, the Board Charter, the Audit Committee Charter, the Risk and Related Party Transactions Committee Charter, the Corporate Governance, Nomination, and Remuneration Committee Charter, and the Executive Committee Charter; (b) CG Manual, and Code of Conduct and Ethics; and (c)

¹⁷ Mr. Michael Stanley D. Tan has indirect beneficial ownership over the 20,000 shares held by his spouse.

other key governance policies (*i.e.*, Conflict of Interest, Data Privacy, Prevention of Insider Trading, Whistleblowing, Material Related Party Transactions, Guidelines and Limitations re Engaging External Auditors for Non-Audit Services).

To promote an exchange of diverse viewpoints, the Board is made up of nine (9) individuals with diverse ethnic, professional, business, educational, and cultural backgrounds. To enhance its ability to perform its oversight function over management, the Board is composed of six (6) non-executive directors who are not involved in the day-to-day operations of the Company. To show its commitment to gender diversity, the Company has appointed five (5) female directors as the majority members of its nine (9)-member Board. One-third of the members of the Board consists of independent directors who are known in the business sector as men and women of competence, integrity, and probity.

In compliance with leading practices on corporate governance, the Board has (a) elected a Chairman who is a separate person from its President as well as its Chief Executive Officer; (b) created a five-member Executive Committee where at least one director out of its five members is an independent director so that the interest of the minority shareholders may be considered; and (c) created board oversight committees (*i.e.*, Audit Committee, Risk and Related Party Transactions Committee, and Corporate Governance, Nomination, and Remuneration Committee), the members of which are **entirely** made up of independent directors. Furthermore, at its organizational meeting on November 23, 2021, the Board designated a lead independent director consistent with the recommendation of the CG Code.

The Board and the Board Committees meet regularly in accordance with the Company's By-Laws and CG Manual to discuss corporate matters as well as to formulate, review, and assess governance controls and procedures. For the year 2021, the Board had 13 meetings, its Executive Committee, six meetings, its Audit Committee, three meetings, its Risk and Related Party Transaction Committee, three meetings, and its Corporate Governance, Nomination and Remuneration Committee, three meetings.

In compliance with prevailing SEC regulations and the disclosure requirements implemented by the PSE, the Company's structured and unstructured disclosures and other information, as well as its Articles of Incorporation, By-Laws, CG Manual, Code of Conduct and Ethics, the Board and the Board Committee Charters, and key policies, are accessible by investors and the general public through the Company's website and the Company's portal at the PSE EDGE website.

From the effectivity of its CG Manual to the date of this report, there is no known material deviation from the Company's compliance with its CG Manual.

Evaluating Compliance.

The Company's CG Manual recognizes that the best measure of compliance evaluation is an assessment process. Accordingly, under the CG Manual, the Board is tasked to regularly carry out evaluations to appraise its performance as a body. Following its listing on June 1, 2021, the Company shall also submit to regulators and disclose to the investing public its Integrated Annual Corporate Governance Report for the covered months of 2021 when it becomes due on May 30, 2022.

Continuing Improvement.

In accordance with the CG Manual, the Board, together with Management, has undergone the required annual trainings on corporate governance for 2021. The Board and the Company's key executive officers intend to regularly participate and attend compliance and governance trainings and seminars given by leading service providers to ensure that they are aligned with the developments in and/or best practices on good corporate governance, ESG initiatives and/or financial reporting.

Professional advisors in the fields of legal, audit/assurance, compensation benchmarking, compliance, risk, and sustainability consulting have been or are being engaged by the Company, as necessary, to help ensure its compliance with best-in-field practices and that its ESG framework remains robust and current.

The Company, led by the Board, Management, and the heads of its Audit, Compliance, Legal, and Risk functions, continues to monitor and evaluate policies and operations to ensure compliance with good governance principles.

PART V - EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits

Please see the accompanying 2021 Consolidated Audited Financial Statements and Supplementary Schedules (Annex A), 2021 Parent Company Audited Financial Statements and Supplementary Schedules (with BIR ITR Filing Reference) (Annex B), and 2021 Sustainability Report (Annex C).

(b) Reports on SEC Form 17-C

Aside from compliance with periodic reporting requirements, the Company promptly discloses major and market sensitive information in accordance with the PSE's Listing and Disclosure Rules.

The Company submitted SEC form 17-C and Press Statements to PSE and SEC, on the following matters in 2021:

1. Company's listing on the main board of the PSE
2. Stabilization activities
3. Stabilization period closing date
4. Amendments to the Company's By-Laws and Manual on Corporate Governance
5. Postponement of annual stockholders' meeting
6. Approval by the Company's Board of Directors of the change in use of IPO proceeds
7. Results of the first half 2021 financial performance
8. Briefing materials for analysts'/investors' and media briefing
9. Memorandum of Agreement between the Company and Small Business Corporation
10. Clarification of Bilyonaryo.com article titled "Party pooper: Monde drops 8% after 'cornerstone investor' dumps P1.4B stake in the market"
11. Change in directors and/or officers
12. Notice of annual stockholders' meeting
13. Notice of analysts'/investors' briefing
14. Notice of media briefing
15. Results of the nine months 2021 financial performance
16. Change in use of proceeds from the Company's IPO
17. Results of the annual stockholders' meeting
18. Results of the organizational board meeting
19. Approval by the Company's Board of Directors for the Company's issuance of a parent company guarantee in connection with the loan obligations of the Company's wholly-owned, UK-based indirect subsidiary Marlow Foods Limited

SIGNATURES

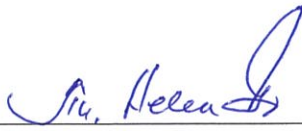
Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on May 13, 2022.

By:


Henry Soesanto
Chief Executive Officer and
Executive Vice President


Jesse C. Teo
Chief Financial Officer


Enrico Manuel Peñas
Accounting Controller

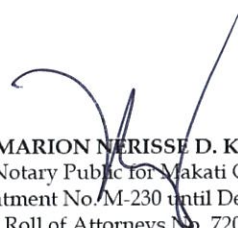

Helen G. Tiu
Chief Legal Officer and
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 13th day of May 2022 in Makati City, affiants exhibiting to me their competent evidence of identity, as follows:

NAMES	COMPETENT EVIDENCE OF IDENTITY	DATE OF ISSUE	PLACE OF ISSUE
Henry Soesanto	Indonesian Passport No. C1226256	July 16, 2019 Valid until July 16, 2024	KBRI Manila
Jesse C. Teo	Philippine Passport No. P0044240B	December 27, 2018 Valid until December 26, 2028	DFA NCR West
Helen G. Tiu	Pag-IBIG MID No. 1212-0257-2480	-	-
Enrico Manuel Peñas	Philippine Passport No. P7677114A	June 26, 2018 Valid until June 25, 2028	DFA NCR East

Doc. No. 31
Page No. 8
Book No. II
Series of 2022.




MARION NERISSE D. KHO
Notary Public for Makati City
Appointment No. M-230 until Dec. 31, 2022
Roll of Attorneys No. 72076
PTR No. 8853113MJ • 01/07/22 • Makati City
IBP No. 183637 • 01/03/22 • Makati Chapter
MCLE Compliance No. VII-0012542 • 03/08/2022
21st Floor, 6750 Office Tower, Ayala Avenue
Makati City, Metro Manila, Philippines

ANNEX A

2021 Consolidated Audited Financial
Statements and Supplementary Schedules



Monde Nissin

MONDE NISSIN CORPORATION
Felix Reyes Street,
Barangay Balibago
City of Santa Rosa, Laguna
4026 Philippines

Tel.: (+632) 7759.7500
Fax: (+632) 8810.9207
www.mondenissin.com

THE SECURITIES AND EXCHANGE COMMISSION

Secretariat Bldg., PICC Complex
Roxas Boulevard, Manila

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **MONDE NISSIN CORPORATION** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2021, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Group's financial reporting process.

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

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


Henry Soesanto
Acting Chairman of the Board


Henry Soesanto
Chief Executive Officer


Jesse C. Teo
Chief Financial Officer

Signed this 14th day May of 2022



MONDE NISSIN CORPORATION
Felix Reyes Street,
Barangay Balibago
City of Santa Rosa, Laguna
4026 Philippines

Tel.: (+632) 7759.7500
Fax: (+632) 8810.9207
www.mondenissin.com

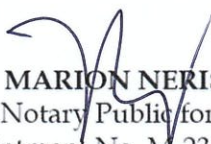
REPUBLIC OF THE PHILIPPINES)
MAKATI CITY, METRO MANILA) ss.

SUBSCRIBED AND SWORN TO before me this 14th day of May 2022:

NAME	TIN No	Competent Evidence of Identity	Place and Date of Issue
Henry Soesanto	100-574-508	Passport No. C1226256	KBRI Manila; 16 July 2019
Jesse C. Teo	146-443-245	Passport No. P0044240B	DFA NCR West; 27 December 2018

Doc. No. 26;
Page No. 7;
Book No. 11;
Series of 2022.




MARION NERISSE D. KHO
Notary Public for Makati City
Appointment No. M-230 until Dec. 31, 2022
Roll of Attorneys No. 72076
PTR No. 8853113MJ • 01/07/22 • Makati City
IBP No. 183637 • 01/03/22 • Makati Chapter
MCLE Compliance No. VII-0012542 • 03/08/2022
21st Floor, 6750 Office Tower, Ayala Avenue
Makati City, Metro Manila, Philippines

SWORN CERTIFICATION

I, HELEN G. TIU, of legal age, Filipino, and with office address at the 21st floor, 6750 Office Tower, Ayala Avenue, Makati City, after being sworn according to law, hereby certify that:

1. I am the Corporate Secretary of **MONDE NISSIN CORPORATION** (the "**Corporation**"), a corporation organized and existing under the laws of the Republic of the Philippines, with principal office address at Felix Reyes Street, Barangay Balibago, City of Santa Rosa, Laguna.

2. At the special meeting of the Board of Directors of the Corporation held on **May 10, 2022**, at which a quorum was present and acting throughout, the Board of Directors approved the following resolutions and, among others, appointed Mr. Henry Soesanto as Acting Chairman to execute the related Statements of Management Responsibility for Financial Statements:

"RESOLVED, that the Board of Directors of MONDE NISSIN CORPORATION (the "Corporation") approve, as it hereby approves the parent company and consolidated audited financial statements of the Corporation as of and for the year ended 31 December 2021 prepared by the Corporation and audited by its external auditors SyCip Gorres Velayo & Co. ("2021 Parent Company and Consolidated AFS") and authorize, as it hereby authorizes, the Corporation to make the necessary and relevant filings with the appropriate government agencies such 2021 Parent Company and Consolidated AFS;

RESOLVED, FURTHER, That, in connection with the 2021 Parent Company and Consolidated AFS, each of the Corporation's Acting Chairman and Acting President MR. HENRY SOESANTO and Chief Finance Officer MR. JESSE C. TEO be, as each is hereby authorized, for and in behalf of the Corporation, to execute any and all relevant forms, documents, certificates, and papers (including the Statement of Management Responsibility for Financial Statements), and to do any and all acts and deeds, necessary to implement these resolutions;

RESOLVED, FINALLY, That, in connection with the Corporation's annual income tax return for the year ended December 31, 2021, each of the Corporation's Acting Chairman and Acting President HENRY SOESANTO, Chief Finance Officer, MR. JESSE C. TEO and Treasurer MS. MONICA DARMONO (each, an "**Authorized Representative**") be, as each is hereby authorized, for and in behalf of the Corporation, (a) to give binding instructions with respect thereto, (b) to sign, file with, and/or submit to the Bureau of Internal Revenue, any and all relevant forms, documents, certificates, and papers (including the Statement of Management's Responsibility for Annual Income Tax Return), and (c) to do any and all acts and deeds, necessary to implement these resolutions;

RESOLVED, FURTHER, That in connection with the foregoing, each Authorized Representative be, as he/she is hereby granted, full powers and authority to do and perform all and every act requisite or necessary to carry into effect the foregoing authority as fully and to all intents and purposes as the Corporation might or could lawfully do, with full power of substitution and revocation, and hereby ratifying and confirming all that said attorney or his substitutes had lawfully done or shall lawfully do or cause to be done by virtue hereof;

RESOLVED, FINALLY, That the foregoing power of attorney granted to each Authorized Representative shall remain valid and subsisting for the purpose so granted, until revoked or modified by written notice of the Corporation to the relevant government authority (i.e., Securities and Exchange Commission, Bureau of Internal Revenue etc.)"



3. The foregoing appointment of Mr. Henry Soesanto as Acting Chairman in lieu of Chairperson Kataline Darmono was necessitated by the physical and practical impossibility of Ms. Darmono flying in to the Philippines in time to execute the related Statements of Management Responsibility for Financial Statements ("SMRs") corresponding to the Corporation's Parent and Consolidated 2021 Audited Annual Financial Statements in view of the travel and health-related restrictions and protocols brought about by the COVID-19 pandemic.

4. Furthermore, given that SMRs for publicly listed companies are required to be sworn statements, it would not be possible to have Chairperson Kataline Darmono execute the same in Jakarta, Indonesia and have the executed SMRs authenticated before the Philippine Embassy in Jakarta, Indonesia in time for filing of the audited financial statements with the Securities and Exchange Commission on May 15, 2022. The authentication process before the Philippine Embassy in Jakarta, Indonesia takes between two to four months. It is a requirement of the Philippine Embassy in Jakarta, Indonesia that before going to the Philippine Embassy for authentication services, a foreign-sourced document (i.e., document executed in Indonesia) must have been verified by the Ministry of Foreign Affairs of Indonesia, and affixed with a security seal and/or stamp, with a signature of a qualified official certifying its validity (please refer to <https://jakartape.dfa.gov.ph/consular-services/authentication>). In our experience, the verification process at the Indonesian Ministry of Foreign Affairs also takes one to two months.

IN WITNESS WHEREOF, I have hereunto set my hand at the place and on the date indicated below.

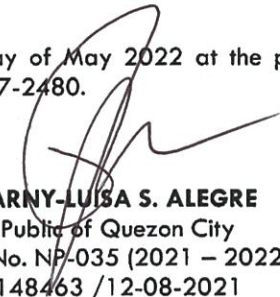


HELEN GO TIU
Corporate Secretary

REPUBLIC OF THE PHILIPPINES)
Quezon City, Metro Manila) S.S.

SUBSCRIBED AND SWORN TO before me this 16th day of May 2022 at the place stated above, affiant exhibiting to me her Pag-ibig MID No. 1212-0257-2480.

Doc. No. 420;
Page No. 85;
Book No. 11;
Series of 2022.



ATTY. GARNY-LUISA S. ALEGRE
Notary Public of Quezon City
Commission No. NP-035 (2021 – 2022)
IBP No. 148463 /12-08-2021
Roll No. 53666/Albay
PTR No. 2904965/1-03-2022/Parañaque City
MCLE No. VII-0002539/2-24-2020
Banawe, Quezon City

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

						8	6	3	3	5

COMPANY NAME

M	O	N	D	E		N	I	S	S	I	N		C	O	R	P	O	R	A	T	I	O	N		A	N	D		
S	U	B	S	I	D	I	A	R	I	E	S																		

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

F	E	L	I	X		R	E	Y	E	S		S	T	.	,		B	A	R	A	N	G	A	Y					
B	A	L	I	B	A	G	O	,		C	I	T	Y		O	F		S	A	N	T	A		R	O	S	A	,	
L	A	G	U	N	A																								

Form Type

A	C	F	S

Department requiring the report

C	R	M	D

Secondary License Type, If Applicable

N	/	A	

COMPANY INFORMATION

Company's Email Address

www.mondenissin.com

Company's Telephone Number

810-3550

Mobile Number

—

No. of Stockholders

16

Annual Meeting (Month / Day)

4th Tuesday of November

Fiscal Year (Month / Day)

12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Enrico Peñas

Email Address

mnc-sec.communications
@mondenissin.com

Telephone Number/s

+632 7759-7519

Mobile Number

09688548548

CONTACT PERSON'S ADDRESS

Felix Reyes St., Barangay Balibago, City of Santa Rosa, Laguna

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

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



MONDE NISSIN CORPORATION AND SUBSIDIARIES

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

AND SUPPLEMENTARY SCHEDULES

DECEMBER 31, 2021

**(Amounts in Thousands, Except Number of Shares, Par Value per Share
and Unless Otherwise Specified)**

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 and 2019

SUPPLEMENTARY SCHEDULES

Report of Independent Auditor's on Supplementary Schedules

I. Reconciliation of Retained Earnings Available for Dividend Declaration

II. Financial Soundness Indicators

III. Map of the relationships of the Companies within the Group

IV. Supplementary Schedules Required by Annex 68-J

- A. Financial Assets
- B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
- C. Amounts Receivable from Related Parties which are eliminated during consolidation
- D. Long-term Debt
- E. Indebtedness to Related Parties (Long-term Loans from Related Companies)
- F. Guaranties of Securities of Other Issuers
- G. Capital Stock

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Monde Nissin Corporation
Felix Reyes St., Barangay Balibago
City of Santa Rosa, Laguna

Opinion

We have audited the consolidated financial statements of Monde Nissin Corporation and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2021 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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



We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Recoverability of Goodwill and Brand

Under PFRSs the Group is required to test annually the recoverability of its goodwill and brand. As at December 31, 2021, the Group has goodwill and brand amounting to ₱16.8 billion and ₱18.1 billion, respectively, which are considered significant to the consolidated financial statements. In addition, management's assessment process requires significant judgment and is based on assumptions which are subject to higher level of estimation uncertainty due to the current economic conditions which have been impacted by the coronavirus pandemic, specifically sales growth rate, long-term growth rate and discount rate.

The related disclosures on the Group's goodwill and brand are included in Notes 3 and 13 to the consolidated financial statements.

Audit Response

We involved our internal specialist in evaluating the methodology and assumptions used. We compared the forecasted cash flow assumptions used in the recoverability testing such as sales growth rate against the historical performance, taking into consideration the impact associated with the coronavirus pandemic. In addition, we compared the long-term growth rates used with those reflected in published economic forecasts, as well as relevant industry outlook. Likewise, we evaluated the discount rate used and assessed whether this is consistent with market participant assumptions for similar assets. We also reviewed the Group's disclosures about those assumptions to which the outcome of the recoverability test is most sensitive, specifically those that have the most significant effect on the determination of the recoverable amount of goodwill and brand.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Sheet), SEC Form 17-A and Annual Report for the year ended December 31, 2021 but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021 are expected to be made available to us after the date of this auditor's report.

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

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



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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

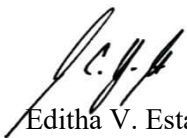
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Editha V. Estacio.

SYCIP GORRES VELAYO & CO.



Editha V. Estacio

Partner

CPA Certificate No. 91269

Tax Identification No. 178-486-845

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 91269-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-094-2020, July 27, 2020, valid until July 26, 2023

PTR No. 8853492, January 3, 2022, Makati City

May 10, 2022



MONDE NISSIN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in thousands)

	December 31	
	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	₱13,856,814	₱7,093,015
Trade and other receivables (Note 6)	6,248,732	6,456,718
Inventories (Note 7)	8,572,363	6,073,003
Current financial assets (Notes 9, 23 and 26)	165,937	—
Prepayments and other current assets (Note 8)	1,769,157	972,253
Total Current Assets	30,613,003	20,594,989
Noncurrent Assets		
Intangible assets (Note 13)	35,646,756	33,600,331
Property, plant and equipment (Note 12)	29,952,260	26,636,574
Investments in associates and joint ventures (Notes 4 and 11)	1,094,087	1,024,068
Deferred tax assets - net (Note 24)	885,485	843,075
Noncurrent receivables (Notes 9 and 23)	500,000	655,521
Other noncurrent assets (Note 14)	1,166,037	1,047,858
Total Noncurrent Assets	69,244,625	63,807,427
	₱99,857,628	₱84,402,416
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 15)	₱11,156,419	₱10,140,676
Current portion of loans payable (Note 17)	6,998,805	9,559,594
Acceptances and trust receipts payable (Notes 7 and 16)	3,714,690	605,902
Refund liabilities (Note 15)	303,878	279,696
Current portion of lease liabilities (Note 25)	97,280	88,073
Income tax payable	137,842	282,397
Total Current Liabilities	22,408,914	20,956,338
Noncurrent Liabilities		
Deferred tax liabilities - net (Note 24)	5,702,436	4,199,918
Lease liabilities (Note 25)	2,661,581	2,674,959
Pension liability (Note 22)	648,692	481,481
Loans payable (Note 17)	—	19,986,408
Convertible note (Note 17)	—	7,027,163
Derivative liability (Note 26)	—	2,513,886
Other noncurrent liabilities	20,425	22,226
Total Noncurrent Liabilities	9,033,134	36,906,041
Total Liabilities	31,442,048	57,862,379
Equity		
Capital stock (Note 18)	8,984,306	6,570,000
Additional paid-in capital (Note 18)	46,515,847	—
Retained earnings (Note 18):		
Appropriated	4,095,257	11,155,336
Unappropriated	12,612,644	12,497,957
Fair value reserve of financial assets at FVOCI (Note 10)	(235,130)	(235,130)
Remeasurement losses on pension liability (Note 22)	(289,263)	(289,889)
Equity reserve (Note 18)	(622,335)	(89,762)
Cumulative translation adjustments (Note 18)	(2,783,253)	(4,366,784)
Equity Attributable to Equity Holders of the Parent Company	68,278,073	25,241,728
Non-controlling Interests (Notes 4 and 18)	137,507	1,298,309
Total Equity	68,415,580	26,540,037
	₱99,857,628	₱84,402,416

See accompanying Notes to Consolidated Financial Statements.



MONDE NISSIN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands, Except Earnings Per Share Value)

	Years Ended December 31		
	2021	2020	2019
NET SALES (Note 19)	₱69,284,188	₱67,945,511	₱65,450,875
COST OF GOODS SOLD (Notes 7 and 19)	43,692,769	41,439,516	40,194,132
GROSS PROFIT	25,591,419	26,505,995	25,256,743
SALES, GENERAL AND ADMINISTRATIVE EXPENSES (Note 20)	15,963,355	13,409,329	13,141,233
	9,628,064	13,096,666	12,115,510
OTHER INCOME (EXPENSES)			
Foreign exchange gain - net (Notes 4 and 17)	410,402	914,239	88,321
Impairment loss - net (Notes 11, 12, 13, and 21)	(223,061)	(1,013,838)	(790,837)
Share in net earnings (losses) of associates and joint ventures (Note 11)	36,367	(98,300)	(251,333)
Market valuation gain on financial instruments at fair value through profit or loss (FVTPL) (Note 9)	12,543	—	—
Miscellaneous income (Notes 6, 9 and 21)	283,820	250,166	274,830
	520,071	52,267	(679,019)
INCOME BEFORE FINANCE INCOME (EXPENSES)	10,148,135	13,148,933	11,436,491
FINANCE INCOME (EXPENSES)			
Derivative gain (loss) (Note 26)	(2,258,075)	99,409	(178,459)
Loss on convertible note redemption (Note 17)	(1,579,324)	—	—
Interest expense (Notes 16, 17, 21 and 25)	(1,568,821)	(1,786,143)	(2,438,390)
Interest income (Notes 5, 9, 17 and 21)	82,971	262,530	304,431
	(5,323,249)	(1,424,204)	(2,312,418)
INCOME BEFORE INCOME TAX	4,824,886	11,724,729	9,124,073
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 24)			
Current	392,588	3,194,375	2,641,204
Deferred	1,187,173	464,647	(166,402)
	1,579,761	3,659,022	2,474,802
NET INCOME	3,245,125	8,065,707	6,649,271
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive loss to be reclassified to profit and loss in subsequent periods:			
Exchange losses on foreign currency translation (including effective portion of the net investment hedge) (Notes 18 and 26)	1,583,531	(1,100,427)	(758,156)
Other comprehensive loss not to be reclassified to profit and loss in subsequent periods:			
Remeasurement gain (loss) on defined benefit plans (Note 22)	(337)	(330,765)	34,170
Income tax effect	963	98,483	(12,036)
	626	(232,282)	22,134
Other comprehensive income (loss) - net of tax	1,584,157	(1,332,709)	(736,022)
TOTAL COMPREHENSIVE INCOME	₱4,829,282	₱6,732,998	₱5,913,249

(Forward)



Years Ended December 31			
	2021	2020	2019
Net income attributable to:			
Equity holders of the Parent Company	₱3,115,032	₱7,340,901	₱5,827,171
Non-controlling interests	130,093	724,806	822,100
	₱3,245,125	₱8,065,707	₱6,649,271
Total comprehensive income attributable to:			
Equity holders of the Parent Company	₱4,699,189	₱6,013,011	₱5,108,179
Non-controlling interests	130,093	719,987	805,070
	₱4,829,282	₱6,732,998	₱5,913,249
Earnings per Share (EPS) (Note 18)			
Basic, income attributable to equity holders of the parent	₱0.19	₱0.56	₱0.44
Diluted, income attributable to equity holders of the parent	₱0.19	₱0.53	₱0.48

See accompanying Notes to Consolidated Financial Statements.



MONDE NISSIN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent Company										
	Capital Stock (Note 18)	Additional Paid-in Capital (Note 18)	Retained Earnings (Note 18)		Fair Value Reserve of Financial Assets at FVOCI (Note 10)	Remeasurement Losses on Pension Liability	Equity Reserve (Note 18)	Cumulative Translation Adjustments (Note 18)	Total	Non-controlling Interests (Notes 4 and 18)	Total Equity
			Appropriated	Unappropriated							
Balance as at January 1, 2021	₱6,570,000	₱–	₱11,155,336	₱12,497,957	(₱235,130)	(₱289,889)	(₱89,762)	(₱4,366,784)	₱25,241,728	₱1,298,309	₱26,540,037
Net income	–	–	–	3,115,032	–	–	–	–	3,115,032	130,093	3,245,125
Other comprehensive income, net of tax	–	–	–	–	–	626	–	1,583,531	1,584,157	–	1,584,157
Total comprehensive income (loss)	–	–	–	3,115,032	–	626	–	1,583,531	4,699,189	130,093	4,829,282
Issuance of shares (Note 18)	2,414,306	46,515,847	–	–	–	–	–	–	48,930,153	–	48,930,153
Acquisition during the year (Note 4)	–	–	–	–	–	–	(532,573)	–	(532,573)	(1,289,927)	(1,822,500)
Appropriation during the year (Note 18)	–	–	150,805	(150,805)	–	–	–	–	–	–	–
Release of appropriation (Note 18)	–	–	(7,210,884)	7,210,884	–	–	–	–	–	–	–
Dividends (Note 18)	–	–	–	(10,060,424)	–	–	–	–	(10,060,424)	(968)	(10,061,392)
Balance as at December 31, 2021	₱8,984,306	₱46,515,847	₱4,095,257	₱12,612,644	(₱235,130)	(₱289,263)	(₱622,335)	(₱2,783,253)	₱68,278,073	₱137,507	₱68,415,580
Balance as at January 1, 2020	₱6,570,000	₱–	₱8,961,452	₱9,847,540	(₱235,130)	(₱62,426)	(₱89,762)	(₱3,266,357)	₱21,725,317	₱1,496,689	₱23,222,006
Net income	–	–	–	7,340,901	–	–	–	–	7,340,901	724,806	8,065,707
Other comprehensive loss, net of tax	–	–	–	–	–	(227,463)	–	(1,100,427)	(1,327,890)	(4,819)	(1,332,709)
Total comprehensive income (loss)	–	–	–	7,340,901	–	(227,463)	–	(1,100,427)	6,013,011	719,987	6,732,998
Acquisition during the year (Note 4)	–	–	–	–	–	–	–	–	–	94,823	94,823
Appropriation during the year (Note 18)	–	–	11,110,884	(11,110,884)	–	–	–	–	–	–	–
Release of appropriation (Note 18)	–	–	(8,917,000)	8,917,000	–	–	–	–	–	–	–
Dividends (Note 18)	–	–	–	(2,496,600)	–	–	–	–	(2,496,600)	(1,013,190)	(3,509,790)
Balance as at December 31, 2020	₱6,570,000	₱–	₱11,155,336	₱12,497,957	(₱235,130)	(₱289,889)	(₱89,762)	(₱4,366,784)	₱25,241,728	₱1,298,309	₱26,540,037
Balance as at January 1, 2019	₱6,570,000	₱–	₱9,794,274	₱8,344,997	(₱235,130)	(₱94,624)	(₱96,728)	(₱2,515,167)	₱21,767,622	₱1,411,919	₱23,179,541
Net income	–	–	–	5,827,171	–	–	–	–	5,827,171	822,100	6,649,271
Other comprehensive income (loss), net of tax	–	–	–	–	–	32,198	–	(751,190)	(718,992)	(17,030)	(736,022)
Total comprehensive income (loss)	–	–	–	5,827,171	–	32,198	–	(751,190)	5,108,179	805,070	5,913,249
Equity reserve (Notes 4 and 18)	–	–	–	–	–	–	6,966	–	6,966	–	6,966
Appropriation during the year (Note 18)	–	–	6,933,578	(6,933,578)	–	–	–	–	–	–	–
Release of appropriation (Note 18)	–	–	(7,766,400)	7,766,400	–	–	–	–	–	–	–
Dividends (Note 18)	–	–	–	(5,157,450)	–	–	–	–	(5,157,450)	(720,300)	(5,877,750)
Balance as at December 31, 2019	₱6,570,000	₱–	₱8,961,452	₱9,847,540	(₱235,130)	(₱62,426)	(₱89,762)	(₱3,266,357)	₱21,725,317	₱1,496,689	₱23,222,006

See accompanying Notes to Consolidated Financial Statements.



MONDE NISSIN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Years Ended December 31		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱4,824,886	₱11,724,729	₱9,124,073
Adjustments to reconcile income before income tax to net cash flows:			
Depreciation and amortization (Notes 12, 13, 19 and 20)	2,470,872	2,303,319	2,052,517
Derivative loss (gain) (Note 26)	2,258,075	(99,409)	178,459
Loss on convertible note redemption (Note 17)	1,579,324	—	—
Interest expense (Notes 16, 17, 21 and 25)	1,568,821	1,786,143	2,438,390
Impairment loss - net (Notes 11, 12, 13 and 21)	223,061	1,013,838	790,837
Unrealized foreign exchange gain - net	(155,593)	(544,601)	(183,608)
Movement in pension liability (Notes 19, 20 and 22)	168,126	(28,050)	(11,998)
Interest income (Notes 5, 9 and 21)	(82,971)	(262,530)	(304,431)
Share in net losses (gain) of associates and joint venture (Note 11)	(36,367)	98,300	251,333
Market valuation gain on financial instruments at FVTPL (Note 9)	(12,543)	—	—
(Gain) loss on sale of property, plant and equipment (Note 12)	(2,292)	(2,702)	81,338
Gain on lease modification	(2,704)	(297)	—
Fair value adjustment on previously held interest in investment in associate (Note 11)	—	(2,146)	—
Bargain purchase (Note 4)	—	(18,250)	—
Gain on sale of a subsidiary/associate (Note 4)	—	—	(13,937)
Working capital adjustments:			
Decrease (increase) in:			
Inventories	(2,499,360)	(214,442)	293,807
Prepayments and other current assets	(796,904)	(51,107)	147,353
Trade and other receivables	109,848	707,502	(163,440)
Increase (decrease) in:			
Accounts payable and other current liabilities	1,192,182	434,295	(888,852)
Acceptance and trust receipts payable	3,098,092	(1,952,849)	238,662
Refund liabilities	24,182	20,313	(82,592)
Net cash generated from operations	13,928,735	14,912,056	13,947,911
Income tax paid	(537,143)	(3,612,030)	(2,320,258)
Interest received	82,844	97,087	303,213
Net cash flows from operating activities	13,474,436	11,397,113	11,930,866
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Current financial assets (Note 9)	(7,401,000)	—	—
Property, plant and equipment (Notes 12 and 28)	(5,216,267)	(3,753,474)	(3,660,224)
Intangible assets (Note 13)	(113,459)	(14,352)	(54,980)
Investment in associates and joint venture (Note 11)	(60,000)	(248,125)	(371,540)
Noncurrent receivables (Notes 9 and 23)	—	(245,521)	—
Proceeds from:			
Disposal of current financial assets (Note 9)	7,412,542	—	—
Sale of property, plant and equipment (Note 12)	5,572	27,926	4,279
Loans receivable (Note 23)	—	—	4,937,019
Sale of investment in associate (Note 4)	—	—	48,080
Acquisition of non-controlling interest (Note 4)	(1,822,500)	—	—
Acquisition of a subsidiary, net of cash acquired (Note 4)	(194,247)	(16,915)	—
Dividends from an associate (Note 11)	26,348	16,000	12,063
Decrease (increase) in other noncurrent assets	(108,130)	(258,211)	263,333
Net cash flows from (used in) investing activities	(7,471,141)	(4,492,672)	1,178,030

(Forward)



	Years Ended December 31		
	2021	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Loans (Note 17)	(P23,115,381)	(P4,335,786)	(P23,803,448)
Convertible note (Note 17)	(13,351,935)	—	—
Cash dividends (Note 18)	(10,061,392)	(3,509,790)	(5,877,750)
Interest	(1,437,102)	(1,477,031)	(2,361,117)
Principal portion of lease liabilities (Note 25)	(276,715)	(846,389)	(240,063)
Debt issue costs	—	—	(466,544)
Derivatives	—	(72,985)	(20,491)
Issuance of capital stock, net of transaction cost (Note 18)	48,930,153	—	—
Availment of loans	—	—	14,453,758
Proceeds from convertible note (Note 17)	—	—	9,122,685
Increase (decrease) in other noncurrent liabilities	(1,801)	771	5,531
Net cash used in financing activities	685,827	(10,241,210)	(9,187,439)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,689,122	(3,336,769)	3,921,457
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	74,677	(69,507)	(220)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7,093,015	10,499,291	6,578,054
CASH AND CASH EQUIVALENTS AT END OF YEAR	P13,856,814	P7,093,015	P10,499,291

See accompanying Notes to Consolidated Financial Statements.



MONDE NISSIN CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands, Except Number of Shares, Earnings Per Share Value and Unless Otherwise Specified)

1. General Information

Monde Nissin Corporation (the Parent Company or MNC) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on May 23, 1979 primarily to engage in manufacturing, processing, baking, packaging, servicing, repacking, assembling, importing, exporting, buying, selling, trading or otherwise dealing in all kinds of goods, wares and merchandises, which are or may become articles of commerce such as but not limited to noodles, candies, confectionaries, biscuits, cakes and other foods, drugs and cosmetics. The Parent Company and its subsidiaries are collectively referred to as the “Group” (see Note 4).

On March 1, 2021, at least a majority of the members of the Board of Directors (BOD) of the Parent Company and stockholders representing at least two-thirds (2/3) of the outstanding capital stock of the Parent Company approved certain amendments to the Parent Company’s Articles of Incorporation (AOI) including the following: (a) include “noodles” in the articles of commerce that the Parent Company may manufacture, process, service, package, re-package, import, export, buy, sell, trade, or otherwise deal in; (b) amend the term of corporate existence from 50 years to a “perpetual corporate term unless the SEC issues a certificate providing otherwise”; (c) increase the number of directors of the Parent Company from 7 to 9; and (d) authorized number of shares, as amended, shall be 20,400,000,000 common shares with a par value of ₱0.50 per share, from the par value of ₱1.00 per share. These amendments in the Parent Company’s AOI was approved by the SEC on April 7, 2021.

On April 20, 2021 and April 21, 2021, the SEC and Philippine Stock Exchange, Inc. (PSE), respectively, approved the application of the Parent Company for the listing of up to 17,968,611,496 common shares on the Main Board of the PSE.

On June 1, 2021, the Parent Company completed its IPO and was listed in the PSE under the stock symbol “Monde”. As a public company, it is covered by the Revised Securities Regulation Code (SRC) Rule 68.

The Parent Company’s principal palace of business is at Felix Reyes St., Barangay Balibago, City of Santa Rosa, Laguna.

The consolidated financial statements were reviewed and recommended for approval by the Audit Committee on May 10, 2022. On the same date, the BOD also approved and authorized the issuance of the consolidated financial statements.

2. Basis of Preparation and Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

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



at fair value. The consolidated financial statements are presented in Philippine peso, which is the Group's functional and presentation currency. All values are rounded to the nearest thousands, except when otherwise indicated.

Basis of Consolidation and Non-controlling Interests

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31 each year and for the years then ended. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company using consistent accounting policies.

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

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

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the owners of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. 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 intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. Any excess or deficit of consideration paid over the carrying amount of the non-controlling interest acquired is recognized as part of "Equity reserve" account in the equity attributable to the equity holders of the Parent.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interests and other components of equity while any resulting gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.



Non-controlling Interests. Non-controlling interests represent the portion of profit or loss and OCI and the net assets not held by the Parent Company and are presented separately in the consolidated statement of financial position, separately from equity attributable to equity holders of the Parent Company.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise indicated, adoption of these new standards did not have any significant impact on the Group's consolidated financial statements.

- Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*

The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if all of the criteria are met.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

- Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

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

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

The Group shall also disclose information about:

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

The Group adopted the amendments beginning January 1, 2021. In March 2022, MNUKL transitioned its interest rate from London IBOR to Sterling Overnight Index Average (SONIA). The change is a direct consequence of IBOR reform, and the new basis for determining cash flows is economically equivalent to the previous one. This does not affect the overall fixed interest payable.



Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The Group intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Group's consolidated financial statements unless otherwise indicated.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential "day 2" gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately. The amendments also add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

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

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

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

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

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

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

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



- *Annual Improvements to PFRSs 2018-2020 Cycle*

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

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

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

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

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

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

Effective beginning on or after January 1, 2023

- *Amendments to PAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

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

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

- *Amendments to PAS 8, Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an



input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

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

■ Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their “significant” accounting policies with a requirement to disclose their ‘material’ accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

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

Effective beginning on or after January 1, 2024

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

The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Effective beginning on or after January 1, 2025

■ PFRS 17, *Insurance Contracts*

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



The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

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

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

Deferred effectivity

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

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

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

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in sales, general and administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organized workforce with the necessary skills, knowledge or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.



When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PFRS 9, *Financial Instruments*, is measured at fair value with changes in fair value recognized in the statement of profit or loss in accordance with PFRS 9. Other contingent consideration that is not within the scope of PFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

In a business combination achieved in stages, the acquirer remeasures its previously held equity interest in the acquiree at its acquisition-date fair value and recognizes the resulting gain or loss, if any, in profit or loss.

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

Investments in Associates and Joint Ventures

An associate is an entity over which the Group has significant influence, generally ownership of 20% to 49%. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investments in its associates and joint ventures are accounted for using the equity method.



Under the equity method, investments in associates and joint ventures are initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor tested for impairment separately.

The consolidated profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. When there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The Group's share of profit or loss of an associate or joint venture is shown on the consolidated profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture. If the Group's share of losses of an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group discontinues recognizing its share of further losses. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the entity has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. If the associate or joint venture subsequently reports profits, the Group resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognizes the loss as "Share in net losses of associates and joint venture" in profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.



All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

a. Financial Assets

Initial Recognition and Measurement. Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI, and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15, *Revenue from Contracts with Customers*.

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

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

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



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

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

The financial assets of the Group as at December 31, 2021 and 2020 consist of financial assets at amortized cost, financial assets at FVTPL and financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).

Financial assets at amortized cost (debt instruments)

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

The Group's financial assets at amortized cost include cash and cash equivalents, trade and other receivables, loans receivable recorded under the "Current financial assets" account in the consolidated statement of financial position in 2021, noncurrent receivables and advances to employees recorded under "other noncurrent assets" in the consolidated statement of financial position.

Financial assets at FVTPL

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognize in the statement of profit and loss.

The category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI.

Financial assets designated at FVOCI (equity instruments)

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

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

The Group elected to classify irrevocably its non-listed equity investments under this category.

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

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



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

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

Impairment of Financial Assets. The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cashflows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR.

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

The key inputs in the model include the Group's definition of default and historical data of three years for the origination, maturity date and default date. The Group considers trade receivables in default when contractual payment are 90 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in nature which may extend the definition of default. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. Trade receivables are written off when there is no reasonable expectation of recovery.

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

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



Determining the stage for impairment

At each reporting date, the Group assesses whether there has been a SICR for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis. An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed SICR since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

Staging assessment

PFRS 9 establishes a three-stage approach for impairment of financial assets, based on whether there has been SICR of a financial asset. Three stages then determine the amount of impairment to be recognized.

- Stage 1 is comprised of all non-impaired financial instruments which have not experienced SICR since initial recognition. Entities are required to recognize 12-month ECL for stage 1 financial instruments. In assessing whether credit risk has increased significantly, entities are required to compare the risk of default occurring on the financial instrument as at the reporting date, with the risk of default occurring on the financial instrument at the date of initial recognition.
- Stage 2 is comprised of all non-financial instruments which have experienced SICR since initial recognition. Entities are required to recognize lifetime ECL for stage 2 financial instruments. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer SICR since initial recognition, then entities shall revert to recognizing 12-month ECL.
- Financial instruments are classified as stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with negative impact on the estimated future cash flows of a financial instrument or portfolio of financial instruments. The ECL model requires that lifetime ECL be recognized for impaired financial instruments, which is similar to the requirements under PAS 39 for impaired financial instruments.

b. Financial Liabilities

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

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

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

Financial liabilities at FVTPL

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



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

Gains or losses on liabilities held for trading are recognized in profit or loss.

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

This category applies to the Group's derivative liabilities.

Financial liabilities at amortized cost (loans and borrowings)

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

This category applies to the Group's accounts payable and other current liabilities (excluding statutory payables), acceptance and trust receipts payable, loans payable and convertible note.

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

Exchange or modification of financial liabilities. The Group considers both qualitative and quantitative factors in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original EIR, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the modification of the financial liability is so fundamental that immediate derecognition of the original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the fair value of the new liability is recognized in profit or loss.

When the exchange or modification of the existing financial liability is not considered as substantial, the Group recalculates the gross carrying amount of the financial liability as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR and recognizes a modification gain or loss in profit or loss.



If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the financial instrument and are amortized over the remaining term of the modified financial instrument.

c. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Embedded derivatives

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

Derivative Financial Instruments and Hedge Accounting

The Group uses cross-currency swap to manage its foreign currency exposures in its net investment. In order to manage such risk, the Group applies hedge accounting for transactions that meet specified criteria. At inception of the hedge accounting relationship, the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the risk management objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship at inception and on an ongoing basis.

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is “an economic relationship” between the hedged item and the hedging instrument
- The effect of credit risk does not “dominate the value changes” that result from that economic relationship
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity hedged item

At each reporting date, a hedge relationship must be expected to be highly effective on a prospective basis and demonstrate that it was highly effective (retrospective effectiveness) for the designated period in order to qualify for hedge accounting. A formal assessment is undertaken both at inception and at each period end on an ongoing basis. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated were offset by the hedging instrument in a range of 80% to 125% and were expected to achieve such offset in future periods.

Hedges of a net investment. Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized as OCI, while any gains or losses relating to the ineffective portion are



recognized in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the consolidated statement of comprehensive income.

Fair Value Measurement

The Group measures financial instruments such as derivative liabilities and equity instruments at FVOCI and FVTPL at fair value. The Group also discloses the fair values of financial instruments measured at amortized cost.

Fair value is the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics, and risks of the asset or liability and the level of fair value hierarchy as explained above.

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.



Inventories

Inventories are valued at the lower of cost and net realizable value (NRV).

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

- Raw materials and packaging materials – purchase cost on a first-in, first-out basis;
- In-transit – purchase cost;
- Finished goods and work in-process – cost of direct materials, labor and a proportion of manufacturing overhead costs based on normal operating capacity and determined based on weighted average method.

NRV for finished goods, work in-process and in-transit inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. NRV for raw materials and packaging materials is the current replacement cost.

Prepayments and Other Current Assets

Prepayments. Prepayments are expenses paid in advance and recorded as asset before these are utilized. Prepaid expenses are apportioned over the period covered by the payment and charged to the appropriate accounts in the consolidated statement of comprehensive income when incurred.

Withholding Tax and Other Credits. Withholding tax and other credits represents the amount withheld by the Group's customers. These are recognized upon collection of the related billings and are utilized as tax credits against tax due as allowed by the taxation laws and regulations. Withholding tax and other credits is stated at its estimated NRV.

Property, Plant and Equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and any accumulated impairment losses. The initial cost of property, plant and equipment, consists of its purchase price including import duties and other costs directly attributable in bringing the asset to its working condition and location for its intended use. Cost also includes the cost of replacing the part of such property, plant and equipment when the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the following estimated useful lives:

Land improvements	20 years
Buildings and improvements	10–25 years
Right-of-use (ROU) assets	20-25 years or term of lease, whichever is shorter
Leasehold improvements	20 years or term of the lease, whichever is shorter
Plant machinery and fixtures	5–50 years
Office furniture and equipment	3–5 years
Transportation equipment	4–5 years
Computer and communications equipment	3 years



The useful life of each of the Group's property, plant and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice and experience with similar assets. The property, plant and equipment's residual values, useful lives and depreciation and amortization methods are reviewed at each reporting period, and adjusted prospectively, if appropriate.

Machineries under installation and construction in-progress represents properties under construction and are stated at cost, net of accumulated impairment losses if any. These include cost of construction and other direct costs. Machineries under installation and construction in-progress are not depreciated until such time that the relevant assets are completed and put into operational use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

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

It is the Group's policy to classify ROU assets as part of property, plant and equipment. The Group recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term. ROU assets are subject to impairment.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as of the date of the acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized using the straight-line method over the following useful economic life and assessed for impairment whenever there is an indication that the asset may be impaired:

Distribution rights	20 years
Trademarks	7–10 years
Software	3–10 years

The amortization period and method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the



amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognized upon disposal (i.e. at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of an intangible asset are 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 Nonfinancial Assets

The Group assesses at the end of each reporting period whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal (FVLCD) and its value in use (VIU). The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

In determining FVLCD, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. Any impairment loss is recognized in profit or loss in the expense category consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at the end of each reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment have been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Goodwill is tested for impairment annually as at December 31, and when circumstances indicate that the carrying value may be impaired.



Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at December 31, at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

Leases

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

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

Lease liabilities. At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

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

Short-term leases and leases of low-value assets. The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Equity

Capital Stock. Capital stock is measured at par value for all shares issued. Incremental costs directly attributable to the issue of capital stock are recognized as deductions from equity, net of any tax effects. Proceeds and fair value of consideration received in excess of par value are recognized as additional paid-in capital.

Retained Earnings. Retained earnings includes all current and prior period financial performance as reported in the consolidated statement of comprehensive income and reduced by dividends on capital stock.



Dividends on Capital Stock. The Group may pay dividends in cash or by the issuance of shares of stock. Cash and property dividends are subject to the approval of the BOD, while stock dividends are subject to approval by the BOD, at least two-thirds of the outstanding capital stock of the shareholders at a shareholders' meeting called for such purpose, and by the SEC. Dividends on capital stock are recognized as a liability and deducted from equity when they are approved for payment by the BOD. Dividends for the year that are approved after the financial reporting date are recognized as an event after the financial reporting period.

Remeasurement Gains (Losses). Remeasurement gains (losses) comprise actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability). Remeasurement gains (losses) are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to remeasurement gains (losses) on pension liability in OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Revenue Recognition

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

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

- *Variable Consideration.* If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of the Group's goods provide customers with a right of return within a specified period. The rights of return give rise to variable consideration.
 - *Rights of Return.* The Group uses the expected value method to estimate the variable consideration given the large number of contracts that have similar characteristics. The Group then applies the requirements on constraining estimates of variable consideration in order to determine the amount of variable consideration that can be included in the transaction price and recognized as revenue. A refund liability is recognized for the goods that are expected to be returned (i.e., the amount not included in the transaction price). A right of return asset is also recognized for the right to recover the goods from the customer.
 - *Sales discount.* The Group's contracts with customers generally provide customers with discounts (presented as deduction from "Sales"). The Group uses most likely amount method to estimate the amount of expected future rebates for distribution discounts. A refund liability is recognized for the expected future sales discount (i.e., the amount not included in the transaction price).



- *Consideration payable to customers.* Consideration payable to a customer includes cash amounts that the Group pays, or expects to pay, to the customers (e.g. slotting fees). The consideration payable to a customer is accounted as a reduction of the transaction price unless the payment to the customer is in exchange for a distinct goods or services that the customer transfers to the Group.

Refund liabilities. A refund liability is recognized for the obligation to refund some or all of the consideration received (or receivable) from a customer. The Group's refund liabilities arise from its customers' right of return and sales discount. The liability is measured at the amount the Group ultimately expects it will have to return to the customer and distribution discounts to be granted. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Revenue outside the scope of PFRS 15:

Interest Income. Revenue is recognized as the interest accrues, taking into account the effective yield on the asset.

Miscellaneous Income. Miscellaneous income mainly comprises of service fees charged by the Parent Company primarily for reimbursement of share of principals in common expenses, bargain purchase, reversal of ECL (see Notes 6 and 9), gain on sale of a subsidiary/associate, gain/loss on sale of property, plant and equipment and other miscellaneous items which are recorded under the "Miscellaneous income" account in the consolidated statements of comprehensive income.

Right-of-return Assets

A right-of-return asset is recognized for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods and any potential decreases in value. The Group updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned products. The Group's right-of-return assets are included in inventories.

Cost and Expense Recognition

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Cost of goods sold, sales, general and administrative expenses and interest expense are recognized in profit or loss in the period these are incurred.

Borrowing costs

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

Foreign Currency Translations

The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional and presentation currency. All subsidiaries and associates evaluate their primary economic and operating environment and, determine their functional currency and items included in the financial statements of each entity are initially measured using that functional currency.



Transactions and Balances. Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency rate prevailing on the period of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the functional currency spot rate of exchange prevailing at the financial reporting date.

All differences are recognized in the consolidated statement of comprehensive income. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

Group Companies. The Philippine peso is the currency of the primary economic environment in which the Parent Company and all other subsidiaries and associates operate, except for the following:

	Functional Currency
Subsidiaries:	
Monde Nissin Singapore Pte Ltd (MNSPL)	Pound Sterling
Monde Nissin (UK) Limited (MNUKL)	Pound Sterling
Marlow Foods Limited (MFL)	Pound Sterling
Quorn Smart Life GmbH	European Euro
Quorn Foods Inc	United States Dollar
Cauldron Foods Ltd	Pound Sterling
Quorn Foods Italy SRL	European Euro
Quorn Foods Sweden AB	Swedish Krona
Monde Nissin New Zealand Limited (MNNZ)	New Zealand Dollar
Monde Nissin Holding (Thailand) Limited (MNHTL)	Thai Baht
Monexco International Limited (MIL)	Thai Baht
Monde Nissin (Thailand) Company Limited (MNTH)	Thai Baht
Monde Nissin International Investments Ltd (MNIIL)	United States Dollar

The financial statements of the consolidated subsidiaries and associates with functional currency other than the Philippine peso are translated to Philippine peso as follows:

1. Assets and liabilities using the spot rate of exchange prevailing at the financial reporting date;
2. Components of equity using historical exchange rates; and
3. Income and expenses using the monthly weighted average exchange rate.

The exchange differences arising on the translation are recognized as other comprehensive income (loss). Upon disposal of any of these subsidiaries and associates, the deferred cumulative amount recognized in "Cumulative translation adjustments" relating to that particular subsidiary will be recognized in profit or loss.

Employee Benefits

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



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

Defined benefit costs comprise the following:

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

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuary.

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

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not re-classified to profit or loss in subsequent periods.

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

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

Income Taxes

Current Tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of reporting period.

Current income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Tax. Deferred tax is provided using the liability method on temporary differences at the end of reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.



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

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

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

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

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 future taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered.

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Input Value-added Tax (VAT). Input VAT represents VAT imposed on the Group by its suppliers and contractors for the acquisition of goods and services required under the tax laws and regulations. Input VAT is recognized as an asset and will be used to offset against the Group's current output VAT liabilities. Input VAT is stated at its recoverable amount.



Deferred input VAT represents the input VAT related to the unpaid portion of the cost of services and unamortized input VAT related to acquisitions of capital goods. The net amount of tax recoverable from, or payable to, the tax authority is included as part of receivables or payables in the consolidated statement of financial position.

Earnings per share (EPS)

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the Parent Company (after adjusting for interest on the convertible note) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects, where appropriate, the risk specific to the liability. When discounting is used, the increase in the provisions due to the passage of time is recognized as interest expense. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement.

Contingencies

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

Events after Reporting Period

Post year-end events that provide additional information about the Group's financial position at the end of reporting period (adjusting events), if any, are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, costs and expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.



Judgments

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

Revenue recognition on sale of goods and scrap items. Revenue recognition under PFRS 15 involves the application of significant judgment and estimation in the: (a) identification of the contract for sale of goods that would meet the requirements of PFRS 15; (b) assessment of performance obligation and the probability that the entity will collect the consideration from the buyer; (c) determining method to estimate variable consideration and assessing the constraint; and (d) recognition of revenue as the Group satisfies the performance obligation.

a. Existence of a contract

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

b. Identifying performance obligation

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

Based on management assessment, other than the sale of goods, no other performance obligations were identified.

c. Recognition of revenue as the Group satisfies the performance obligation

The Group recognizes its revenue for all revenue streams at a point in time, when the customer obtains control of the promised goods or when the goods are sold and delivered.

d. Determining method to estimate variable consideration and assessing the constraint

The Group's contracts with customers include a right of return and sales discounts that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration for the revenue with rights of return, given the large number of customer contracts that have similar characteristics. In estimating the variable consideration for sales discounts, the Group determined that using the most likely amount method is appropriate, given that these contracts has single volume threshold.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.



Recognition of right of return assets. The Group assesses the value of its right of return assets by reference to the carrying amount of the products less any expected costs to recover those products, including potential decreases in the value of the returned products. At the end of each reporting date, the Group updates the measurement of the return asset arising from changes in expectations about products to be returned, including possible impairment.

As at December 31, 2021 and 2020, the Group assessed that the value of any return assets is nil given the perishable nature of the products.

Determination of uncertain tax positions. The Group has assessed whether it has any uncertain tax position. The Group applies significant judgement in identifying uncertainties over its income tax treatments. The Group determined, based on its tax compliance review and in consultation with its tax advisers, that it is probable that its income tax treatments will be accepted by the taxation authorities. Accordingly, the Group has determined its accounting for income taxes consistently with the related tax treatment in accordance with the requirements of IFRIC 23, *Uncertainty over Income Tax Treatments*.

Determination of lease term of contracts with renewal and termination options – Group as a lessee. The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. It considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Group expects to exercise its right to renew the lease of real estate properties where its facilities are located; hence, has included the renewal period as part of the lease term.

Assessing Useful Life of Brand, Trademark and License. Brand, trademark and license pertain to the distinctive name of the businesses, knowledge, technical know-how and recipes acquired by the Group to promote its products from those other entities (see Note 13). Based on the Group's analysis of all the relevant factors, there is no foreseeable limit to the period over which the business is expected to generate net cash inflows for the Group and therefore, these were assessed to have an indefinite life.

Evaluation of Intangible Assets. In 2014, the Group entered into a Distribution, Marketing and Sales Agreement with Sandpiper Spices and Condiments Corporation (SSCC) under which the Group became the exclusive distributor of all of SSCC's products in the Philippines until 2034. Under the agreement, the Group shall pay SSCC a non-reimbursable and non-recoupable sum of ₱727.6 million payable in 5 equal annual installments (see Note 13). The Group assessed that the amount paid or to be paid to SSCC qualifies for recognition as an intangible asset since (a) it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group; and (b) the cost of the asset can be measured reliably. The Group has assessed the probability of expected future economic benefits using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

The carrying value of the distribution rights amounted to ₱457.8 million and ₱494.1 million as at December 31, 2021 and 2020, respectively (see Note 13).



Determination of acquisition date of Sarimode Foods Corporation (SFC). On September 7, 2020, MNC acquired 55% ownership interest of PT Nippon Indosari Corpindo TBK. (NIC) in SFC, through a Share and Purchase Agreement (SPA) between MNC and NIC, subject to certain conditions precedent to closing. The acquisition increased MNC's ownership interest from 25% to 80%.

Management assessed that the acquisition date or the date on which MNC obtained control of SFC is September 7, 2020 since under the SPA, management control of SFC shall be transferred to MNC on that date. Although the SPA enumerated certain conditions that should be satisfied before the transaction is deemed closed, these are merely administrative in nature and does not significantly inhibit MNC from exercising control over SFC.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting period that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities are discussed below. The Group based its estimates and assumptions on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the Group's control. Such changes are reflected in the assumptions when they occur.

Impairment of Non-Financial Assets. The Group performs impairment review of non-financial assets with indefinite useful life (goodwill, brand, trademark and license) on an annual basis or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. This requires an estimation of the VIU of the CGUs to which goodwill is allocated. Estimating the VIU requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The impairment on the trademark and license is determined by comparing: (a) the carrying amount of the CGU; and (b) the present value of the annual projected cash flows for five years and terminal value computed under the discounted cash flow method. The recoverable amount of the CGU has been determined based on a VIU calculation using cash flow projections which were based on financial budgets approved by senior management of the Group covering a five-year period. VIU is most sensitive to changes in growth rates and discount rate.

With regards to the assessment of VIU, management believes that no reasonably possible change in any of the key assumptions would result to a materially different calculation.

Impairment exists when carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of FVLCD and its VIU.

- *Goodwill and Brand.* The Group determined that the recoverable amount of the Group's intangible assets in MNUKL is based on VIU calculation using cash flow projection from financial budgets approved by management covering a 5-year period:
 - Sales growth – Sales revenue is assumed to increase an average of 14.80% each year from 2022 to 2026, an average of 15.00% from 2021 to 2025, and an average of 16.00% from 2020 to 2023 for both Quorn and Cauldron.
 - Long-term growth rate – The long-term growth rate used was 2.00% in 2021, 2020 and 2019, and is based on published industry research.



- Discount rate – The pre-tax discount rate, which is derived from MNUKL's weighted average cost of capital (WACC), is 6.00% in 2021, and 6.51% in 2020 and 5.50% in 2019, based on the strength of the brand and the risk profile of the industry.

The COVID-19 pandemic did not have a significant impact on the impairment assessment of the Group's goodwill and brand in 2021 since the Group manufactures and distributes essential goods. Considering the evolving nature of this pandemic, the Group will continue to monitor the situation. Uncertainties in market trends and economic conditions may persist due to COVID-19 pandemic, which may impact actual results and differ materially from the impairment assessment of goodwill and brand.

Based on the assumptions above, no impairment loss is recognized on goodwill and brand in 2021, 2020 and 2019. The Group's goodwill and brand amounted to ₱16,811 million and ₱18,128 million, respectively, as at December 31, 2021 and ₱15,851 million and ₱17,094 million, respectively, as at December 31, 2020.

- *Trademark.* The Group performed its annual impairment test on Parent Company's trademark with indefinite useful life as of reporting date. The recoverable amount of the trademark was determined based on VIU calculation using cash flow projection from financial budgets approved by management covering a 5-year period:
 - Growth rates – The growth rates include long-term and terminal growth rates that are based on experiences and strategies developed for the various subsidiaries. The prospect for the industry was also considered in estimating the growth rates. Growth rate used in the projected future cash flows is at an average of 25% from 2022 to 2026.
 - Discount rate – The pre-tax discount rate of 11.75% in 2021 was estimated based on the industry weighted average cost of capital, which includes the cost of equity and debt after considering the gearing ratio.

Based on the assumptions above, no impairment loss is recognized on trademark and license in 2021, 2020 and 2019. The Group's trademark and license amounted to ₱14,459 million and ₱34,639 million, respectively, as at December 31, 2021 and ₱14,459 million and nil as at December 31, 2020.

- *Property, plant and equipment.* The Group assess impairment of non-financial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group consider important, which could trigger an impairment review include significant under-performance relative to expected historical or projected future operating results; significant changes in the manner of use of the acquired assets or the strategy for overall business; and significant negative industry and economic trends.
 - a. *Parent Company.* The Parent Company determined that the actual performance of certain property, plant and equipment in MNC below the estimated or planned outputs is an indicator of impairment resulting to additional impairment loss of ₱52.4 million in 2021, ₱230.0 million in 2020 and ₱598.7 million in 2019.

The Parent Company determined that the VIU of these impaired property, plant and equipment, assets are zero since these assets pertain to discontinued product lines with no expected future cashflows. Management assessed that any scrap value (FVLCD) is not material.



b. *MNUKL*. For property, plant and equipment in MNUKL, the recoverable amount of its asset was based on VIU calculation using cash flow projection from financial budgets approved by management covering a 10-year period, which is consistent with the estimated useful life of the property, plant and equipment. MNUKL applied a post-tax discount rate of 6.0% in 2021, 6.51% in 2020, and 5.50% in 2019 on the cash flow projections.

- *Growth rate estimates* – growth rates are based on experiences and strategies developed for the various subsidiaries. The prospect for the industry was also considered in estimating the growth rates. Growth rate used in the projected future cash flows up to the end of the useful life was 14.8% in 2021 and 15.00% in 2020 and 2019.
- *Discount rates* – discount rates were estimated based on the industry WACC, which includes the cost of equity and debt after considering the gearing ratio.

Based on the assumptions above, MNUKL recognized additional impairment loss amounting to ₱283.7 million in 2021, ₱783.8 million in 2020 and ₱112.3 million in 2019.

c. *MNTH*. In 2021, management reassessed the recoverable amount of MNTH's buildings and plant machinery and fixtures as a result of business turnaround of biscuit operations from operating loss to operating profit.

The Group estimated the assets' recoverable amount based on VIU calculation using cash flow projection from financial budgets approved by management covering a 5-year period. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing:

- *Long-term growth rate* – the long-term growth rate used was 1.00% based on published industry research.
- *Discount rate* – the pre-tax discount rate, which is derived from MNTH's weighted average cost of capital (WACC), is 8.81% based weight of debt and equity for food industry under emerging market.

In 2020 and 2019, there has been no change in the assumptions used to determine the MNTH's building and plant machinery and fixtures recoverable amount since the last impairment loss was recognized.

Based on the assumptions above, MNTH reversed accumulated impairment loss amounting to ₱113.0 million in 2021. No additional impairment loss was recognized in 2020 and 2019.

There are no impairment indicators identified on other property, plant and equipment of the Group. Based on this assessment, the Group recognized net impairment loss amounting to ₱223.1 million in 2021, ₱1,013.8 million in 2020 and ₱711.0 million in 2019 (see Notes 12 and 21). Accumulated impairment losses amounted to ₱3,172.6 million and ₱2,837.5 million as at December 31, 2021 and 2020, respectively. The carrying value of the Group's property, plant and equipment amounted to ₱29,952.3 million and ₱26,636.6 million as at December 31, 2021 and 2020, respectively (see Note 12).



- *Investments in associates and joint ventures.* The Group assess impairment of investments in associates and joint ventures whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The factors that the Group consider important, which could trigger an impairment review include the following:
 - a downgrade of an associate's or joint venture's credit rating or a decline in the fair value of the associate or joint venture in consideration of other available information
 - significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the associate or joint venture operates

The Group determined that the negative results of operations and cashflow projections of the associates and joint ventures are impairment indicators of its investment in NAMZ Pte Ltd., YCE Group Pte Ltd and Honey Droplet Hong Kong.

- a. *NAMZ Pte Ltd* – The Group determined that the recoverable amount of its investment in NAMZ Pte Ltd is its VIU. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing.
 - *Sales growth* – Sales growth for the CGU is at 294.00% for 2018, the second year of operations, and 10.00% from 2019 to 2022.
 - *Long-term growth rate* – Rates are based on published industry research. Management recognizes that the speed of technological change and the possibility of new entrants can have a significant impact on growth rate assumptions. The effect of new entrants is not expected to have an adverse impact on the forecasts, but could yield a reasonable possible alternative to the estimated long-term growth rate of 0.40%.
 - *Discount rate* – The discount rate calculation is based on the specific circumstances of MNSPL and is derived from its WACC. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate. The pre-tax discount rate applied to the cash flow projections is 8.50%.

Based on the assumptions above, the Group fully impaired its investment in NAMZ Pte Ltd and recognized impairment loss amounting to P79.8 million in 2019. Management assessed that the impairment indicators identified in 2019 still exists since NAMZ Pte Ltd is still operating at net loss in 2021 and 2020, thus, no reversal of impairment loss is recognized in 2021 and 2020 (see Notes 11 and 21).

- b. *YCE Group Pte Ltd and Honey Droplet Hong Kong* – The Group determined that the recoverable amount of its investments in YCE Group Pte Ltd and Honey Droplet Hong Kong is its FVLCD. The Group determined that the carrying amount of its investments in YCE Group Pte Ltd and Honey Droplet Hong Kong were no longer recoverable due to the current and forecasted performance of the entities.

Based on the assumptions above, the Group's investment in YCE Group Pte Ltd are fully impaired as at December 31, 2021 and 2020 (see Note 11).

Fair Value of Financial Instruments. The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another



valuation technique. When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. See Note 26 for further disclosures.

Estimating Fair Value of Equity Conversion and Redemption Options. The fair value of embedded derivatives related to the issuance of convertible note is measured using the Jarrow-Rudd Binomial Lattice model. The inputs to this model are taken from a combination of observable markets and unobservable market data. Changes in inputs about these factors could affect the reported fair value of the embedded derivatives and impact profit or loss. The inputs considered in the calculation which involves judgement and estimates are stock price, option-adjusted credit spread, dividend yield, probability of default and stock volatility.

The carrying value of the embedded derivative liability amounted to nil and ₱2,513.9 million as at December 31, 2021 and 2020, respectively (see Note 26).

Assessment for ECL on Trade Receivables. The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information on macro-economic factors. At every financial reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The COVID-19 pandemic did not have a significant impact on the collectability of the Group's trade receivables in 2021 and 2020. The customers' payment terms were not extended due to the pandemic. The percentage of overdue trade receivables as at December 31, 2021 decreased as compared to December 31, 2020. However, considering the evolving nature of this pandemic, the Group will continue to monitor the situation. Uncertainties in market trends and economic conditions may persist due to COVID-19 pandemic, which may impact actual results and differ materially from the estimates of ECL.

In 2021, the Group recognized reversal of provision for ECL on trade receivables amounting to ₱31.2 million due to effective collection efforts during the period. In 2020, the Group recognized provision for ECL amounting to ₱98.5 million. Trade and other receivables written off amounted to ₱6.0 million in 2021 and ₱399.7 million in 2020. Allowance for ECL on trade receivables amounted to ₱31.4 million and ₱67.6 million as at December 31, 2021 and 2020, respectively. The carrying amount of trade and other receivables amounted to ₱6,248.7 million and ₱6,456.7 million as at December 31, 2021 and 2020, respectively (see Note 6).



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

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

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

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

In 2021, the Group recognized reversal of ECL noncurrent receivables as a result of settlement of advances to YCE amounting to ₱77.4 million. In 2020, the Group recognized provision for ECL on noncurrent receivables amounting to ₱8.9 million. Noncurrent receivables written off amounted to ₱1.0 million in 2021 and nil in 2020. Allowance for ECL on noncurrent receivables and other receivables amounted to ₱115.3 million, and ₱193.6 million as at December 31, 2021 and 2020, respectively. The carrying amount of noncurrent receivables and other receivables amounted to ₱500.0 million and ₱81.3 million, respectively, as at December 31, 2021, ₱655.5 million and ₱51.8 million, respectively, as at December 31, 2020 (see Notes 6 and 9).

Estimating Useful Life of Property, Plant and Equipment. In 2021, MNUKL engaged an external party to review its certain plant machinery and fixtures. Based on the review of the external party, the useful economic lives should be extended from 35 to 50 years as the rate of deterioration is low. This resulted to a reduction on depreciation of MNUKL amounting to ₱40.1 million (£0.6 million) in 2021. The change is expected to decrease the future monthly depreciation expense by ₱3.3 million.

Leases – Estimating the IBR. The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

The Group’s lease liabilities amounted to ₱2,758.9 million, and ₱2,763.0 million as at December 31, 2021 and 2020, respectively (see Note 25).



Estimation of Refund Liabilities. The Group uses two-year average historical return and discount data to estimate the refund liabilities. These percentages are applied to determine the expected value of the variable consideration. Estimates of expected returns and volume discounts are sensitive to changes in circumstances and the Group's past experience regarding returns and discount entitlements may not be representative of customers' actual returns and discount entitlements in the future. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Group. The Group updates its assessment of expected return and volume discounts annually and refund liabilities are adjusted accordingly. As at December 31, 2021 and 2020, the amount recognized as refund liabilities for the expected returns and volume discounts are ₱303.9 million and ₱279.7 million, respectively (see Note 15).

Estimation of Pension and Other Benefits Costs. The determination of the obligation and cost of pension and other employee benefits is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rates and salary increase rates (see Note 22). Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of Philippine government bonds with terms consistent with the expected employee benefit payout as of reporting date.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

On May 1, 2021, the Parent Company amended its retirement plan as follows:

- Change in disability benefit from 60 days to 75 days
- Change in death benefit from ₱0.2 million plus gratuity pay or ₱1.0 million, to 75 days per year of service or ₱2.0 million, whichever is higher, with the exemption of self-inflicted cause of death

As a result of the amendment, the Group recognized ₱75.1 million past service cost in 2021.

As at December 31, 2021 and 2020, the balance of the Group's present value of defined benefit obligations and other benefits is shown in Note 22 to the consolidated financial statements.

Recognition of Deferred Taxes. The Group's assessment on the recognition of deferred tax assets on nondeductible temporary differences is based on the forecasted taxable income of the following reporting periods over which the deductible temporary differences can be utilized. This forecast is based on the Group's past results and future expectations on revenues and expenses (see Note 24).

Net deferred tax assets recognized in the consolidated financial statements amounted to ₱885.5 million and ₱843.1 million as at December 31, 2021 and 2020, respectively (see Note 24).

Deferred tax assets amounting to ₱578.2 million, and ₱676.3 million were not recognized in the consolidated financial statements as at December 31, 2021 and 2020, respectively, since the Group believes that it will not be utilized in the future. Deferred tax assets on cumulative translation adjustments amounting to ₱695.8 million and ₱1,310.0 million as at December 31, 2021 and 2020, respectively, were not recognized since it is not probable that taxable profit will be available against which the temporary difference can be utilized (see Note 24).



As at December 31, 2021 and 2020, deferred tax liability on undistributed earnings of subsidiaries amounting to ₱2,240.4 million, and ₱2,831.5 million, respectively, was not recognized since the Parent Company controls the dividend policy of its subsidiaries, hence, it is able to control the timing of the reversal of the temporary difference with these subsidiaries and such temporary difference is not seen to reverse in the foreseeable future.

Estimation of Legal contingencies and Regulatory Assessments. As at December 31, 2020 and 2021, the Group is involved in various legal proceedings and regulatory assessments, and management believes that these proceedings will not have a material effect on the consolidated financial statements. Disclosure of additional details beyond the present disclosures may seriously prejudice the Group's position and negotiating strategy.

The Group, in consultation with its external and internal legal and tax counsels, believe that its position on these assessments are consistent with relevant laws and believe that these proceedings will not have a material adverse effect on the Group financial statements. However, it is possible that future results of operations could be materially affected by changes in the estimates or the effectiveness of management's strategies relating to these proceedings. As at December 31, 2021, management has developed an estimate of the probable cash outflow to settle these assessments and has recognized provision for these liabilities.

As allowed by PAS 37, *Provisions, Contingent Liabilities, and Contingent Assets*, no further disclosures were provided as this might prejudice the Group's position on this matter.

4. Subsidiaries, Significant Acquisitions and Disposals, and Segment Information

The consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries, which are prepared for the same reporting period as at December 31, 2021 and 2020, are set out below:

Subsidiaries	Principal Activity	Country of Incorporation	Percentage of Ownership			
			2021		2020	
			Direct	Indirect	Direct	Indirect
MNSPL	Investment/sales	Singapore	100.00	—	100.00	—
MNUKL	Investment holding	United Kingdom	—	100.00	—	100.00
Marlow Foods Limited	Manufacturing, Sales, and Marketing	United Kingdom	—	100.00	—	100.00
Quorn Smart Life GmbH	Sales, and Marketing	Germany	—	100.00	—	100.00
Quorn Foods Inc	Sales, and Marketing	United States of America	—	100.00	—	100.00
Cauldron Foods Ltd*	Sales, and Marketing	United Kingdom	—	100.00	—	100.00
Quorn Foods Italy SRL**	Sales, and Marketing	Italy	—	N/A	—	100.00
Quorn Foods Sweden	Sales, and Marketing	Sweden	—	100.00	—	100.00
MNNZ	Distribution of food related goods	New Zealand	—	100.00	—	100.00
MNHTL***	Investment company	Thailand	—	6.50	—	6.50
MIL	Manufacture of seasonings	Thailand	—	100.00	—	100.00
MNTH***	Manufacture and distribution of bread and cookies	Thailand	—	56.40	—	56.40

(Forward)



Subsidiaries	Principal Activity	Country of Incorporation	Percentage of Ownership			
			2021		2020	
			Direct	Indirect	Direct	Indirect
MNIIIL	Investment company	British Virgin Islands	100.00	—	100.00	—
MNHTL***	Investment company	Thailand	—	93.50	—	93.50
MNTH***	Manufacture and distribution of bread and cookies	Thailand	—	43.60	—	43.60
KBT International Holdings, Inc. (KBT)	Investment company	Philippines	95.69	—	95.69	—
MNAC*	Manufacture, process, and distribution of industrial coconut and agricultural products	Philippines	90.91	—	90.91	—
SFC****	Manufacture and process of bread	Philippines	80.00	—	80.00	—
All Fit & Popular Foods Inc. (AFPF)	Manufacturing, importing, exporting, selling and distribution of breads; Purchasing or registering intellectual properties	Philippines	—	80.00	—	80.00
Monde M.Y. San Corporation (MMYSC)	Manufacture, process, and export of biscuits	Philippines	100.00	—	60.00	—

*Dormant

**Dissolved in 2021

***The Group effectively owns 100%

****Subsidiary effective September 7, 2020

The Group has direct and indirect ownership interests in associates and joint ventures which are further discussed in Note 11.

a. Subsidiaries

i. MNSPL

In May 2020, the BOD approved the reduction in its share capital in MNSPL by 113,000,000 shares in the amount of ₱2,810.9 million (GBP43.8 million). As a result, the Parent Company's shares in MNSPL were reduced from 587,250,257 shares to 474,250,257 shares. MNSPL repatriated a portion of its capital to the Parent Company amounting to ₱2,465.7 million (GBP38.8 million) in 2020. The outstanding balance of ₱345.2 million (GBP5.0 million) was repatriated to the Parent Company in September 2021.

On September 20, 2021, the BOD approved to subscribe additional 42,924,533 ordinary shares of MNSPL at an aggregate subscription price of ₱3,121.4 million (GBP45.0 million) payable in several tranches on or before March 31, 2022. On the following dates, the Parent Company paid for the following:

Payment date	No. of shares	Amount in GBP	Amount in PHP
	<i>(In Thousands, Except No. of Shares)</i>		
September 24, 2021	3,924,533	£6,000	₱410,238
October 12, 2021	9,000,000	9,000	624,139
November 15, 2021	6,000,000	6,000	409,318
December 31, 2021	12,000,000	12,000	826,969
February 14, 2022	6,000,000	6,000	421,430
March 14, 2022	6,000,000	6,000	429,259



ii. MNIIL

On May 29, 2020, the BOD approved the MNIIL's repurchase of its 18,420,870 ordinary shares and repatriation of a portion of its capital to Parent Company amounting to ₱920.1 million (\$18.4 million).

iii. MNTH

On November 14, 2014, MMYSC subscribed 250,000 shares of the 2,500,000 shares to retain its 10.00% ownership interest in MNTH and MIL subscribed 2,250,000 shares of the 2,500,000 shares to increase its ownership interest from 30.00% to 38.57%. As a result, the Parent Company's direct ownership interest in MNTH decreased from 45.33% in 2013 to 38.86% in 2014 while the Parent Company's indirect ownership interest in MNTH increased from 36.00% in 2013 to 44.57% in 2014. The Parent Company recognized equity reserve from this transaction (see Note 18).

On July 11, 2018, the Parent Company and Monde Asia Pacific Co., Ltd., entered into a Deed of Absolute Sale of Shares (Agreement) wherein Monde Asia Pacific Co., Ltd., agreed to transfer its 12.57% ownership interest in MNTH to the Parent Company in exchange for THB1. As a result of this transaction, the Group now owns 100% of the outstanding shares of MNTH. The Parent Company recognized equity reserve from this transaction (see Note 18).

On July 11, 2018, the Parent Company and Monde Asia Pacific Co., Ltd., entered into a Deed of Absolute Sale of Shares (Agreement) wherein Monde Asia Pacific Co., Ltd., agreed to transfer its 12.57% ownership interest in MNTH to the Parent Company in exchange for THB1. As a result of this transaction, the Group now owns 100% of the outstanding shares of MNTH. The Parent Company recognized equity reserve from this transaction (see Note 18).

In 2019, the Board of Directors of MNTH approved the increase in the authorized capital of MNTH from THB1,750.0 million (17,500,000 shares) to THB3,100.0 million (31,000,000 shares). MNIIL subscribed to the newly issued 13,500,000 shares which resulted to a 43.60% ownership interest in MNTH. Ownership interest of MNSPL was reduced to 56.40%.

iv. KBT

In 2017, the Parent Company made additional investments in KBT amounting to ₱28.0 million. As a result of this transaction, the ownership interest of the Parent Company in KBT increased from 91.66% to 95.69% in 2018. The Parent Company recognized equity reserve from this transaction amounting to ₱33.4 million (see Note 18).

v. MNAC

On June 10, 2016, the Parent Company and Agricolity Group Philippines, Inc. (AGPI) entered into an agreement wherein AGPI agreed to subscribe to 73,422 Common Class B shares of MNAC, which has a par value or subscription price of ₱7.3 million. Also, under the agreement, the Parent Company agreed to donate to AGPI ₱7.3 million so that AGPI can pay for the subscription price of the shares. As a result of this transaction, the ownership interest of the Parent Company in MNAC was reduced to 90.91%. The Parent Company recognized its share of the equity reserve from this transaction amounting to ₱7.7 million (see Note 18).



On November 26, 2016, the BOD of MNAC approved the cessation of MNAC's business operations effective January 1, 2017. As at December 31, 2021 and 2020, the Group's allowance for impairment losses on MNAC's assets are as follow:

	2021	2020
Other current assets (see Note 8)	₱3,603	₱3,603
Advances to suppliers and contractors (see Note 14)	55,787	55,787
Property, plant and equipment (see Note 12)	7,664	7,664
	₱67,054	₱67,054

vi. SFC

In 2016, the Parent Company entered into a Joint Venture Agreement with NIC, an Indonesian-based company, primarily engaged in the manufacture and distribution of packaged bread, cakes, and packaged baked goods, to set-up SFC.

In 2019, the Parent Company agreed to sell its 20% ownership interest in SFC to MNSG Holdings Pte. Ltd. in exchange for ₱48.0 million. As a result of this agreement, the Group recognized a gain of ₱13.9 million recorded under the "Miscellaneous income" account in the consolidated statement of comprehensive income (see Note 21).

In April 2020, prior to the acquisition of the 55% ownership interest of NIC in SFC, the Parent Company made additional investments in SFC amounting to ₱188.1 million. NIC has also made additional investments to SFC to retain its ownership interest in SFC.

On September 7, 2020, the Parent Company acquired NIC's 55% equity interest in SFC, through a Share and Purchase Agreement between the Parent Company and NIC, which increased the Parent Company's ownership interest in SFC from 25% to 80%, for a total consideration of ₱256.2 million. As a majority stockholder of SFC, the Parent Company accounted the investment in SFC as investment in a subsidiary starting September 7, 2020 from investment in an associate in 2019. The Parent Company acquired SFC to gain control of the latter's business and increase its market share by creating synergies with the Parent Company's existing products and route to market strategies.

The Group has elected to measure the non-controlling interests in the acquiree at the proportionate share of the value of the net identifiable assets acquired.

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

	Fair Value Recognized on Acquisition
Assets	
Cash	₱34,315
Trade and other receivables (see Note 6)	39,983
Prepayments and other current assets	219,917
Property, plant and equipment (see Note 12)	1,095,471
Intangible assets (see Note 13)	14,721
Other noncurrent assets	4,237
	₱1,408,644

(Forward)



	Fair Value Recognized on Acquisition
Liabilities	
Accounts payable	P193,336
Other current liabilities	155,823
Loans payable	390,000
Lease liability (see Note 25)	157,901
Other liabilities	15,924
Deferred tax liability	21,332
	934,316
Total identifiable net assets at fair value	P474,328

	Amount
Fair value of previously-held equity interest	P105,105
Non-controlling interest measured at fair value	94,823
Purchase consideration transferred	256,150
Total value	456,078
Total identifiable net assets at fair value	(474,328)
Bargain purchase*	(P18,250)

*Recorded under "Miscellaneous income" in the consolidated statement of comprehensive income.

The fair value and the gross amount of the trade and other receivables amounted to P40.0 million which is expected to be collected in full.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. ROU assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favorable terms of the lease relative to market terms.

In 2020, SFC contributed P156.1 million of revenue and a loss before income tax of P83.9 million to the Group. If the acquisition had taken place at the beginning of the year, contribution to the revenue would have been P402.2 million and loss before income tax from continuing operations for the Group would have been P565.9 million.

The net cash outflow from the acquisition is as follows:

Net cash acquired from the subsidiary	P34,315
Cash paid*	(51,230)
	(P16,915)

*20% of total acquisition price

As at December 31, 2021 and 2020, unpaid portion of the total acquisition price amounted to P10.7 million and P204.9 million, respectively and is recorded under "Accounts payable and other current liabilities" account (see Note 15).

viii. MMYSC

On January 28, 2021, the Parent Company purchased from My Crackers, Inc. (MCI) the latter's 4,500,000 common shares in MMYSC representing 40% of the outstanding capital stock of MMYSC for P1,822.5 million. This increased the Parent Company's ownership interest from 60% in 2020 to 100% in 2021. This resulted in the reduction of the Group's non-controlling interest related to MMYSC amounting of P1,289.9 million and increase in equity reserve of P532.6 million as at January 28, 2021 (see Note 18).



b. Segment Information

For management purposes, the Group is organized into business units based on its products and has 2 reportable segments, as follows:

- Asia-Pacific Branded Food & Beverage (APAC BFB) manufactures and distributes a diverse mix of biscuits, bakery products, beverages, instant noodles and pasta.
- Meat Alternative manufacturers and distributes a variety of meat alternative brands and products to the retail trade and food service customers in the UK, US, Europe and Asia-Pacific.

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

The Chief Executive Officer is the Chief Operating Decision Maker and monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

The following tables present the financial information of each of the operating segments in accordance with PFRSs. Inter-segment revenues, and finance income and expenses are eliminated upon consolidation and reflected in the “Eliminations” column.

	2021			
	APAC BFB	Meat Alternative	Eliminations	Consolidated
Net sales - third parties	₱54,039,015	₱15,245,173	—	₱69,284,188
Costs and expenses	(43,411,777)	(13,773,475)	—	(57,185,252)
Depreciation and amortization	(1,828,942)	(641,930)	—	(2,470,872)
Finance income	1,338,617	986	(1,256,632)	82,971
Finance expense	(5,350,902)	(1,311,950)	1,256,632	(5,406,220)
Foreign exchange gain (loss) - net	411,859	(1,457)	—	410,402
Impairment loss	60,678	(283,739)	—	(223,061)
Share in profit (loss) of associates and joint venture	36,367	—	—	36,367
Other income (expense)	296,363	—	—	296,363
Income before income tax	5,591,278	(766,392)	—	4,824,886
Provision for income tax	291,025	1,288,736	—	1,579,761
Net income	₱5,300,253	(₱2,055,128)	₱—	₱3,245,125

Other information

Total assets	₱69,493,886	₱54,170,503	(₱23,806,761)	₱99,857,628
Total liabilities	₱15,139,545	₱40,109,264	(₱23,806,761)	₱31,442,048
Investment in associates and joint venture	₱1,094,087	₱—	₱—	₱1,094,087
Capital expenditures	₱3,399,408	₱1,816,859	₱—	₱5,216,267

	2020			
	APAC BFB	Meat Alternative	Eliminations	Consolidated
Net sales - third parties	₱52,910,573	₱15,034,938	₱—	₱67,945,511
Costs and expenses	(39,802,436)	(12,743,090)	—	(52,545,526)
Depreciation and amortization	(1,642,275)	(661,044)	—	(2,303,319)
Finance income	1,436,836	5,565	(1,080,462)	361,939
Finance expense	(1,517,312)	(1,349,293)	1,080,462	(1,786,143)
Foreign exchange gain (loss) - net	900,877	13,362	—	914,239
Impairment loss	(229,980)	(783,858)	—	(1,013,838)
Share in profit (loss) of associates and joint venture	(98,300)	—	—	(98,300)
Other income (expense)	258,889	(8,723)	—	250,166
Income before income tax	12,216,872	(492,143)	—	11,724,729
Provision for income tax	3,292,153	366,869	—	3,659,022
Net income	₱8,924,719	(₱859,012)	₱—	₱8,065,707

Other information

Total assets	₱54,462,663	₱49,251,201	(₱19,311,448)	₱84,402,416
Total liabilities	₱43,373,262	₱33,800,565	(₱19,311,448)	₱57,862,379



	2020			
	APAC BFB	Meat Alternative	Eliminations	Consolidated
Investment in associates and joint venture	₱1,024,068	₱–	₱–	₱1,024,068
Capital expenditures	₱1,968,780	₱1,784,694	₱–	₱3,753,474

	2019			
	APAC BFB	Meat Alternative	Eliminations	Consolidated
Net sales - third parties	₱50,259,882	₱15,190,993	₱–	₱65,450,875
Costs and expenses	(38,203,794)	(13,079,054)	–	(51,282,848)
Depreciation and amortization	(1,584,997)	(467,520)	–	(2,052,517)
Finance income	1,402,386	5,785	(1,103,740)	304,431
Finance expense	(2,423,859)	(1,296,730)	1,103,740	(2,616,849)
Foreign exchange gain (loss) - net	136,667	(48,346)	–	88,321
Impairment loss	(678,523)	(112,314)	–	(790,837)
Share in profit (loss) of associates and joint venture	(251,333)	–	–	(251,333)
Other income (expense)	360,138	(85,308)	–	274,830
Income before income tax	9,016,567	107,506	–	9,124,073
Provision for income tax	2,222,427	252,375	–	2,474,802
Net income	₱6,794,140	(₱144,869)	₱–	₱6,649,271

Other information				
Total assets	₱54,680	₱49,875	(₱18,601)	₱85,954
Total liabilities	₱48,046	₱33,287	(₱18,601)	₱62,732
Investment in associates and joint venture	₱993,202	₱–	₱–	₱993,202
Capital expenditures	₱2,137,759	₱1,522,465	₱–	₱3,660,224

Geographic Information

The Group operates in the Philippines, Thailand, New Zealand, Singapore, and the United Kingdom.

The following table shows the distribution of the Group's consolidated revenues to external customers by geographical market, regardless of where the goods were produced:

	2021	2020	2019
Domestic	₱50,356,983	₱49,880,008	₱46,843,920
Foreign	18,927,205	18,065,503	18,606,955
	₱69,284,188	₱67,945,511	₱65,450,875

The Group has no customer which contributes 10% or more of the consolidated revenues of the Group.



The table below shows the Group's carrying amount of non-current assets per geographic location, excluding noncurrent receivables, other noncurrent assets (advances to employees and withholding tax receivables), and deferred tax assets.

	2021	2020
Domestic:		
Property, plant and equipment (see Note 12)	₱16,616,860	₱15,161,639
Investments in associates and joint ventures	1,094,087	1,024,068
Intangible assets (see Note 13)	657,953	648,474
Other noncurrent assets (see Note 14)	992,831	944,164
Total	19,361,731	17,778,345
Foreign:		
Property, plant and equipment (see Note 12)	13,335,400	11,474,935
Intangible assets (see Note 13)	34,988,803	32,951,857
Other noncurrent assets (see Note 14)	104,295	13,825
	48,428,498	44,440,617
	₱67,790,229	₱62,218,962

5. Cash and Cash Equivalents

	2021	2020
Cash on hand and in banks	₱4,773,728	₱3,620,374
Cash equivalents	9,083,086	3,472,641
	₱13,856,814	₱7,093,015

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are short-term deposits made for varying periods of one month up to three months depending on the immediate cash requirements and earn interest at the respective short-term deposit rates.

Interest income from cash and cash equivalents amounted to ₱72.2 million in 2021, ₱81.6 million in 2020 and ₱288.3 million in 2019 (see Note 21).

6. Trade and Other Receivables

	2021	2020
Trade receivables:		
Non-related parties	₱6,164,997	₱6,414,107
Related parties (Note 23)	33,777	58,397
Other receivables	81,330	51,789
	6,280,104	6,524,293
Allowance for ECL	31,372	67,575
	₱6,248,732	₱6,456,718

Trade receivables pertain to receivables from sale of goods which are noninterest-bearing and are generally on 30-60 days' terms.

Other receivables comprise of various receivables from employees, accruals for interest from short term placements, receivable from a supplier, and advances made to employees for SSS claims. These are noninterest-bearing and normally settled through salary deductions.



Movements in the allowance for ECL follow:

	2021	2020
Balance at January 1	₱67,575	₱368,807
(Reversal of) provision for ECL (see Note 20)	(31,189)	98,544
Write-off	(5,989)	(399,702)
Currency translation adjustments	975	(74)
Balance at end of period	₱31,372	₱67,575

The Group directly wrote off receivables amounting to nil in 2021 and ₱6.9 million in 2020 as management assessed that there is no reasonable expectation of recovery. These are recorded under the “Provision for ECL and write-off” account in the consolidated statements of comprehensive income (see Note 20).

Trade and other receivables from related parties that were eliminated upon consolidation amounted to ₱2,556.1 million in 2021 and ₱2,351.1 million in 2020.

7. Inventories

	2021	2020
At cost:		
In-transit	₱319,180	₱124,561
Raw materials	124,999	120,275
Finished goods	190,468	85,659
Packaging and other materials	12,128	14,580
Work in-process	1,813	5,177
	648,588	350,252
At NRV:		
Finished goods	₱3,079,954	₱2,528,918
Raw materials	2,702,461	1,677,530
Work in-process	1,425,579	823,835
Packaging and other materials	715,781	692,468
	7,923,775	5,722,751
	₱8,572,363	₱6,073,003

The costs of inventories carried at NRV as at December 31 are as follows:

	2021	2020
Finished goods	₱3,317,671	₱2,692,979
Raw materials	2,752,449	1,744,293
Work in-process	1,463,761	852,405
Packaging and other materials	833,914	732,300
	₱8,367,795	₱6,021,977



Movements in the allowance for inventory obsolescence for raw materials and finished goods are as follows:

	2021	2020
Balance at beginning of year	₱299,226	₱287,276
Provision	194,045	361,508
Write-off	(55,656)	(348,745)
Currency translation adjustments	6,405	(813)
Balance at end of year	₱444,020	₱299,226

The cost of inventories recognized under “Cost of goods sold” account amounted to ₱43,692.8 million in 2021, ₱41,439.5 million in 2020 and ₱40,194.1 million in 2019 (see Note 19).

The carrying value of the Group’s right of return assets amounted to nil as at December 31, 2021 and 2020 (see Note 3).

Under the terms of the agreements covering liabilities under trust receipts totaling ₱3,714.7 million, and ₱605.9 million as at December 31, 2021 and 2020, respectively, certain inventories which approximate the trust receipts payable, have been released to the Group under trust receipt agreement with the banks. The Group is accountable to these banks for the trusted merchandise or their sales proceeds (see Note 16).

8. Prepayments and Other Current Assets

	2021	2020
Creditable withholding tax (CWT) and other credits	₱686,087	₱16,021
Prepayments	538,754	239,837
Deferred input VAT	294,801	335,950
Input VAT	201,610	364,713
Other current assets	48,664	19,335
	1,769,916	975,856
Allowance for non-recoverability of other current assets	(759)	(3,603)
	₱1,769,157	₱972,253

CWT and other credits include the overpayment of 2020 income tax due to CREATE Act.

Prepayments pertain to prepayments of freight, insurance, and advertising expenses.

Deferred input VAT represents the input VAT related to the unpaid portion of the cost of services.

Input VAT represents VAT imposed on the Group by its suppliers and contractors for the acquisition of goods and services required under the tax laws and regulations.

Movement in allowance for non-recoverability of other current assets pertains to write-off of input VAT in 2021.



9. Financial Assets

	2021	2020
Loans receivable	₱780,202	₱849,093
Financial assets at FVTPL	1,001	—
	781,203	849,093
Allowance for ECL	(115,266)	(193,572)
	₱665,937	₱655,521

	2021	2020
Current portion	₱165,937	₱—
Noncurrent portion (see Note 27)	500,000	65,521
	₱665,937	₱655,521

Loans receivables. Noncurrent loans receivables mainly consist of interest-bearing loans receivable from SSCC and MNSG Holdings Pte. Ltd. The loan receivable from MNSG Holdings Pte. Ltd. amounting to ₱164.9 million (\$3.0 million) will mature on July 23, 2022. In 2021 and 2020, this loan is presented under “Current financial assets” and “Noncurrent receivables” account, respectively, in the consolidated statement of financial position (see Note 23).

Interest income from noncurrent receivables amounted to ₱10.8 million in 2021, ₱15.9 million in 2020 and ₱16.2 million in 2019 (see Note 21).

Movements in the allowance for ECL follow:

	2021	2020
Balance at January 1	₱193,572	₱184,642
(Reversal of) provision for ECL (see Notes 20, 21 and 23)	(77,369)	8,930
Write-off	(937)	—
Balance at end of period	₱115,266	₱193,572

Financial assets at FVTPL. Movements in the fair value of financial assets at FVTPL are as follows:

	2021
Acquisitions	₱7,401,000
Disposal	(7,412,542)
Fair value change during the year	12,543
	₱1,001

10. Financial Assets at FVOCI

Unquoted equity securities

As at December 31, 2021 and 2020, unquoted equity securities pertain to investment in Wide Faith Foods and Co. Ltd, which have been written-down to nil as at December 31, 2021 and 2020.



Fair value reserve of financial assets are as follows:

	2021	2020
Balance, at January 1	(P235,130)	(P235,130)
Fair value change on financial assets at FVOCI during the year	—	—
Balance, at December 31	(P235,130)	(P235,130)

The acquisition cost of these unquoted equity securities amounted to P235.1 million as at December 31, 2021 and 2020.

11. Investments in Associates and Joint Venture

Entities	Principal Activity	Country of Incorporation	Percentage of Ownership	Amount	
				2021	2020
Associates					
Monde Land Inc. (MLI)	Buying, leasing and acquiring of real estate	Philippines	40.00	₱925,304	₱909,598
NAMZ Pte Ltd*	Research and development	Singapore	21.20	324,211	324,211
Calaca Harvest Terminal, Inc. (CHTI)	Engaged in and carry on a general and commercial business by buying, selling, storage, warehouse and transport of grain and other related commodities	Philippines	20.00	140,000	80,000
YCE Group Pte Ltd*	Manufacturing of ice	Singapore	32.00	78,249	78,249
				1,467,764	1,392,058
Joint Venture					
Honey Droplet Hong Kong*	Purchasing, processing, exporting, and selling honey worldwide (excluding Japan)	Hong Kong	50.00	₱218,748	₱218,748
Monde Malee Beverage Corporation (MMBC)	Importation, marketing, promotion, and sale of beverage products	Philippines	48.99	28,783	34,470
				247,531	253,218
Less allowance for impairment loss on investments in (Note 3):					
NAMZ Pte Ltd				324,211	324,211
YCE				78,249	78,249
Honey Droplet Hong Kong				218,748	218,748
				621,208	621,208
				₱1,094,087	₱1,024,068

* Indirect ownership through MNSPL



Investments in Associates

	2021	2020
Acquisition costs, beginning of year	₱1,240,322	₱1,466,302
Additions	60,000	248,125
Step-up acquisition (see Note 4)	—	(474,105)
Acquisition costs, end of year	1,300,322	1,240,322
Accumulated equity share in net earnings:		
Balance at beginning of year	151,736	(110,691)
Share in net earnings (losses)*	42,054	(92,719)
Dividends from MLI	(26,348)	(16,000)
Step-up acquisition (see Note 4)	—	369,000
Fair value adjustment on step-up acquisition	—	2,146
	167,442	151,736
	1,467,764	1,392,058
Accumulated impairment loss	(402,460)	(402,460)
	₱1,065,304	₱989,598

*Includes share in net losses of SFC before the step-up acquisition in September 2020 amounting to ₱127.8 million.

Summarized consolidated financial information of MLI, a material associate, follows:

	2021	2020
Consolidated Statement of Financial Position		
Current assets	₱190,615	₱145,016
Noncurrent assets	1,333,186	1,361,928
Current liabilities	(93,000)	(121,157)
Noncurrent liabilities	(47,871)	(42,123)
Equity	₱1,382,930	₱1,343,664
Group's share in equity	₱553,172	₱537,466
Goodwill	372,132	372,132
Group's carrying amount of the investment	₱925,304	₱909,598

	2021	2020	2019
Consolidated Statement of Comprehensive Income			
Revenue	₱270,810	₱224,805	₱186,539
Cost of sales	(106,328)	(67,292)	(53,238)
Sales, general and administrative expenses	(23,720)	(20,680)	(18,724)
Other expenses	(3,256)	(4,486)	(6,490)
Income before income tax	137,506	132,347	108,087
Provision for income tax	32,371	44,533	37,943
Income after income tax	105,135	87,814	70,144
Other comprehensive income	—	—	648
Total comprehensive income	₱105,135	₱87,814	₱70,792
Group's share of profit for the year	₱42,054	₱35,126	₱28,317



The Group's share in the aggregated summarized financial information for immaterial associates follow:

	2021	2020	2019
Consolidated Statement of Comprehensive Income			
Revenue	₱107,262	₱86,551	₱64,178
Cost of sales	(97,513)	(63,401)	(45,553)
Sales, general and administrative expenses	(31,998)	(10,704)	(52,734)
Other income (expenses)	(23,199)	(15,019)	(14,098)
Loss before income tax	(45,448)	(2,573)	(48,207)
Provision for (benefit from) income tax	—	—	506
Loss after income tax	(45,448)	(2,573)	(47,701)
Other comprehensive income (loss)	—	—	(513)
Total comprehensive loss	(₱45,448)	(₱2,573)	(₱48,214)

The Group did not recognize its share in net losses in associates amounting to ₱45.4 million in 2021, ₱2.6 million in 2020 and ₱40.7 million in 2019. The accumulated share in net losses in associates not recognized amounted to ₱92.6 million and ₱47.2 million as at December 31, 2021 and 2020, respectively.

a. MLI

The Group's carrying amount of its investment in MLI is ₱925.3 million and ₱909.6 million as at December 31, 2021 and 2020, respectively. The difference between the carrying amount of the Group's investment in MLI as at December 31, 2021 and 2020 and its share in the total equity of MLI attributable to the equity holders of the Parent is attributable to goodwill.

b. NAMZ Pte Ltd

In 2020, an entity made additional investments in NAMZ Pte Ltd which resulted in the dilution of the Group's ownership interest from 30.0% to 21.2%.

c. CHTI

In March 2020, the Group made an additional investment amounting to ₱60.0 million. As at December 31, 2020, CHTI has ₱400.0 million of registered capital, of which the Group owns 20%.

In 2021, the Group made additional investment amounting to ₱60.0 million representing 60,000 shares in CHTI to maintain its ownership interest of 20%.

The associates had no contingent liabilities or capital commitments as at December 31, 2021 and 2020.

Investment in Joint Venture

	2021	2020
Cost	₱379,623	₱379,623
Accumulated equity share in net earnings:		
Balance at beginning of year	(126,405)	(120,824)
Share in net losses	(5,687)	(5,581)
	(132,092)	(126,405)
	247,531	253,218
Accumulated impairment loss	(218,748)	(218,748)
	₱28,783	₱34,470



The Group's shares in the aggregate summarized financial information of individually-immaterial joint ventures follow:

	2021	2020	2019
Revenue	₱27,988	₱36,459	₱51,518
Expenses	(33,472)	(85,619)	(68,096)
Other income (expenses)	(218)	6,405	3,587
Loss before income tax	(5,702)	(42,755)	(12,991)
Provision for (benefit from) income tax	(15)	—	317
Loss after income tax	(5,687)	(42,755)	(13,308)
Other comprehensive loss	—	(349)	(369)
Total comprehensive loss	(₱5,687)	(₱43,104)	(₱13,677)

In 2021, Honey Droplet Hong Kong has no operations due to factory shut down. The Group did not recognized share in net losses in joint ventures amounting to nil in 2021, ₱37.5 million in 2020 and ₱11.5 million in 2019. The accumulated share in net losses in joint ventures not recognized amounted to ₱85.9 million as at December 31, 2021 and 2020 and ₱48.4 million as at December 31, 2019, respectively.

a. *Honey Droplet Hong Kong*

The Group has a 50.00% interest in the ownership and voting rights in a joint venture, Honey Droplet Hong Kong. This joint venture is incorporated in Hong Kong and is a strategic venture in purchasing, processing, exporting, and selling honey worldwide (excluding Japan). The Group jointly controls the venture with other partner under the contractual agreement and requires unanimous consent for all major decisions over the relevant activities.

The Group determined that the negative results of operations and cashflow projections of Honey Droplet Hong Kong are impairment indicators. As a result, the Group's investment in Honey Droplet Hong Kong is fully impaired as at December 31, 2021 and 2020.

b. *MMBC*

In 2015, the Group signed a Joint Venture Agreement with Malee Beverage Public Co. Ltd., a leading juice and canned fruit manufacturer in Thailand, to set up MMBC to tap the aggressive growth of the beverage market in the Philippines. MMBC has ₱100.0 million of registered capital, of which the Group and Malee share 48.99% each and the remaining 2.00% are held by individual investors.

The unrecognized share in net losses of MMBC amounting to ₱31.3 million were recognized by the Group in 2019.

The joint ventures have no contingent liabilities or capital commitments as at December 31, 2021 and 2020.



12. Property, Plant and Equipment

2021																
	Land	Land Improvements	Buildings	Building Improvements	Leasehold Improvements	Plant Machinery and Fixtures	Office Furniture and Equipment	Transportation Equipment	Computer and Communications Equipment	Machineries Under Installation	Construction In-progress	ROU Land	ROU Building	ROU Leasehold Improvements	ROU Others	Total
Cost																
Balance at beginning of year	P456,119	P5,577	P8,613,002	P1,643,602	P145,198	P30,313,880	P362,439	P115,322	P234,304	P1,863,902	P3,933,034	P2,906,919	P325,391	P42,697	P289,829	P51,251,215
Additions	—	—	7,552	4,323	2,591	191,209	13,939	13,676	14,788	1,777,948	3,281,159	—	2,586	24,172	105,730	5,439,673
Disposals	—	—	(6,288)	—	—	(453,657)	(71,305)	(6,649)	(1,142)	—	(373)	—	(67,165)	—	(1,371)	(607,950)
Reclassifications	—	—	1,453,586	320,917	1,500	2,523,225	55,408	33,242	20,250	(2,293,781)	(2,114,347)	—	—	—	—	—
Foreign currency translation adjustments	(15,036)	(294)	720,164	(2,879)	—	(74,520)	(3,200)	(53)	(4,053)	26,575	(14,068)	—	—	—	—	632,636
Balance at end of year	441,083	5,283	10,788,016	1,965,963	149,289	32,500,137	357,281	155,538	264,147	1,374,644	5,085,405	2,906,919	260,812	66,869	394,188	56,715,574
Accumulated Depreciation																
Balance at beginning of year	—	3,690	3,761,226	778,907	90,693	16,326,942	274,737	67,338	161,726	—	—	134,512	101,054	10,431	65,856	21,777,112
Depreciation (see Notes 19 and 20)	—	270	399,627	102,400	7,431	1,549,919	96,852	17,316	39,009	—	—	86,367	77,676	8,776	10,964	2,396,607
Disposals	—	—	(4,716)	—	(53)	(452,748)	(71,270)	(6,253)	(1,094)	—	—	—	(23,238)	—	—	(559,372)
Foreign currency translation adjustments	—	(158)	47,330	(18,862)	—	(44,294)	(3,756)	(53)	(3,869)	—	—	—	—	—	—	(23,662)
Balance at end of year	—	3,802	4,203,467	862,445	98,071	17,379,819	296,563	78,348	195,772	—	—	220,879	155,492	19,207	76,820	23,590,685
Accumulated Impairment Loss																
Balance at beginning of year	—	—	694,313	104,167	967	1,343,318	—	—	36	543,684	151,044	—	—	—	—	2,837,529
(Reversal of) provision for impairment loss – net (see Notes 3 and 21)	—	—	(4,240)	—	—	174,874	—	—	—	28,081	24,346	—	—	—	—	223,061
Foreign currency translation adjustments	—	—	138,347	—	—	(26,308)	—	—	—	—	—	—	—	—	—	112,039
Balance at end of year	—	—	828,420	104,167	967	1,491,884	—	—	36	571,765	175,390	—	—	—	—	3,172,629
Net Book Value	P441,083	P1,481	P5,756,129	P999,351	P50,251	P13,628,434	P60,718	P77,190	P68,339	P802,879	P4,910,015	P2,686,040	P105,320	P47,662	P317,368	P29,952,260

2020																
	Land	Land Improvements	Buildings	Building Improvements	Leasehold Improvements	Plant Machinery and Fixtures	Office Furniture and Equipment	Transportation Equipment	Computer and Communications Equipment	Machineries Under Installation	Construction In-progress	ROU Land	ROU Building	ROU Leasehold Improvements	ROU Others	Total
Cost																
Balance at beginning of year	P470,301	P5,891	P7,916,783	P1,631,740	P145,003	P25,896,529	P313,768	P102,408	P186,911	P1,211,891	P5,587,262	P1,764,382	P276,025	P39,301	P87,083	P45,635,278
Additions	—	—	551,684	6,722	195	108,679	30,998	7,753	35,585	725,760	2,286,098	1,157,910	63,703	3,396	36,721	5,015,204
Acquisition of a subsidiary (see Note 4)	—	—	457,349	—	—	396,586	12,282	6,510	2,538	69,554	—	(15,373)	—	—	166,025	1,095,471
Disposals	—	—	(21,324)	—	—	(10,583)	(3,384)	(9,837)	(5,002)	—	—	—	(14,337)	—	—	(64,467)
Reclassifications	—	—	43,912	7,469	—	3,994,148	11,370	8,554	2,017	(113,321)	(3,954,149)	—	—	—	—	—
Foreign currency translation adjustments	(14,182)	(314)	(335,402)	(2,329)	—	(71,479)	(2,595)	(66)	12,255	(29,982)	13,823	—	—	—	—	(430,271)
Balance at end of year	456,119	5,577	8,613,002	1,643,602	145,198	30,313,880	362,439	115,322	234,304	1,863,902	3,933,034	2,906,919	325,391	42,697	289,829	51,251,215
Accumulated Depreciation																
Balance at beginning of year	—	3,603	3,458,531	663,695	75,306	14,858,206	236,872	59,334	138,089	—	—	60,589	52,862	5,309	34,854	19,647,250
Depreciation (see Notes 19 and 20)	—	278	345,435	116,167	15,387	1,507,036	43,226	15,089	30,011	—	—	73,923	54,325	5,122	31,002	2,237,001
Disposals	—	—	—	—	—	(10,007)	(2,903)	(7,033)	(4,963)	—	—	—	(6,133)	—	—	(31,039)
Foreign currency translation adjustments	—	(191)	(42,740)	(955)	—	(28,293)	(2,458)	(52)	(1,411)	—	—	—	—	—	—	(76,100)
Balance at end of year	—	3,690	3,761,226	778,907	90,693	16,326,942	274,737	67,338	161,726	—	—	134,512	101,054	10,431	65,856	21,777,112
Accumulated Impairment Loss																
Balance at beginning of year	—	—	191,335	—	967	1,044,600	—	—	36	530,351	99,921	—	—	—	—	1,867,210
Impairment loss (see Notes 3 and 21)	—	—	511,873	104,167	—	333,342	—	—	—	13,333	51,123	—	—	—	—	1,013,838
Foreign currency translation adjustments	—	—	(8,895)	—	—	(34,624)	—	—	—	—	—	—	—	—	—	(43,519)
Balance at end of year	—	—	694,313	104,167	967	1,343,318	—	—	36	543,684	151,044	—	—	—	—	2,837,529
Net Book Value	P456,119	P1,887	P4,157,463	P760,528	P53,538	P12,643,620	P87,702	P47,984	P72,542	P1,320,218	P3,781,990	P2,772,407	P224,337	P32,266	P223,973	P26,636,574



Machineries under installation pertain to plant equipment for various product lines that are still under installation which are expected to be completed in 2022 to 2023. Additions to machineries under installation include costs for the construction of new production facilities.

Construction in-progress pertains to the construction of an additional building and building improvements which is expected to be completed in 2022 to 2023. There were no capitalized borrowing costs as the construction in-progress were funded by cash from operations.

In 2021, 2020 and 2019, the Group sold property, plant and equipment with a total net book value of ₱3.3 million, ₱25.2 million and ₱85.6 million, respectively, for a cash consideration of ₱5.6 million in 2021, ₱27.9 million in 2020 and ₱4.3 million in 2019. The net gains on these disposals were recognized under the “Miscellaneous income” account in the consolidated statement of other comprehensive income.

There are no idle property, plant and equipment as at December 31, 2021 and 2020. The Group has no property, plant and equipment used as collateral as at December 31, 2021 and 2020.

The Group has capital commitments for acquisitions of machineries and building expansions amounting to ₱1,423.5 million, ₱1,624.8 million, and ₱1,333.3 million as at 2021, 2020 and 2019, respectively (see Note 27).

13. Intangible Assets

	2021							Total
	Goodwill	Brand	Distribution Rights	License	Trademarks with definite useful life	Trademarks with indefinite useful life	Software	
Cost								
Balance at beginning of year	₱15,851,354	₱17,224,878	₱727,560	₱—	₱3,412,424	₱14,459	₱272,742	₱34,094,405
Additions	—	—	—	34,639	—	—	78,396	113,459
Foreign currency translation adjustments	959,552	1,037,240	—	—	(1,385)	—	11,195	2,006,602
Balance at end of year	16,810,906	18,262,118	727,560	34,639	2,451	14,459	362,333	36,214,466
Accumulated Amortization								
Balance at beginning of year	—	40,605	233,426	—	2,602	—	127,299	403,932
Amortization (see Notes 19, 20 and 21)	—	—	36,378	—	218	—	37,669	74,265
Foreign currency translation adjustments	—	2,458	—	—	(1,351)	—	(1,736)	(629)
Balance at end of year	—	43,063	269,804	—	1,469	—	163,232	477,568
Accumulated Impairment Loss								
Loss	—	90,142	—	—	—	—	—	90,142
Net Book Value	₱16,810,906	₱18,128,913	₱457,756	₱34,639	₱982	₱14,459	₱199,101	₱35,646,756

	2020							Total
	Goodwill	Brand	Distribution Rights	License	Trademarks with definite useful life	Trademarks with indefinite useful life	Software	
Cost								
Balance at beginning of year	₱16,187,353	₱17,588,080	₱727,560	₱—	₱3,483	₱—	₱259,762	₱34,766,238
Additions	—	—	—	—	—	—	14,352	14,352
Acquisition of a subsidiary (see Note 4)	—	—	—	—	—	14,459	262	14,721
Foreign currency translation adjustments	(335,999)	(363,202)	—	—	(71)	—	(1,634)	(700,906)
Balance at end of year	15,851,354	17,224,878	727,560	—	3,412	14,459	272,742	34,094,405
Accumulated Amortization								
Balance at beginning of year	—	41,466	197,048	—	2,174	—	99,028	339,716
Amortization (see Notes 19, 20 and 21)	—	—	36,378	—	428	—	29,512	66,318
Foreign currency translation adjustments	—	(861)	—	—	—	—	(1,241)	(2,102)
Balance at end of year	—	40,605	233,426	—	2,602	—	127,299	403,932
Accumulated Impairment Loss								
Loss	—	90,142	—	—	—	—	—	90,142
Net Book Value	₱15,851,354	₱17,094,131	₱494,134	₱—	₱810	₱14,459	₱145,443	₱33,600,331

In 2021, the Group acquired intellectual property license with indefinite useful life amounting to ₱34.6 million. This pertains to acquisition of know-how and other intellectual property from a third party.



Goodwill and brand were acquired through business combinations.

Goodwill, brand, trademark and license per entity are as follows:

	2021				2020		
	Goodwill	Brand	Trademark	License	Goodwill	Brand	Trademark
MNUKL	₱16,810,906	₱18,128,913	₱–	₱–	₱15,851,354	₱17,094,131	₱–
MNC	–	–	14,459	34,639	–	–	14,459
Total	₱16,810,906	₱18,128,913	₱14,459	₱34,639	₱15,851,354	₱17,094,131	₱14,459

The Group performed its annual impairment test in December 2021 and 2020 (see Note 3).

Trademarks with indefinite useful life amounted to ₱14.5 million as at December 2021 and 2020. No impairment loss was recognized in 2021 and 2020.

Distribution rights were from the Parent Company's Distribution, and Marketing and Sales Development Agreement with SSCC wherein SSCC appointed the Parent Company as its exclusive distributor of all its products in the Philippines for a period of 20 years (until July 25, 2034) (see Note 27).

14. Other Noncurrent Assets

	2021	2020
Advances to suppliers and contractors	₱705,290	₱637,525
Deferred input VAT for amortization	360,263	279,133
Refundable and other deposits	74,586	75,806
Advances to employees	68,911	42,524
Withholding tax receivables	–	47,345
Others	12,774	21,312
	1,221,824	1,103,645
Less allowance for advances to suppliers and contractors (see Note 4)	55,787	55,787
	₱1,166,037	₱1,047,858

Advances to suppliers and contractors comprise mainly of advance payments for major equipment and construction/improvements of plant sites and office spaces.

Deferred input VAT pertains to input VAT from acquisition of capital goods which are claimed over 5 years.

Refundable and other deposits are deposits for office and warehouse spaces which are refundable upon the termination of the lease contract.

Withholding tax receivables represent tax refunds from tax regulators in the form of cash.

Advances to employees are long-term advances granted to employees.



15. Accounts Payable and Other Current Liabilities and Refund Liabilities

Accounts Payable and Other Current Liabilities

	2021	2020
Trade payables		
Non-related parties	₱4,962,761	₱4,648,497
Related parties (see Note 23)	21,888	35,708
Nontrade payables	2,450,725	2,449,582
Accruals for:		
Advertising and promotions	1,196,211	936,724
Trade spend	382,207	235,041
Selling, general and administrative expenses	368,792	337,169
Personnel costs	319,150	436,263
Freight	93,572	63,787
Interest	1,081	166,288
Other accruals	58,463	77,880
Provisions	118,891	150,361
Statutory payables	1,053,318	400,828
Others	129,360	202,548
	₱11,156,419	₱10,140,676

Accounts payable and other current liabilities are noninterest-bearing and are generally settled within 30 to 60 days.

Trade payables pertain to liabilities to suppliers for the purchase of raw materials, finished goods, and other costs directly related to the Group's operations.

Nontrade payables include liabilities related to utilities, advertising, other operating and manufacturing overhead expenses.

Accrued expenses mainly represent accruals for payroll, employee benefits, non-trade services and are generally settled the following month.

Provisions include claims by third parties in the ordinary course of business. As allowed by PAS 37, only a general description is provided as the disclosure of additional details beyond the present disclosures may prejudice the Group's position and negotiation strategies with respect to these matters.

Statutory payables comprise mainly of the Group's liabilities to the tax authorities such as withholding taxes payable, final taxes payable, etc.

Trade and other payables from related parties that were eliminated upon consolidation amounted to ₱2,556.1 million in 2021, ₱2,351.1 million in 2020.

Refund Liabilities

As at December 31, 2021 and 2020, the Group's refund liabilities consist of the following:

	2021	2020
Refund liabilities:		
Arising from rights of return	₱181,697	₱166,970
Arising from retrospective volume discount	122,181	112,726
	₱303,878	₱279,696



16. Acceptance and Trust Receipts Payable

This account represents the Group's peso and US dollar-denominated liabilities incurred in connection with the importations and acquisitions of raw materials from foreign suppliers. These raw materials are insured in compliance with the requirements of the bank. These liabilities are for a period of 1 year with an average annual interest rate of 2.5% in 2021 and 3.25% in 2020.

The Group has outstanding acceptance and trust receipts payable amounting to ₱3,714.7 million, ₱605.9 million as at December 31, 2021 and 2020, respectively.

The Group recognized interest expense amounting to ₱37.1 million in 2021, ₱32.8 million in 2020 and ₱85.6 million in 2019 (see Note 21).

17. Loans Payable and Convertible Note

Loans Payable

	2021	2020
MFL	₱7,059,040	₱7,302,376
Parent Company	5,000	22,325,000
SFC	—	110,000
	7,064,040	29,737,376
Unamortized debt issue costs	(65,235)	(191,374)
Noncurrent portion	—	(19,986,408)
	₱6,998,805	₱9,559,594



Details of the Group's loans are as follow:

			2021	2020		
Description	Maturities	Interest Rates	US\$/£ Balances	Php Equivalent	US\$/£ Balances	Php Equivalent
Parent						
₱18,700.0 million Floating Rate Corporate Notes (FRCNs)	December 2022	Higher of (a) 3-day average of the 3-month BVAL + 75 bps per annum or (b) the BSP overnight borrowing rate + 30 bps per annum effective April 5, 2021; Effective after December 31, 2021, the interest will be the higher of (a) 3-day average of the 3-month BVAL + 75 bps per annum or (b) the overnight deposit facility rate.	\$—	₱5,000	\$—	₱8,736,667
₱9,000.0 million FRCN	October 2021	Average 3-month BVAL rate + 100 bps or BSP RRP rate + 25 bps, whichever is higher	—	—	—	5,486,667
₱4,550.0 million FRCN	November 2023	Average 3-month BVAL rate + 125 bps	—	—	—	1,001,666
₱7,100.0 million Fixed Rate Note (FXCN)	October 2023	4.50% until October 2020 and 3.75% thereafter until maturity	—	—	—	7,100,000
Total Parent Company loan				₱5,000		22,325,000
MFL						
£113.0 million term loan	March 2022	Margin and LIBOR	£103,000	7,059,040	£113,000	7,302,376
SFC						
₱110.0 million short term loan	January 2021	Floating between 5.00% to 5.25%				110,000
				₱7,064,040		₱29,737,376



a. Parent Company

The Parent Company has outstanding unsecured loans payable with various financial institutions. These loans have the following financial covenants and shall be computed on a consolidated basis:

- i. The Group is required to maintain a debt to equity ratio of not greater than 4.00x.
- ii. The Group is required to maintain a Gross Leverage of less than 6.0x from January 1, 2019 onwards.
- iii. The Group is required to maintain a debt service cover ratio greater than 1.20x.

Financial testing shall be done every 6 months and reported the following month of such period.

In addition and as stated in the loan agreements, the Group may declare or pay dividends to its stockholders or make any other capital or other asset distribution to its stockholders as long as it is in compliance with the above financial covenants and no event of default has occurred.

As at December 31, 2021 and 2020, the Group is in compliance with the financial covenants.

In 2020, the Parent Company and a major financial institution amended the fixed rate from 4.50% to 3.75% and extended maturity from October 26, 2020 to October 26, 2023. Based on the Group's assessment, these modifications in the contractual cash flows are not substantial and therefore do not result in the derecognition of the affected financial liabilities. As a result of this modification, the Group recognized a gain amounting to ₱165.1 million, which is recorded under "Interest income" account in the consolidated statement of comprehensive income (see Note 21).

In May 2021, the Parent Company and a major financial institution amended the rate from 3-day average of the 3-Month BVAL + 75 bps (subject to floor rate of the BSP overnight borrowing rate) to the higher of (a) 3-day average of the 3-month BVAL + 75 bps per annum or (b) the BSP overnight borrowing rate + 30bps per annum effective April 5, 2021. Effective after December 31, 2021, the interest will be the higher of (a) 3-day average of the 3-month BVAL + 75 bps per annum or (b) the overnight deposit facility rate. The remaining balance of the loan's principal after January 4, 2021 shall be paid in full at maturity date of December 29, 2022.

In 2021, the Parent Company prepaid its loan amounting to ₱22,041.0 million as part of the change in use of IPO approved by BOD in August 2021 (see Note 29).

b. MFL Loan

MFL has an outstanding unsecured loans payable amounting to ₱7,059.0 million (£103.0 million) and ₱7,302.4 million (£113.0 million) as at December 31, 2021 and 2020, respectively. Interest rate is based on Margin and LIBOR.

These loans have the following financial covenants:

- i. MFL is required to maintain a Gross Leverage of less than 3.5x from March 31, 2019 and each quarter thereafter up to and including September 30, 2020. Afterwards, MNUKL is required to maintain a Gross Leverage of less than 3.0x from December 31, 2020 and each quarter thereafter.
- ii. The Group is required to maintain a Gross Leverage of less than 6.0x from March 31, 2019 onwards.
- iii. MFL is required to maintain an interest cover of greater than 4.0x from March 31, 2019 and each quarter thereafter.



As at December 31, 2020, the Group is in compliance with the financial covenants.

As at December 31, 2021, a portion of the loans of MFL, a wholly owned UK-based indirect subsidiary, was reclassified to current portion as MFL exceeded the gross leverage covenant threshold of 3.0x. To address this issue, on March 24, 2022, the Parent Company entered into a Guarantee Agreement with Citicorp International Limited (as agent for and on behalf of certain financial institutions) to guarantee the ₱7,059.4 million (£103.0 million) (see Note 29). The financial institutions formally granted a waiver of the covenant requirement on January 11, 2022, which became effective on March 24, 2022. The waiver is effective covering December 31, 2021 covenant requirement. Long-term loans payable presented as current as at December 31, 2021 amounted to ₱5,346.0 million (£78.0 million). On April 29, 2022, the financial institutions subsequently granted the same waiver for the relevant period ended March 31, 2022.

MFL entered into an interest rate swap agreement in March 2019 which commenced in March 2020 to eliminate the cash flow risk around the interest on its loan. The swap matches the ₱7,742.4 million (£113.0 million) term loan in all particulars. Under the swap agreement, MFL receives interest quarterly equivalent to three-months LIBOR on the loans and pays interest at the fixed rate of 0.826% per annum. The quarterly payment starts on June 25, 2020 and ends on March 25, 2024, subject to adjustment in accordance with the Modified Following Business Day Convention.

In March 2022, MFL transitioned its interest rate from LIBOR to SONIA. The change is a direct consequence of IBOR reform, and the new basis for determining cash flows is economically equivalent to the previous one. This does not affect the overall fixed interest payable.

c. SFC

In 2020, SFC obtained additional unsecured short-term loan from a financial institution amounting to ₱110.0 million with floating interest between 5% to 5.25% per annum and is payable monthly. This loan was fully settled by SFC in January 2021.

Interest expense related to the loans amounted to ₱442.1 million in 2021, ₱1,163.6 million in 2020 and ₱1,919.1 million in 2019 (see Note 21).

Convertible Note

On February 5, 2019, the Parent Company and Arran Investment Pte. Ltd. (Arran or Investor), a company incorporated in the Republic of Singapore, entered into a Subscription Agreement wherein the Parent Company agreed to issue a Convertible Note with a face amount of ₱9,122.7 million and convertible at the option of the holder upon the occurrence of a contingent event into 494,516,100 shares as adjusted for the stock split in September 2019 representing 7.00% of the issued and outstanding shares of the Parent Company on a fully-diluted basis. In 2021, the equivalent ownership interest of the Convertible Note has decreased from 7.00% to 6.44% of the Parent Company's issued and outstanding shares as a result of the issuance of Parent Company's common shares to MCI (see Note 18). On April 12, 2019, the Parent Company issued to Arran the Convertible Note subject to certain terms and conditions, including the redemption features which result in the treatment of the Convertible Note as a USD-denominated instrument with a principal amount of \$174.8 million. The Convertible Note is mandatorily redeemable at the Philippine peso equivalent of the redemption amount computed based on a formula after five years from its issue date. In addition, the Convertible Note has an optional redemption feature exercisable by the holder upon the happening of the same contingent event for the conversion feature. The Parent Company also entered into an Investor Rights Agreement on April 12, 2019 that gave certain rights to the Investor pending redemption of the Convertible Note.



When establishing the accounting treatment for the Convertible Note, the Group classifies such instrument's components separately as financial liabilities, financial assets, or equity instruments in accordance with PAS 32, *Financial Instrument: Presentation*. The Convertible Note is assessed to be a hybrid instrument containing a host financial liability component and derivative components for the equity conversion and redemption options. The equity conversion and redemption options were identified as embedded derivatives and were separated and accounted for separately from the host contract on issuance date of the Convertible Note.

On March 1, 2021, at least a majority of the members of the BOD of the Parent Company and stockholders representing at least two-thirds (2/3) of the outstanding capital stock of the Parent Company approved certain amendments to the Parent Company's Articles of Incorporation including the removal of certain rights and entitlements of the Investor from the Parent Company's Articles of Incorporation which are further disclosed in Note 18.

On June 3, 2021, the Parent Company redeemed the Convertible Note. The Parent Company paid the listing redemption of ₱13,351.9 million. This resulted to loss on redemption of convertible note amounting to ₱1,579.3 million in 2021 (i.e. difference between the listing redemption amount and the carrying value of the Convertible Note and the related derivative liability).

Shown below are the movements in the value of the host liability:

	2021	2020
Host liability:		
Beginning balance	₱7,027,163	₱7,257,980
Accretion of interest (see Note 21)	746,999	489,911
Foreign exchange loss (gain)	(73,445)	(580,436)
Amortization of debt issue cost	20,988	47,624
Payments of cash variable interest	(113,739)	(187,916)
Redemption	(7,607,966)	—
	₱—	₱7,027,163

Cash variable interest is an amount equal to the amount of the dividends received by the Parent Company's shareholder that the Investor would have received if the Convertible Note was converted into shares prior to the declaration of such dividend. Accretion of interest on Convertible Note amounted to ₱601.2 million in 2019 (see Note 21).

The movement in unamortized debt issue costs of loans payable and Convertible Note is as follows:

	2021	2020
Loans Payable		
Balance at January 1	₱191,374	(₱94,243)
Amortization during the period (see Note 21)	(133,534)	122,614
Foreign currency translation adjustments	7,395	(2,063)
Additions during the period	—	165,066
Total	65,235	191,374
Convertible Note		
Balance at January 1	173,929	221,553
Redemption of convertible note	(152,941)	—
Amortization during the period (see Note 21)	(20,988)	(47,624)
	—	173,929
	₱65,235	₱365,303



18. Equity

Capital Stock and Additional Paid-in Capital (APIC)

The details of the Parent Company's common stock as at December 31, 2021 and 2020 follows:

	2021	2020
Authorized number of shares	20,400,000,000	12,000,000,000
Par value per share	₱0.50	₱1
Issued and outstanding common shares:		
Balance at January 1	6,570,000,000	6,570,000,000
Issuance to MCI	614,305,748	—
Reduction in par	7,184,305,748	—
Issuance during IPO	3,600,000,000	—
Balance at end of period	17,968,611,496	6,570,000,000

The balance of the Parent Company's additional paid-in capital net of share issuance cost amounted to ₱46,515.8 million and nil as at December 31, 2021 and 2020. The details of the Parent Company's additional paid-in capital as at December 31, 2021 and 2020 follows:

	2021	2020
Balance at January 1	₱—	₱—
Additions		
Issuance of common shares during IPO	46,800,000	—
Issuance of common shares to MCI	1,204,039	—
Share issuance costs		
Issuance of common shares during IPO	(1,484,817)	—
Issuance of common shares to MCI	(3,375)	—
Balance at end of period	₱46,515,847	₱—

On September 25, 2019, the Philippine Securities and Exchange Commission approved the reduction of the Group's par value per share from ₱100.00 to ₱1.00.

On January 11, 2021, the Parent Company entered into an agreement with MCI for the subscription of the Parent Company's 614,305,748 common shares at a subscription price of ₱2.96 per share or a total subscription price of ₱1,818.3 million which was fully settled on January 29, 2021.

On April 20, 2021, the SEC favorably considered, subject to certain conditions, the amended registration statement filed by the Parent Company covering the registration of 17,968,611,496 common shares to be listed and traded on the Main Board of the Philippine Stock Exchange, Inc. (PSE) with a par value of ₱0.50 per shares in relation to the Parent Company's initial public offering.

On April 21, 2021, the BOD of the PSE approved, subject to certain conditions, the application of the Parent Company for the listing of up to 17,968,611,496 common shares on the Main Board of the PSE.

On June 1, 2021, the Parent Company completed its IPO and was listed in the PSE under the stock symbol "Monde". The Parent Company issued 3,600,000,000 common shares for a total consideration of ₱48,600.0 million.



The Parent Company's record of registration of its securities follows:

Number of shares registered	17,968,611,496
Issue/offer price	₱13.50
Date of approval	April 20, 2021

The total number of stockholders was 16 and 12 as at December 31, 2021 and 2020, respectively. With respect to the Parent Company's stockholders as at December 31, 2021, the shares were either held through stock certificates directly issued to the shareholders or in scripless form, held in the account of the PCD Nominee Corporation (PCD Nominee) through 136 trading participants (e.g. brokers and custodians) of the Philippine Depository and Trust Corporation, Inc. (PDTC). More specifically, the shares lodged with PCD Nominee is counted as two stockholders (i.e., PCD Nominee (Filipino) and PCD Nominee (Non-Filipino)).

Amendment of AOI

On March 1, 2021, at least a majority of the members of the BOD of the Parent Company and stockholders representing at least two-thirds (2/3) of the outstanding capital stock of the Parent Company approved certain amendments to the Parent Company's Articles of Incorporation including the amending the authorized capital stock of the Parent Company (without increasing or decreasing the same) such that the authorized number of shares, as amended, shall be:

- 20,400,000,000 common shares with a par value of ₱0.50 per share, from the current par value of ₱1.00 per share; and
- 3,600,000,000 Preferred Shares classified into:

Class of Preferred Shares	No. of shares	Par value	Amount
Non-voting "A"	400,000,000	₱1.00	₱400,000
Non-voting "B"	800,000,000	1.00	800,000
Voting "C"	2,400,000,000	0.25	600,000
Total	3,600,000,000		₱1,800,000

Said preferred shares' issue value, dividend rate and the terms and conditions of their redemption shall be determined by the BOD at the time of their respective issuances. Furthermore, they shall be cumulative and non-participating as to dividends and non-convertible into common shares. Said preferred shares shall also enjoy preference in assets in the event of liquidation of the Parent Company and in the payment of dividends as against common shares; however, they shall not enjoy any pre-emptive rights to any issue of shares (whether common or preferred).

These amendments on the Parent Company's AOI was approved by the SEC on April 7, 2021.

There have been no issuances of preferred stock as at December 31, 2021.

Retained Earnings

Parent Company

On the following dates, the BOD approved the following cash dividends, all of which have been previously appropriated:

Dividend declaration and stockholders of record date	Dividend per share	Amount
January 22, 2021	₱0.23	₱1,511,100
March 1, 2021	1.19	8,549,324
October 1, 2020	0.15	985,500



Dividend declaration and stockholders of record date	Dividend per share	Amount
November 5, 2020	₱0.23	1,511,100
June 26, 2019	46.50	3,055,050
November 6, 2019	0.32	2,102,400

The BOD approved the following:

- On December 12, 2019, reversal of the 2018 appropriation for ₱6,948.4 million for dividends, expansions, and other capital requirements.
- On December 12, 2019, appropriation of ₱6,200.0 million from the Parent Company's retained earnings for dividends, expansions, and other capital requirements, and to comply with the financial covenants in 2020.
- On November 5, 2020, reversal of the 2019 appropriation for ₱6,200.0 million for dividends, expansions, and other capital requirements.
- On December 16, 2020, additional reversal of the 2019 appropriation for ₱2,000.0 million for dividends, expansions, and other capital requirements.
- On December 16, 2020, appropriation of ₱10,700.0 million from the Parent Company's retained earnings for dividends, expansions, and other capital requirements, and to comply with the financial covenants in 2021.
- On March 1, 2021, reversal of the 2020 appropriation for ₱6,800.0 million for dividends, expansions, and other capital requirements.

MMYSC

The BOD approved the following:

- On December 28, 2019, release of the 2018 appropriation for ₱818.0 million for plant capacity expansion.
- On December 28, 2019, appropriation of ₱717.0 million for expansion and other capital requirements which are expected to be completed in 2020-2021.
- On December 28, 2020, release of 2019 appropriation of ₱717.0 million for plant capacity expansion.
- On December 28, 2020, appropriation of ₱410.9 million for expansion and other capital requirements which are expected to be completed in 2021-2022.
- On December 1, 2021, release of 2020 appropriation of ₱410.9 million for plant capacity expansion.
- On December 1, 2021, appropriation of ₱150.8 million for expansion and other capital requirements which are expected to be completed in 2022.



MIL

Under Section 1202 of the Thai Civil and Commercial Code, MIL is required to set aside to a statutory reserve at least 5% of its income each time MIL pays a dividend, until the reserve reaches 10% of the registered capital. The statutory reserve can neither be offset against deficit nor used for dividend payment. In 2019, MIL made additional appropriation amounting to P16.6 million. The statutory reserve of MIL amounted to P44.5 million as at December 31, 2021, 2020 and 2019.

The Group's appropriated retained earnings follows:

	2021		2020		2019	
	Expected Completion	Amount	Expected Completion	Amount	Expected Completion	Amount
Expansions and capital expenditures*	2022-2023	P4,050,805	2021-2022	P4,410,884	2020-2021	P5,417,000
Appropriation to comply with financial covenants (see Note 17)		—		4,200,000		2,000,000
Dividends		—	2021	2,500,000	2020	1,500,000
MIL statutory reserve	Indefinite	44,452	Indefinite	44,452	Indefinite	44,452
		P4,095,257		P11,155,336		P8,961,452

The Group's appropriation for capital expenditure is expected to be used to build new capacity and capability in the APAC BFB segment. Key projects in the APAC BFB segment will be the completion of a new production facility and other operational efficiency initiatives.

Restriction on Retained Earnings

As at December 31, 2021 and 2020, undistributed retained earnings of subsidiaries amounting to P11,766.9 million and P12,177.2 million, respectively, are not available for dividend declaration until the actual declaration of the subsidiaries. Further, the undistributed retained earnings include appropriated retained earnings of MMYSC and MIL amounting to P2,195.3 million and P2,455.3 million as at December 31, 2021 and 2020, respectively.

Equity Reserve (see Note 4)

	2021	2020
MMYSC	(P532,573)	P—
MNTH	(115,390)	(115,390)
MNAC	(7,733)	(7,733)
KBT	33,361	33,361
	(P622,335)	(P89,762)

Cumulative Translation Adjustments

Cumulative translation adjustments attributable to equity holders of the Parent Company are as follows:

	2021	2020
MNSPL	P2,326,573	P4,046,231
MNII	186,001	186,342
MNTH	176,761	68,096
MIL	93,918	66,115
	P2,783,253	P4,366,784



Changes on Dividend Policy

On March 12, 2021, the Parent Company's BOD approved to adopt and maintain an annual dividend payment ratio of 60% of the preceding fiscal year's net income after tax, subject to the requirements of applicable laws and regulations, capital expenditure requirements, compliance with the Parent Company's loan covenants, and other circumstances which restrict the payment of dividends.

Earnings per Share

The following reflects the income and share data used in the basic and diluted EPS computation:

Basic EPS

	2021	2020	2019
	<i>(In Thousands, Except Numbers of Shares and Per Share Data)</i>		
Net income attributable to equity holders of the parent:	₱3,115,032	₱7,340,901	₱5,827,171
Number of shares:			
Common shares outstanding at January 1	6,570,000,000	6,570,000,000	65,700,000
Effect of common share issuance to MCI	563,113,602	—	—
Effect of reduction in par	7,133,113,602	6,570,000,000	13,074,300,000
Effect of common share issuance during IPO	2,100,000,000	—	—
Weighted average number of common shares	16,366,227,204	13,140,000,000	13,140,000,000
Basic EPS	₱0.19	₱0.56	₱0.44

Diluted EPS

	2021	2020	2019
	<i>(In Thousands, Except Numbers of Shares and Per Share Data)</i>		
Net income attributable to equity holders of the parent:	₱3,115,032	₱7,340,901	₱5,827,171
Adjustments, net of tax:			
Unrealized foreign exchange gain	—	(406,305)	—
Accretion of interest	—	284,896	222,582
Derivative loss	—	134,645	325,786
Cash variable interest	—	58,041	198,237
Accretion of debt issue cost	—	33,337	23,231
	3,115,032	7,445,515	6,597,007
Number of shares:			
Common shares outstanding at January 1	6,570,000,000	6,570,000,000	65,700,000
Effect of common share issuance to MCI	563,113,602	—	—
Effect of reduction in par	7,133,113,602	6,570,000,000	13,074,300,000
Effect of common share issuance during IPO	2,100,000,000	—	—
Weighted average number of common shares	16,366,227,204	13,140,000,000	13,140,000,000
Effects of dilution from Convertible Note (see Note 17)	—	989,032,200	700,564,476
Weighted average number of shares adjusted for the effects of dilution	16,366,227,204	14,129,032,200	13,840,564,476
Diluted EPS	₱0.19	₱0.53	₱0.48

Potentially dilutive shares were redeemed in June 2021, hence, basic EPS equals diluted EPS.

The number of common shares in 2020 and 2019 have been retroactively adjusted for the effect of the reduction in par value approved by the SEC on April 7, 2021 and September 25, 2019 as discussed above.



19. Net Sales and Cost of Goods Sold

Net Sales by Geography and Operating Segment

	2021	2020	2019
APAC BFB			
Philippines	₱50,356,983	₱49,880,008	₱46,843,920
Other Countries	3,682,032	3,030,565	3,415,962
	54,039,015	52,910,573	50,259,882
Meat Alternative			
United Kingdom	11,801,245	11,460,790	11,385,339
United States	1,328,113	1,438,432	1,322,543
Other Countries	2,115,815	2,135,716	2,483,111
	15,245,173	15,034,938	15,190,993
	₱69,284,188	₱67,945,511	₱65,450,875

All revenues are recognized at a point in time.

Cost of Goods Sold

	2021	2020	2019
Direct materials	₱32,718,491	₱31,119,205	₱28,768,209
Direct labor (see Note 21)	3,499,788	3,264,155	2,926,776
Manufacturing overhead:			
Depreciation and amortization (see Notes 12 and 13)	2,012,608	1,898,518	1,675,956
Repairs and maintenance	1,714,730	1,416,468	1,312,573
Light and water	1,505,609	704,279	731,313
Indirect labor (see Note 21)	1,110,354	977,496	1,047,311
Plant utilities and other consumption	828,235	1,057,545	1,171,372
Steam	716,696	489,335	446,291
Rent (see Notes 23 and 25)	22,043	50,063	43,334
Others	1,057,905	1,185,961	1,713,232
Total manufacturing costs	45,186,459	42,163,025	39,836,367
Inventory movements (see Note 7):			
Finished goods	(885,698)	(371,622)	202,379
Work in-process	(607,992)	(351,887)	155,386
	₱43,692,769	₱41,439,516	₱40,194,132



20. Sales, General and Administrative Expenses

	2021	2020	2019
Advertising and promotional expenses	₱4,788,138	₱3,356,574	₱3,503,994
Salaries, wages and employee benefits (see Note 21)	3,771,921	3,805,016	3,257,519
Transportation and delivery	2,631,676	2,518,207	2,508,289
Outside services	1,867,069	1,082,882	1,156,293
Research and development	562,823	159,599	126,309
Depreciation and amortization (see Notes 12 and 13)	458,264	404,801	376,561
Dealer support	395,280	173,499	202,045
Taxes and licenses	296,926	348,937	299,869
Fringe benefit tax	222,123	219,937	112,493
Repairs and maintenance	270,376	216,555	389,728
Insurance	247,730	168,488	106,843
Entertainment, amusement and recreation	157,689	17,611	17,332
Light, water, and telecommunication	93,653	61,513	97,996
Warehouse supplies	69,558	64,944	100,089
Rent (see Notes 23 and 25)	37,951	7,438	35,924
Provision for ECL and write-off (see Notes 6 and 9)	—	114,343	29,792
Project costs	—	102,682	180,562
Others	92,178	586,303	639,595
	₱15,963,355	₱13,409,329	₱13,141,233

21. Interest Income and Expense, Impairment Loss, Depreciation and Amortization Expense, Personnel Costs and Miscellaneous Income

Interest Income

	2021	2020	2019
Cash and cash equivalents (see Note 5)	₱72,212	₱81,599	₱288,273
Noncurrent receivables (see Note 9)	10,759	15,865	16,158
Gain on loan modification (see Note 17)	—	165,066	—
	₱82,971	₱262,530	₱304,431



Interest Expense

	2021	2020	2019
Interest on loans payable (see Note 17)	₱442,102	₱1,163,562	₱1,919,086
Accretion of interest on convertible note (see Note 17)	746,999	489,911	601,170
Interest expense on lease liabilities (see Note 25)	188,058	153,705	117,858
Amortization of debt issue costs (see Note 17):			
Loans payable	133,534	(122,614)	(328,268)
Convertible note	20,988	47,624	33,187
Acceptance and trust receipts payable (see Note 16)	37,140	32,770	85,566
Others	—	21,185	9,791
	₱1,568,821	₱1,786,143	₱2,438,390

Impairment Loss

	2021	2020	2019
Property, plant and equipment (see Notes 3 and 12)	₱223,061	₱1,013,838	₱710,995
Investments in associates and joint venture (see Notes 3 and 11)	—	—	79,842
	₱223,061	₱1,013,838	₱790,837

Personnel Costs

	2021	2020	2019
Cost of goods sold:			
Direct labor (see Note 19)	₱3,423,818	₱3,228,043	2,897,397
Indirect labor (see Note 19)	1,110,354	977,496	1,047,311
Retirement expense (see Notes 19 and 22)	75,970	36,112	29,379
Sales, general and administrative expenses:			
Salaries and wages (see Note 20)	2,822,864	2,815,487	2,623,577
Employee benefits (see Note 20)	845,256	969,612	590,522
Retirement expense (see Notes 20 and 22)	103,801	19,917	43,420
	₱8,382,063	₱8,046,667	₱7,231,606



Depreciation and Amortization Expense

	2021	2020	2019
Property, plant and equipment (see Note 12)	₱2,396,607	₱2,237,001	₱1,987,426
Intangible assets (see Note 13)	74,265	66,318	65,091
	₱2,470,872	₱2,303,319	₱2,052,517
	2021	2020	2019
Cost of goods sold (see Note 19)	₱2,012,608	₱1,898,518	₱1,675,956
Sales, general and administrative expense (see Note 20)	458,264	404,801	376,561
	₱2,470,872	₱2,303,319	₱2,052,517

Miscellaneous Income

Miscellaneous income mainly comprises of service fees charged by the Parent Company primarily for reimbursement of share of principals in common expenses, bargain purchase, gain on sale of a subsidiary/associate, gain/loss on sale of property, plant and equipment, reversal of ECL (see Notes 6 and 9) and other miscellaneous items which are recorded under the “Miscellaneous income” account in the consolidated statements of comprehensive income.

22. Pension Plan

The Parent Company and certain subsidiaries maintain noncontributory and defined benefit retirement plans covering substantially all their regular employees. The benefit plan is paid in a lump sum upon retirement or separation. These benefits are funded by the Group. Contributions and costs are determined in accordance with the actuarial study made for the plan. The latest actuarial valuation report is December 31, 2021.

The Group’s plan assets are managed and maintained by a local bank. The Group appointed a local trustee bank as the retirement plan trustee. The trustee bank is responsible for the general administration of the retirement plan and the management of the retirement fund. As the administrator of the retirement plan, the trustee bank is responsible for the ultimate control, disposition, or management of the money received or contributed.



Changes in the net defined benefit liability in 2021 and 2020 follow:

	2021													
	Recognized in profit or loss						Remeasurements in OCI							
	January 1, 2021	Current Service Cost	Net Interest Cost	Past Service Cost	Subtotal	Benefits Paid	Actuarial Changes Arising from Financial Assumptions	Actuarial Changes Arising from Demographic Assumptions	Actuarial Changes Arising from Changes in Experience Adjustments	Remeasurement Gain on Plan Asset	Subtotal	Contributions by Employer	Foreign Currency Translation Adjustments	December 31, 2021
Present value of defined benefit obligation	(P1,050,669)	(P78,823)	(P47,499)	(P75,139)	(P201,461)	P67,290	P2,983	P105,518	(P92,415)	P–	P16,086	P–	P1,252	(P1,167,502)
Fair value of plan asset	569,188	–	21,690	–	21,690	(56,397)	–	–	–	(16,423)	(16,423)	752	–	518,810
Net pension liability	(P481,481)	(P78,823)	(P25,809)	(P75,139)	(P179,771)	P10,893	P2,983	P105,518	(P92,415)	(P16,423)	(P337)	P752	P1,252	(P648,692)
	2020													
	Recognized in profit or loss						Remeasurements in OCI							
	January 1, 2020	Current Service Cost	Net Interest Cost	Past Service Cost	Subtotal	Benefits Paid	Actuarial Changes Arising from Financial Assumptions	Actuarial Changes Arising from Demographic Assumptions	Actuarial Changes Arising from Changes in Experience Adjustments	Remeasurement Gain on Plan Asset	Subtotal	Contributions by Employer	Foreign Currency Translation Adjustments	December 31, 2020
Present value of defined benefit obligation	(P764,158)	(P45,711)	(P40,874)	P–	(P86,585)	P129,067	P6,702	(P237,457)	(P109,593)	P–	(P340,348)	P–	P11,355	(P1,050,669)
Fair value of plan asset	574,037	–	30,556	–	30,556	(88,123)	–	–	–	9,583	9,583	43,135	–	569,188
Net pension liability	(P190,121)	(P45,711)	(P10,318)	P–	(P56,029)	P40,944	P6,702	(P237,457)	(P109,593)	P9,583	(P330,765)	P43,135	P11,355	(P481,481)



The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions. The trustee has no specific matching strategy between the plan assets and the retirement obligation. The Group is not required to pre-fund the defined benefit obligation before they become due. The amount and timing of contributions to the retirement fund are at the Group's discretion.

The carrying value and fair value of plan assets by each class as at the end of the reporting period are as follow:

	2021	2020
Debt instruments:		
Fixed rate treasury notes and retail treasury bonds	₱439,155	₱456,614
Corporate bond and fixed-rate notes	63,672	103,636
Cash and cash equivalents	560	9
Investments in UITF	14,558	5,721
Others	4,538	3,907
Liabilities	(3,673)	(699)
	₱518,810	₱569,188

The plan assets have diverse investments and do not have any concentration risk.

On May 1, 2021, the Parent Company amended its retirement plan as follows:

- Change in disability benefit from 60 days to 75 days
- Change in death benefit from ₱0.2 million plus gratuity pay or ₱1.0 million, to 75 days per year of service or ₱2.0 million, whichever is higher, with the exemption of self-inflicted cause of death

The Parent Company recognized ₱75.1 million past service cost as a result of the amendment in 2021.

The costs of defined benefit pension plans as well as the present value of the pension obligation are actuarially determined using projected unit credit method. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension benefit obligations for the defined benefit plans are shown below:

	2021	2020
Discount rate	1.80-5.15%	1.80-4.02%
Salary increase rate	5.00%	5.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2021 and 2019, assuming if all other assumptions were held constant:

	Increase(decrease)	2021 Effect on Defined Benefit Obligation	2020
Discount rates	1.00% (1.00%)	(₱91,661) 108,958	(₱89,587) 106,596
Future salary increases	1.00% (1.00%)	106,896 (91,783)	104,318 (89,526)



The average duration of the defined benefit obligation at the end of the reporting period is 9.40 – 11.10 years in 2021 and 7.80 – 9.40 years in 2020.

Shown below is the expected future benefit payment:

Financial Year	2021	2020
Year 1	₱145,319	₱150,257
Years 2–5	314,480	317,777
Years 6–10	425,807	414,859

23. Related Party Transactions

Parties are considered to be related if one party has the ability, directly, or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

The Parent Company has Material Related Party Transaction Policies containing the approval requirements and limits on amounts and extent of related party transactions in compliance with the requirements under the Revised SRC Rule 68 and SEC Memorandum Circular 10, series of 2019.

The following are the significant transactions with related parties:

Nature	Year	Volume of Transactions	Outstanding Balance	Terms	Conditions
<i>Associates and joint ventures</i>					
MLI					
Rent expense	2021	₱62,987	₱–	15 days;	Unsecured
	2020	62,655	–	noninterest-bearing	
	2019	49,856	–		
MMBC					
Miscellaneous income	2021	5,125	33,777	30 days;	Unsecured;
	2020	52,165	58,397	noninterest-bearing	no impairment
	2019	10,119	9,838		
Trade purchases, net	2021	57,131	(3,799)	30 days;	Unsecured
	2020	83,353	(12,562)	noninterest-bearing	
	2019	105,161	(30,083)		
Rent income	2021	–	–	5 days;	Unsecured;
	2020	–	–	noninterest-bearing	no impairment
	2019	103	–		
SFC					
(a) Trade purchases, net	2021	–	–	30 days;	Unsecured
	2020	–	–	noninterest-bearing	
	2019	11,778	(13,074)		
(b) Rent income	2021	–	–	5 days;	Unsecured;
	2020	–	–	noninterest-bearing	no impairment
	2019	603	–		
(c) Trade sales	2021	–	–	30 days;	Unsecured;
	2020	–	–	noninterest-bearing	no impairment
	2019	41,364	19,862		
YCE					
Advances and interest income	2021	5,412	–	Interest-bearing	Unsecured
(see Note 9)	2020	8,930	–		
	2019	24,154	–		

(Forward)



Nature	Year	Volume of Transactions	Outstanding Balance	Terms	Conditions
Honey Droplet Ltd.					
Advances and interest income (see Note 9)	2021	₱–	₱–	4-6 years; interest-bearing	Unsecured; fully impaired
	2020	–	–		
	2019	4,287	–		
CHTI					
Transportation and delivery expense and wheat handling fees	2021	258,902	(18,089)	15 days; noninterest-bearing	Unsecured
	2020	205,919	(23,146)		
	2019	–	–		
<i>Common shareholders</i>					
PT. Nissin Biscuit Indonesia					
Trade purchases, net	2021	27,063	–	45 days; noninterest-bearing	Unsecured
	2020	57,993	–		
	2019	18,390	–		
MNSG Holdings Pte. Ltd.					
Loans receivable	2021	–	164,936	2 years; interest-bearing	Unsecured
	2020	155,521	155,521		
	2019	–	–		
Trade receivables (see Note 6)	2021		₱33,777		
	2020		58,397		
	2019		29,700		
Loans receivable (see Note 9)	2021		164,936		
	2020		155,521		
	2019		–		
Trade payables (see Note 15)	2021		21,888		
	2020		35,708		
	2019		43,157		

These transactions with related parties will be settled through cash.

Trade and other receivables and payables to related parties that were eliminated upon consolidation amounted to ₱2,556.1 million in 2021 and ₱2,351.1 million in 2020.

SFC

On October 7, 2016, the Parent Company entered into a Distributorship Agreement with SFC, wherein SFC engaged the services of the Parent Company to handle warehousing, selling, billing, delivery and merchandising of SFC's products in the Philippines. The agreement is effective November 1, 2016 and was terminated on March 31, 2019.

MMBC

On May 31, 2016, the Parent Company entered into a Distributorship Agreement with MMBC, wherein MMBC engaged the services of the Parent Company to handle warehousing, selling, billing, delivery and merchandising of MMBC's products. The agreement shall continue in force until cancelled or terminated by either party at any time with or without cause.

Wide Faith Foods Co. Ltd.

On November 17, 2015, the Parent Company entered into a Guarantee Agreement with The Hongkong and Shanghai Banking Corporation Limited, Bangkok Branch, to guarantee the \$3.0 million loan of Wide Faith Foods Co. Ltd.

MNSG Holdings Pte. Ltd.

On July 3, 2020, MNSPL and MNSG Holdings Pte. Ltd. entered into a loan agreement wherein MNSPL agreed to lend ₱155.5 million (\$3.0 million) to MNSG Holdings Pte. Ltd. with an interest rate of 3.65% per annum. The loan will mature on July 3, 2022. Cumulative translation adjustments on the loan amounted to ₱9.4 million as at December 31, 2021.



YCE

In 2021, the Parent Company partially reversed provision for ECL amounting to ₱77.4 million as a result of settlement of advances to YCE impaired in the previous periods. The remaining provision of ₱0.9 million is subsequently written off. The Parent Company recognized provision for ECL amounting to ₱8.9 million in 2020 (Note 9).

Compensation of Key Management Personnel

	2021	2020	2019
Short-term employee benefits	₱1,208,756	₱1,207,259	₱1,629,370
Post-employment benefits	56,526	103,990	2,429
	₱1,265,282	₱1,311,249	₱1,631,799

24. Income Tax

Current Income Tax

A reconciliation of the provision for income tax computed at the applicable statutory tax rate of the Group to provision for income tax as shown in the consolidated statements of comprehensive income is as follows:

	2021	2020	2019
Provision for income tax computed at applicable statutory tax rate (17% to 25% in 2021 and 18% to 30% in 2020 and 2019)	₱1,499,172	₱3,566,774	₱2,998,264
Income tax effects of:			
Nontaxable income	(504,609)	(460,217)	(436,548)
Interest income already subjected to final tax and not subject to tax	(243,718)	(17,122)	(41,109)
Net deferred tax on unremitted interest income	(239,026)	—	—
Nondeductible expenses	224,072	256,973	125,377
Change in unrecognized DTA*	(211,986)	70,294	(12,553)
Benefit from OSD	(162,957)	(147,407)	(174,864)
Expired NOLCO	63,772	22,747	12,871
Nondeductible interest expense	4,030	4,522	11,237
Difference in tax rate of temporary differences	1,405,963	329,616	(12,648)
Impact of CREATE Act	(212,977)	—	—
Others	(41,975)	32,842	4,775
	₱1,579,761	₱3,659,022	2,474,802

* Includes unrecognized DTA from acquisition of SFC in 2020 amounting to ₱355.5 million



Deferred Income Tax

The components of the Group's net deferred tax assets and net deferred tax liabilities are as follow:

	2021	2020
Deferred tax assets - net		
Allowance for impairment loss	₱330,506	₱380,879
Pension liability	144,859	123,252
NOLCO	192,577	—
Accrued expenses	84,838	—
Refund liabilities	75,970	83,909
Unearned interest income	(59,315)	—
Allowance for inventory obsolescence	45,784	36,499
Unrealized profits from intercompany sales	34,858	30,139
Right-of-use assets and lease liabilities	27,864	8,023
Unrealized foreign exchange gain	(26,326)	(161,189)
Advances from customers	24,338	5,890
Unamortized past service cost	5,770	8,451
Excess of the tax base over the carrying amounts of non-monetary assets	2,498	2,970
Allowance for ECL	1,264	12,602
Gain on loan modification	—	(46,694)
Interest accretion and cash variable interest on convertible note	—	154,491
Derivative liability	—	197,328
Others	—	6,525
	885,485	843,075
Deferred tax liabilities – net		
Brand	(4,532,229)	(3,255,600)
Property, plant and equipment	(1,335,703)	(654,687)
NOLCO	166,137	—
Unrealized foreign exchange gain	(6,085)	—
Interest income	—	(283,761)
Others	5,444	(5,870)
	(5,702,436)	(4,199,918)
	(₱4,816,951)	(₱3,356,843)

The reconciliation of the Group's deferred taxes is as follows:

	2021	2020
Beginning balance	(₱3,356,843)	(₱3,045,830)
Tax income during the period recognized in profit or loss	(1,187,173)	(464,647)
Tax income during the period recognized in OCI	963	98,483
Change in tax rate	(58,441)	—
Acquisition of a subsidiary (see Note 4)	—	(21,332)
Currency translation adjustments	(215,457)	76,483
Deferred tax liabilities, ending	(₱4,816,951)	(₱3,356,843)



The following deferred tax assets were not recognized in the consolidated financial statements since management believes that it will not be utilized in the future:

	2021	2020
Unused NOLCO	₱196,114	₱342,184
Interest expense	212,458	114,047
Allowance for impairment loss	132,651	126,999
Inventory obsolescence	19,252	23,102
Right-of-use assets and lease liabilities	11,342	6,325
Asset retirement obligation	4,436	5,043
MCIT	1,958	—
Allowance for ECL	—	55,392
Unrealized foreign exchange gain	—	3,169
	₱578,211	₱676,261

As at December 31, 2021 and 2020, deferred tax liability on undistributed earnings of subsidiaries amounting to ₱2,240.4 million and ₱2,831.5 million, respectively, was not recognized since the Parent Company controls the dividend policy of its subsidiaries, hence, it is able to control the timing of the reversal of the temporary difference with these subsidiaries and such temporary difference is not seen to reverse in the foreseeable future. Deferred tax assets on cumulative translation adjustments amounted to ₱695.8 million, and ₱1,310.0 million as at December 31, 2021 and 2020, respectively, were not recognized since it is not probable that taxable profit will be available against which the temporary difference can be utilized.

The balances of unused NOLCO with their corresponding years of expiration, are as follows:

Year Incurred	Expiry Year	NOLCO	MCIT
Philippine Entities			
2018	2021	₱355,426	₱—
2019	2022	495,776	—
2020	2025	287,493	—
2020	2023	—	583
2021	2026	1,189	1,375
		1,139,884	1,958
Expired during the year		(255,086)	—
Applied during the year		(100,340)	—
		784,458	1,958
Thailand Entities			
2018	2023	324,731	—
2019	2024	59,362	—
2020	2025	96,286	—
2021	2026	76,515	—
		556,894	—
		₱1,341,353	₱1,958

As at December 31, 2021, MNSPL has unutilized NOLCO amounting to ₱477.6 million for which deferred tax assets were recognized and can be carried forward indefinitely.



Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as at December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. Accordingly, current and deferred taxes are computed and measured using the applicable income tax rates for financial reporting purposes as follows:

	2021	2020
Regular corporate income tax	25%	30%
Minimum corporate income tax	1%	2%

Applying the provisions of the CREATE Act, the Parent Company and its Philippine subsidiaries would have been subjected to lower regular corporate income tax rate of 25% effective July 1, 2020. As a result of this change in tax rate, the Parent Company's net deferred tax assets decreased by ₱132.6 million.

The above impact are reflected in the consolidated financial statements as at December 31, 2021.

MMYSC

MMYSC's current provision for income tax is computed based on Optional Standard Deduction (OSD) in accordance with Revenue Regulation (RR) No. 16-2008, *Implementing the Provisions of Section 34(L) of the Tax Code of 1997, As Amended by Section 3 of Republic Act No. 9504, Dealing on the Optional Standard Deduction Allowed to Individuals and Corporations in Computing Their Taxable Income*. The OSD is equivalent to 40% of gross income, as provided by law, in lieu of the itemized allowable deductions.

The OSD results in an effective tax rate of 15% in 2021 and 18% in 2020 for the years in which OSD is projected to be utilized. The availment of OSD affected the recognition of deferred tax assets and liabilities on income and expenses that are not considered in the determination of gross income for income tax purposes. MMYSC forecasts that it will continue to avail of the OSD, such that the manner by which it will recover or settle the underlying assets and liabilities, for which the deferred tax assets and liabilities were initially recognized, would not result in any future tax consequence under OSD.

MNUKL

The U.K. government has announced an increase in corporate income tax rate from 19% to 25% to be implemented with effect from April 2023. While Marlow Foods Limited is largely insulated from this increase by virtue of the tax reductions afforded by its patent box, MNUKL will be required to record a one-off increase in its deferred tax liability, which is principally associated with the carrying value of its brands, with a consequent one-off non-cash tax charge to net profit in the first quarter of 2021.

The U.K. government has also announced the introduction of super capital allowances of 130% for qualifying capital expenditure for two years from April 2021 which could further reduce MNUKL's current tax liability and at the same time increase its deferred tax liability. The value of deferred tax liability is dependent on a number of factors and any impact would be recorded in the fourth quarter of 2021.



As a result of the change in tax rate in U.K., the Group adjusted its deferred tax liability on its Quorn and Cauldron brand by ₱1,335.6 million to reflect the expected tax rate as at December 31, 2021.

MNUKL also reflected impact of the super capital allowance for qualifying capital expenditures as at December 31, 2021.

MIL

On April 26, 2004, the Thailand Board of Investment (BOI) granted MIL promotional privileges to manufacture food ingredients. Subject to certain imposed conditions, the tax privileges include the following:

- Exemption from import duty on approved machinery.
- Exemption from import duty on articles and essential raw materials imported for use in manufacturing for export sales, for 1 year commencing as from the first importation date.
- Exemption from corporate income tax in an amount not exceeding the capital investment in the project, excluding land and working capital, and capped at Baht 708.5 million for a period of 8 years commencing from the date of first earning operating income (February 1, 2007).

MNTH

Under the Investment Promotion Act B.E. 2520, the Thailand BOI granted MNTH promotional privileges subject to certain imposed conditions. Significant tax privileges include the following:

Certificate No.	64-0754-1-00-1-0	2470(2)/2557
Grant date	June 2021	November 2014
Nature	For manufacturing of dehydrated foods	For manufacturing of instant foods
Significant privileges:		
Exemption from corporate income tax for profit from promoted operations	6 years, capped at THB 469.2 million	8 years, capped at THB 596.0 million
Exemption from import duty on approved machinery	Granted	Granted
Exemption from import duty on raw materials and significant supplies used in production for export	Granted	Granted
Date of first earning operating income	Not yet utilized	November 24, 2014

25. Leases

Parent Company

The Parent Company leases various real estate properties for its plant sites, warehouses, and office spaces. The most significant of these lease agreements is the lease agreement with MLI, for its plant sites in Sta. Rosa Laguna, Cebu, and Davao. The agreements are for periods of 25 to 50 years, renewable for another 25 years. Under the terms of the leases, in the event that the lessor decides to sell the leased property, the Parent Company shall have the first option to buy the said property subject to the constitutional limitations on the ownership of land.



On June 24, 2020, the Parent Company entered into agreements with Science Park of the Philippines for the lease of certain parcels of land in San Fernando, Malvar, Batangas to be used for various operational activities. The lease agreements are valid for 50 years and are automatically renewable for another 25 years.

The Parent Company has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Parent Company's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

The undiscounted potential future rental payments relating to periods following the exercise date of extension options not within the control of lessee that are not included in the lease term amounted to ₱94.5 million. The extension options not included are exercisable in 2030.

MMYSC

MMYSC leases real estate properties for a period of 50 years from Monde Rizal, an associate through KBT, renewable for another 25 years. In 2017, MMYSC entered into another lease agreement for the lease of real property for a period of 10 years.

MNTH

MNTH has entered into several lease agreements in respect of the lease of its office building space and transport service agreements. The terms of the agreements are generally between 1 and 3 years.

There are no new lease contracts that have not yet commenced as at December 31, 2021.

MNUKL

In 2021, MNUKL has entered into various lease agreements. The most significant agreements pertain to a 6-year lease contract of an office building in United States amounting to ₱58.3 million (£0.9 million) and a 5-year lease contract of a fleet of forklift trucks at three United Kingdom sites amounting to ₱40.8 million (£0.6 million) (see Note 12).

The following are the amounts recognized in consolidated statement of comprehensive income:

	2021	2020	2019
Depreciation expense of right-of-use assets included in property, plant and equipment (see Note 12)	₱183,783	₱164,372	₱153,735
Interest expense on lease liabilities (see Note 20)	188,058	153,705	117,858
Expenses relating to leases of low-value assets (see Note 20)	37,951	7,438	35,924
Expenses relating to short-term leases (see Note 19)	22,043	50,063	43,334
	₱431,835	₱375,578	₱350,851



The movements in the Group's lease liabilities are as follows:

	2021	2020
Balance at beginning of year	₱2,763,032	₱2,044,586
Payment of principal portion of lease liabilities	(276,715)	(846,389)
Accretion of interest (see Note 21)	188,058	153,705
Additions	132,488	1,261,730
Disposals	(48,002)	(8,501)
Acquisition of a subsidiary (see Note 4)	—	157,901
	2,758,861	2,763,032
Less current portion	97,280	88,073
	₱2,661,581	₱2,674,959

The maturity analysis of lease liabilities is disclosed in Note 26.

26. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents, trade and other receivables, loans receivable, noncurrent receivables, withholding tax receivables and advances to employees. The main purpose of these financial instruments is to fund the Group's operations. The Group has various other financial instruments such as accounts payable and other current liabilities, acceptance and trust receipts payable, and loan payable, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The BOD reviews and agrees the policies for managing each of these risks and they are summarized below:

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of interest rate risk and foreign currency risk. Financial instruments affected by market risk include cash and cash equivalents, trade and other receivables, accounts payable and other current liabilities, and loans payable.

The sensitivity analyses in the following sections relate to the position as at December 31, 2021 and 2020. The sensitivity of the relevant statement of other comprehensive income item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held as at December 31, 2021 and 2020.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.



Interest Rate Sensitivity. The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

	Increase (Decrease) in Basis Points	Effect on Income Before Tax
2021	+50	(76,919)
	-50	76,919
2020	+50	(₱105,803)
	-50	105,803

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The table below summarizes the Group's significant foreign currency-denominated financial assets and liabilities (impact of other currencies is not material) as at December 31:

	2021				
	Original Currency				
	USD	EUR	JPY	THB	Peso Equivalent
Financial Assets					
Cash and cash equivalents	\$108,382	€148	¥—	฿755,663	₱6,753,305
Trade and other receivables	16,257	1,701	43	150,292	1,180,683
	124,639	1,849	43	905,955	7,933,988
Financial Liabilities					
Accounts payable and other current liabilities	22,185	5,950	526,473	292,753	2,210,336
	22,185	5,950	526,473	292,753	2,210,336
Net Financial Assets (Liabilities)	\$102,454	(€4,101)	(¥526,430)	฿613,202	₱5,723,652

	2020				
	Original Currency				
	USD	EUR	JPY	THB	Peso Equivalent
Financial Assets					
Cash and cash equivalents	\$42,077	€292	¥—	฿394,654	₱2,666,914
Trade and other receivables	18,205	1,507	—	165,457	1,226,465
	60,282	1,799	—	560,111	3,893,379
Financial Liabilities					
Accounts payable and other current liabilities	13,572	3,696	595,491	270,511	1,575,360
	13,572	3,696	595,491	270,511	1,575,360
Net Financial Assets (Liabilities)	\$46,710	(€1,897)	(¥595,491)	฿289,600	₱2,318,019



In translating the foreign currency-denominated financial instruments into Philippine peso amounts, the exchange rates used are as follows:

Year	Currency			
	USD (\$)	EUR (€)	JPY (¥)	THB (฿)
2021	₱51.00	₱57.51	₱0.44	₱1.52
2020	₱48.04	₱58.69	₱0.46	₱1.59

The following table demonstrates the sensitivity to a reasonably possible change in the U.S. dollar, European euro, Pound sterling, Japanese yen, Australian dollar, Thai Baht, and Singapore dollar for the next period, with all other variables held constant, of the Group's income before tax.

The reasonably possible change in exchange rate was based on forecasted exchange rate changes within the next two months after the reporting period. The methods and assumptions used remained unchanged over the reporting periods being presented.

	2021		2020	
	Movement in Foreign Exchange Rate Increase (Decrease)	Effect on Income Before Tax	Movement in Foreign Exchange Rate Increase (Decrease)	Effect on Income Before Tax
U.S. dollar	6.17% (6.17%)	₱322,386 (322,386)	(5.34%) 5.34%	(₱119,817) 119,817
European euro	2.01% (2.01%)	(₱4,741) 4,741	(4.15%) 4.15%	₱4,620 (4,620)
Japanese yen	(4.67%) 4.67%	10,849 (10,849)	(0.00%) 0.00%	— —
Thailand baht	4.53% 4.53%	42,239 (42,239)	5.34% (5.34%)	24,631 (24,631)

The Group's exposure to foreign currency changes for all other currencies is not material.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. Since the Group trades only with recognized third parties, there is no requirement for collateral.

Maximum exposure to credit risk. The table below shows the maximum exposure to credit risk for the Group's financial assets, without taking account any collateral and other credit enhancements:

	2021	2020
Cash and cash equivalents*	₱13,855,341	₱7,091,575
Trade and other receivables	6,248,732	6,456,718
Noncurrent receivables	500,000	655,521
Current financial assets	165,937	—
Advances to employees**	68,911	42,524
Withholding tax receivables***	12,038	47,345
Total credit risk exposure	₱20,850,959	₱14,293,683

* Excluding cash on hand amounting to ₱1.5 million in 2021 and ₱1.4 million in 2020.

** Recorded under "other noncurrent assets".

*** Recorded under "Prepayments and other current assets" in 2021 and under "other noncurrent assets" in 2020.



Aging analysis. The aging analysis of financial assets follows:

2021							
	Days Past Due					ECL	Total
	Current	1–30 Days	31–60 Days	61–90 Days	More than 90 Days		
Cash and cash equivalents*	₱13,855,341	₱–	₱–	₱–	₱–	₱–	₱13,855,341
Trade and other receivables	5,486,733	641,859	48,324	26,766	45,050	31,372	6,280,104
Noncurrent receivables	500,000	–	–	–	–	115,266	615,266
Current financial assets	165,937	–	–	–	–	–	165,937
Advances to employees**	68,911	–	–	–	–	–	68,911
Withholding tax receivables***	12,038	–	–	–	–	–	12,038
	₱20,088,960	₱641,859	₱48,324	₱26,766	₱45,050	₱146,638	₱20,997,597

* Excluding cash on hand amounting to ₱1.5 million.

** Recorded under "other noncurrent assets"

*** Recorded under "prepayments and other current assets"

2020							
	Days Past Due					ECL	Total
	Current	1–30 Days	31–60 Days	61–90 Days	More than 90 Days		
Cash and cash equivalents*	₱7,091,575	₱–	₱–	₱–	₱–	₱–	₱7,091,575
Trade and other receivables	5,263,454	804,621	172,207	70,757	145,679	67,575	6,524,293
Noncurrent receivables	655,521	–	–	–	–	193,572	849,093
Withholding tax receivables**	47,345	–	–	–	–	–	47,345
Advances to employees**	42,524	–	–	–	–	–	42,524
	₱13,100,419	₱804,621	₱172,207	₱70,757	₱145,679	₱261,147	₱14,554,830

* Excluding cash on hand amounting to ₱1.4 million.

** Recorded under "other noncurrent assets".

Credit risk under general and simplified approach

2021					
	General Approach			Simplified Approach	Total
	Stage 1	Stage 2	Stage 3		
Cash and cash equivalents*	₱13,855,341	₱–	₱–	₱–	₱13,855,341
Trade and other receivables	81,330	–	–	6,198,774	6,280,104
Noncurrent receivables	500,000	–	115,266	–	615,266
Current financial assets	165,937	–	–	–	165,937
Advances to employees**	68,911	–	–	–	68,911
Withholding tax receivables**	12,038	–	–	–	12,038
	₱14,683,557	₱–	₱115,266	₱6,198,774	₱20,997,597

* Excluding cash on hand amounting to ₱1.5 million.

** Recorded under "other noncurrent assets".

2020					
	General Approach			Simplified Approach	Total
	Stage 1	Stage 2	Stage 3		
Cash and cash equivalents*	₱7,091,575	₱–	₱–	₱–	₱7,091,575
Trade and other receivables	51,789	–	–	6,472,504	6,524,293
Noncurrent receivables	655,521	–	193,572	–	849,093
Withholding tax receivables**	47,345	–	–	–	47,345
Advances to employees**	42,524	–	–	–	42,524
	₱7,888,754	₱–	₱193,572	₱6,472,504	₱14,554,830

* Excluding cash on hand amounting to ₱1.4 million.

** Recorded under "other noncurrent assets".

Simplified Approach. Set out below is the information about the credit risk exposure on the Group's trade receivables using simplified approach (provision matrix):

2021							
	Days Past Due						
	Current	<30 days	30–60 days	61–90 days	91–120 days	121–365 days	>365 days
Expected credit loss rate	0.01%	0.05%	0.27%	0.64%	0.47%	25.49%	100.00%
Estimated total gross carrying amount at default	₱5,409,112	₱641,732	₱48,252	₱26,712	₱41,595	₱2,173	₱29,198
Expected credit loss	₱802	₱321	₱131	₱171	₱195	₱554	₱29,198



	2020							Total
	Days Past Due							
	Current	<30 days	30-60 days	61-90 days	91-120 days	121-365 days	>365 days	
Expected credit loss rate	0.13%	0.46%	1.20%	5.82%	19.75%	60.50%	100.00%	
Estimated total gross carrying amount at default	P5,256,280	P804,601	P172,188	P70,111	P137,455	P20,472	P11,397	P6,472,504
Expected credit loss	P6,766	P3,729	P2,072	P4,080	P27,145	P12,386	P11,397	P67,575

Liquidity Risk

Liquidity risk is the risk the Group will be unable to meet its payment obligations when they fall due. The Group monitors and maintains a level of cash deemed adequate by management to finance the Group's operations, ensure continuity of funding and to mitigate the effects of fluctuations in cash flows.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and lease contracts. The Group's policy is that not more than 50% of long-term debt should mature in the next 12-month period. Approximately 25% and 32% of the Group's long-term debt will mature in less than one year at December 31, 2021 and, 2020, respectively, based on the carrying value of debt reflected in the financial statements. The Group assessed the concentration risk with respect to refinancing its debt and concluded it to be low. The Group has access to a sufficient variety of source of funding and debt maturing within 12 months can be rolled over with existing lenders.

Excessive concentration risk. Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by change in economic, political and other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio of distributors and distribution channels. Identified concentration of credit risks are controlled and managed accordingly.

Maturity profile. The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments are as follows:

	2021						Total
	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	More than 5 Years		
Financial Assets							
Cash and cash equivalents	P4,773,728	P9,083,086	P—	P—	P—		P13,856,814
Trade and other receivables	793,371	5,486,733	—	—	—		6,280,104
Noncurrent receivables	115,266	—	—	500,000	—		615,266
Current financial assets	1,001	—	164,936	—	—		165,937
Advances to employees	—	—	—	68,911	—		68,911
Withholding tax receivables	—	—	12,038	—	—		12,038
	5,683,366	14,569,819	176,974	568,911	—		20,999,070
Financial Liabilities							
Accounts payable and other current liabilities*	3,096,780	6,942,309	64,012	—	—		10,103,101
Loans payable	—	31	7,064,161	—	—		7,064,192
Acceptance and trust receipts payable	—	—	3,714,690	—	—		3,714,690
Convertible note	—	—	—	—	—		—
Lease liabilities	—	65,324	240,554	1,011,071	7,155,601		8,472,550
	3,096,780	7,007,664	11,083,417	1,011,071	7,155,601		29,354,533
	P2,586,586	P7,562,155	(P10,906,443)	(P442,160)	(P7,155,601)		(P8,355,463)

* Excluding statutory payables.



	2020					
	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	More than 5 Years	Total
Financial Assets						
Cash and cash equivalents	P3,620,374	P3,472,641	P-	P-	P-	P7,093,015
Trade and other receivables	1,260,838	5,263,455	-	-	-	6,524,293
Noncurrent receivables	193,572	-	-	655,521	-	849,093
Withholding tax receivables	-	-	-	47,345	-	47,345
Advances to employees	-	-	-	42,524	-	42,524
	5,074,784	8,736,096	-	745,390	-	14,556,270
Financial Liabilities						
Accounts payable and other current liabilities*	4,694,075	4,986,731	59,042	-	-	9,739,848
Loans payable	-	518,168	9,839,682	21,227,318	-	31,585,168
Acceptance and trust receipts payable	-	-	605,902	-	-	605,902
Convertible note	-	-	603,370	7,818,485	-	8,421,855
Lease liabilities	-	35,731	151,811	1,124,135	7,598,833	8,910,510
	4,694,075	5,540,630	11,259,807	30,169,938	7,598,833	59,263,283
	P380,709	P3,195,466	(P11,259,807)	(P29,424,548)	(P7,598,833)	(P44,707,013)

* Excluding statutory payables.

Changes in Liabilities Arising from Financing Activities

	January 1, 2021	Cash Flows	Foreign Exchange Movement	Acquisition of a subsidiary	Fair Value changes	Others*	December 31, 2021
Loans payable	P29,546,002	(P23,115,381)	P434,650	P-	P-	P133,534	P6,998,805
Accrued interest payable	166,288	(1,437,102)	-	-	-	1,271,895	1,081
Derivative liability	2,513,886	-	-	-	2,258,075	(4,771,961)	-
Lease liabilities	2,763,032	(276,715)	-	-	-	272,544	2,758,861
Convertible note	7,027,163	(13,351,935)	(73,445)	-	-	6,398,217	-
Dividends payable	-	(10,061,392)	-	-	-	10,061,392	-
Other noncurrent liabilities	22,226	(1,801)	-	-	-	-	20,425
Total liabilities from financing activities	P42,038,597	(P48,244,326)	P361,205	P-	P2,258,075	P13,365,621	P9,779,172

*"Others" primarily include gain on modification of loans, amortization of debt issue costs, interest expenses and additions from new leases.

	January 1, 2020	Cash Flows	Foreign Exchange Movement	Acquisition of a subsidiary	Fair Value changes	Others*	December 31, 2020
Loans payable	P34,022,193	(P4,335,786)	(P152,725)	P390,000	P-	(P377,680)	P29,546,002
Accrued interest payable	237,886	(1,477,031)	-	-	-	1,405,433	166,288
Derivative liability	2,713,807	(72,985)	-	-	(99,409)	(27,527)	2,513,886
Lease liabilities	2,044,586	(846,389)	-	157,901	-	1,406,934	2,763,032
Convertible note	7,257,980	-	(580,436)	-	-	349,619	7,027,163
Dividends payable	-	(3,509,790)	-	-	-	3,509,790	-
Other noncurrent liabilities	5,531	771	-	15,924	-	-	22,226
Total liabilities from financing activities	P46,281,983	(P10,241,210)	(P733,161)	P563,825	(P99,409)	P6,266,569	P42,038,597

*"Others" primarily include gain on modification of loans, amortization of debt issue costs, interest expenses and additions from new leases.

	January 1, 2019	Cash Flows	Foreign Exchange Movement	Acquisition of a Subsidiary	Fair Value Changes	Others**	December 31, 2019
Loans payable*	P44,003,447	(P9,816,234)	(P91,491)	P-	P-	(P73,529)	P34,022,193
Accrued interest payable	196,363	(2,361,117)	-	-	-	2,402,640	237,886
Derivative liability	718,310	(20,491)	-	-	2,034,586	(18,598)	2,713,807
Lease liabilities	-	(240,063)	-	-	-	2,284,649	2,044,586
Convertible note	-	9,122,685	-	-	(1,856,127)	(8,578)	7,257,980
Dividends payable	-	(5,877,750)	-	-	-	5,877,750	-
Other noncurrent liabilities	-	5,531	-	-	-	-	5,531
Total liabilities from financing activities	P44,918,120	(P9,187,439)	(P91,491)	P-	P178,459	P10,464,334	P46,281,983

*Cash flow movement presented is net of avallment and payments of loans payable.

**"Others" primarily include amortization of debt issue costs, interest expenses and effect of adoption of PFRS 16

Derivative Financial Instruments

The Group engages in derivative transactions, particularly cross currency swaps and European Knockout Option, to manage its foreign currency risk arising from its net investment. These derivatives are accounted for as accounting hedges. The embedded derivative is a transaction not designated as accounting hedge.



Cross Currency Swap (CCS) Contract

On January 24, 2017, the Group entered into a non-deliverable CCS (agreement with a notional amount of ₱7,100.0 million (£113.8 million). Under the CCS agreement, the Group receives fixed Philippine Peso interest and pays fixed Pound Sterling interest. The Group also receives the notional Philippine Peso amount in exchange for the notional Pound Sterling amount at the end of the swap period. The CCS, which has been designated as a hedge of a portion of the net investment in MNSPL, is used to hedge the Group's exposure to the GBP foreign exchange risk on its investment in MNSPL. Gains or losses on the spot component of the fair value of the CCS are transferred to OCI to offset any gains or losses on translation of the net investment in MNSPL.

Pertinent details of the cross-currency swap are as follows:

Notional amount	Trade Date	Effective Date	Maturity Date	Swap rate	Fixed rate (Pay leg)	Fixed rate (Receive leg)
£113,782	01/16/17	01/24/17	10/26/20	₱62.40	1.3700%	3.4211%

The effective portion of the fair value of the CCS amounting to gain of nil in 2021 and 2020 and ₱22.2 million in 2019 was recognized in OCI.

European Knockout Option (EKO)

On March 12, 2019, the Group entered into a non-deliverable European Knockout Option (EKO) with a notional amount of ₱3,550.0 million (£56.9 million). Under the EKO, the Group receives fixed Philippine Peso interest and pays fixed Pound Sterling interest. Settlement of the principal will happen if the Spot rate has fixed below the EKO and at or above the Strike on the relevant expiration date. The intrinsic value of the EKO, which has been designated as a hedge of a portion of the net investment in MNSPL, is used to hedge the Group's exposure to the GBP foreign exchange risk on its investment in MNSPL. Gains or losses on the intrinsic component of the fair value of the EKO are transferred to OCI to offset any gains or losses on translation of the net investment in MNSPL.

Notional amount	Trade Date	Effective Date	Maturity Date	Strike	EKO	Fixed rate (Pay leg)	Fixed rate (Receive leg)
£56,891	03/12/19	01/22/19	10/27/20	₱62.40	₱75.00	3.44%	0.00%

The effective portion of the fair value of the EKO amounting to loss of nil in 2021 and 2020 and ₱2.8 million in 2019 was recognized in OCI.

Movements in the derivative liability account are as follows:

	2021	2020
Beginning of year	₱—	₱392,272
Fair value changes recorded in:		
Derivative loss (gain)	—	(392,272)
Cumulative translation adjustment	—	—
End of year	₱—	₱—

The Group recognized derivative gain of ₱306.6 million from fair value changes of derivative liability account in 2019.

The Group recognized derivative gain of ₱24.9 million and ₱57.8 million from the maturity of CCS and EKO in 2021 and 2020, respectively.



Interest rate swap

MFL entered into an interest rate swap agreement in March 2019 which commenced in March 2020 to eliminate the cash flow risk around the interest on its loan. The swap matches the ₱7,742.4 million (£113.0 million) term loan in all particulars. Under the swap agreement, MFL receives interest quarterly equivalent to three-months LIBOR on the loans and pays interest at the fixed rate of 0.826% per annum. The quarterly payment starts on June 25, 2020 and ends on March 25, 2024, subject to adjustment in accordance with the Modified Following Business Day Convention.

Embedded Derivatives

As discussed in Note 17, the Convertible Note issued by the Group in 2019 has embedded equity conversion and redemption options which separated from the host contract.

Shown below are the movements in the value of the embedded derivatives (shown as part of derivative liability) as at December 31:

	2021	2020
Embedded derivatives:		
Beginning balance	₱2,513,886	₱2,321,536
Mark-to-market valuation	2,239,232	192,350
Redemption of convertible note (see Note 17)	(4,753,118)	—
	₱—	₱2,513,886

In 2021, 2020 and 2019, the Group recognized the loss on fair value changes on the embedded derivatives amounting to ₱2,239.2 million, ₱192.4 million and ₱465.5 million, respectively, under the “Derivative gain (loss)” account in the consolidated statement of comprehensive income.

The total derivative gain (loss) presented in the consolidated statement of comprehensive income consists of derivative gain (loss) from CCS, EKO, equity conversion and redemption options, and swaps. The derivative loss from swaps entered and settled during the same year, amounted to ₱43.7 million in 2021, ₱158.3 million in 2020, and ₱19.6 million in 2019.

Capital Management

For the purpose of the Group’s capital management, capital includes issued capital and all other equity reserves. The primary objective of the Group’s capital management is to maximize the shareholder value. The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2021 and 2020. The Group was able to raise funds through an IPO last June 1, 2021.

The Group monitors capital on the basis of the debt-to-equity ratio and makes adjustments to it in light of changes in economic conditions and its financial position. This ratio is calculated as total debt divided by total equity. Debt comprises all liabilities of the Group. Equity comprises all components of equity.



The Group's debt-to-equity ratios are as follows:

	2021	2020
Total debt	₱31,442,048	₱57,862,379
Total equity attributable to equity holders of the Parent Company	68,278,073	25,241,728
Debt-to-Equity Ratio	0.46:1.00	2.29:1.00

The Group is obligated to perform certain covenants with respect to maintaining specified debt-to-equity, gross leverage and minimum debt service cover ratios, as set in the agreements with creditors (see Note 17). As at December 31, 2021, MFL was not able to satisfy one of the loan covenants. Although this was pre-agreed verbally with lenders and no event of default occurred MFL classified its loan payable as due within one year amounting to ₱7,059.0 million (£103.0 million). The financial institutions formally granted a waiver of the covenant requirement on January 11, 2022, which became effective on March 24, 2022 (see Note 29). The financial institutions are not entitled to demand repayment because no event of default occurred.

As at December 31, 2020, the Group is in compliance with the financial covenants.

Fair Value of Financial Instruments

Cash and Cash Equivalents, Trade and Other Receivables, Withholding Tax Receivables, Accounts Payable and Other Current Liabilities, and Acceptance and Trust Receipts Payable. The carrying value of these financial assets and liabilities approximate their fair values as December 31, 2021 and 2020 due to the short-term nature of these financial instruments.

Financial assets at FVTPL. The financial assets at FVTPL account consists of unit investment trust funds (UITFs). As at December 31, 2021, the fair values of these financial assets are based on their published net asset value per share. These are presented under "current financial assets" in the consolidated statement of financial position.

Noncurrent Receivables and Advances to Employees and Loans Payable. As at December 31, 2021 and 2020, the fair value of noncurrent receivables and loans payable with variable interest rates approximates the carrying amount due to frequent repricing of interest. Fair value of loans with fixed interest rate are determined using the discounted cash flow method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period.

Financial Assets at FVOCI. The fair values of financial assets at FVOCI are derived from the cash flow projection of the investee (income approach), which is nil as at December 31, 2021 and 2020.

CCS and EKO. The fair value of derivative liability is based on quote obtained from the counterparty bank.

Interest rate swap. The fair value of the derivative financial instrument is measured using discounted cash flows. The future cash flows are estimated based on observable forward interest rates and discounted at a rate that reflects the credit risk of the Group and counterparties.

Equity Conversion and Redemption Options. The estimated fair value of the embedded derivative as at December 31, 2020 is based on the Jarrow-Rudd binomial lattice method of valuing equity conversion and redemption options.



As at December 31, 2021 and 2020, the following table presents the level of hierarchy of the Group's financial instruments as follows:

	2021			2020		
	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial instruments measured at fair value						
Financial assets at FVTPL	P=	P=	P1,001	P=	P=	P=
Equity securities measured at FVOCI	-	-	-	-	-	-
Financial assets - interest rate swap	-	19,464	-	-	-	-
Derivative liability - equity conversion and Redemption options	-	-	-	-	-	2,513,886
Financial liabilities - interest rate swap	-	-	-	-	133,780	-
Financial instruments for which fair values are disclosed						
Loans payable	P=	P=	P=	P=	P5,807,186	P=

The significant unobservable inputs used in the fair value measurements categorized within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at December 31, 2020 is shown below:

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of the input to fair value
Embedded derivatives	Discounted cash flow method	Underlying stock price	2020: P2,086.91	24% increase (decrease) in stock price would result in an increase (decrease) in fair value by P1,355.2 million (P469.2 million) in 2020
Embedded derivatives	Jarrow-Rudd binomial lattice model	Option-adjusted credit spread	2020: 17.49%	5% increase (decrease) in the spread would result in an increase (decrease) in fair value by P856.7 million (P 1,094.5 million) in 2020
		Dividend yield	2020: P175,000	29% increase (decrease) in the dividend payable forecast would result in an increase (decrease) in fair value by (P113.8 million) P113.6 million in 2020
		Issuer's probability of default	2020: 125 bps	40% increase (decrease) in the credit spread would result in an increase (decrease) in fair value by P 33.4 million (P34.3 million) in 2020
		Stock volatility	2020: 27%	5% increase (decrease) in stock volatility would result in an increase (decrease) in fair value by P112.7 million (P112.9 million) in 2020



27. Commitments

SSCC

On July 25, 2014 and August 4, 2014, the Parent Company and SSCC entered into a Distribution, and Marketing and Sales Development Agreement wherein SSCC appoints the Parent Company as its exclusive distributor of all its products in the Philippines for a period of 20 years (until July 25, 2034). Under the Agreement, the Parent Company shall pay SSCC a non-reimbursable and non-recoupable sum of ₱727.6 million payable in 5 equal annual installments starting on August 4, 2014 (see Note 13). The amount is recognized as Distribution Rights and subject to amortization for a period of 20 years up to 2034. The related payable was fully settled in 2018.

On August 4, 2014, the Parent Company and SSCC entered into a Loan Agreement wherein the Parent Company agreed to extend a loan to SSCC in the principal amount of ₱500.0 million with interest rate of 2% per annum. The loan is for a period of 10 years and will mature on August 4, 2024.

As stipulated in Section 6 of Loan Agreement, the Parent Company has the right to set-off and apply any credit balance of or any amount payable by the Group to SSCC. As a result, the Group presented its receivable from SSCC net of its outstanding payable in its consolidated statement of financial position in accordance with PAS 32. As at December 31, 2021 and 2020, the Group's net receivable from SSCC amounted to ₱500.0 million (see Note 9).

Interest income from advances to SSCC amounted to ₱10.0 million in 2021, ₱10.5 million in 2020 and ₱9.5 million in 2019 (see Note 9).

Capital Commitments

The Group has capital commitments for acquisitions of machineries and building expansions amounting to ₱1,423.5 million, ₱1,624.8 million, and ₱1,333.3 million as at 2021, 2020 and 2019, respectively (see Note 12).

28. Supplemental Disclosure to Cash Flow Statements

The Group's material noncash activities are as follows:

	2021	2020	2019
Cumulative translation adjustments	(₱1,583,397)	₱1,100,427	₱751,190
Additions to ROU assets	132,488	1,261,730	—
Unpaid capital expenditures	(90,918)	—	—
Effect of adoption of PFRS 16	—	—	2,166,791

29. Other Matters and Subsequent Events

Change in Use of IPO Proceeds

On August 9, 2021, the BOD approved the change in use of IPO proceeds, previously earmarked for capital expenditures, to pay down the majority of the remaining term loans of ₱15,600.0 million, resulting in interest expense savings of approximately ₱700.0 million assuming interest rates remain at current levels. This action was done to avoid the significant negative carry associated with large cash balances as these have substantially lower investment returns than the interest payments on the outstanding debt. The BOD confirms that there is no change in the capital expenditure plans as



stipulated in the IPO Prospectus, amounting to ₱26,500.0 million or 57.2% of the net proceeds, and considers that the above change in the use of net proceeds is in the best interests of the Company and its shareholders.

On November 23, 2021, the BOD approved the change in use of IPO proceeds previously allocated for “certain capital expenditures to expand the capacity of its Meat Alternative business” amounting to ₱7,105.0 million to “operating expenditures (not in excess of ₱4,100.0 million) relating to, and/or capital expenditures to expand the capacity of its Meat Alternative business”. This reallocation was done concurrent with the Group’s plan to expand the manufacturing capacity of its Meat Alternative business, to engage in activities that will accelerate consumer demand and consumption of its Meat Alternative products in the US and UK (including but not limited to spending for brand building, new product development, influence partnerships, etc.).

CCS Contract

On March 4, 2022, the Group entered into a non-deliverable CCS Agreement with a notional amount of ₱5,839.5 million (£85.0 million). Under the CCS agreement, the Group will receive Philippine Peso interest at 9% p.a. and will pay fixed Pound Sterling interest at 6% p.a. The Group will also pay the notional Pound Sterling amount in exchange for the Philippines Peso amount at the end of the swap period. The CCS, which will be designated as a hedge of a portion of the net investment in MNSPL, is used to hedge the Parent Company’s exposure to the GBP foreign exchange risk on its investment in MNSPL.

Parent Company Financial Guarantee

On March 24, 2022, the Parent Company (Guarantor) entered into a Guarantee Agreement with Citicorp International Limited, as agent for and on behalf of certain financial institutions (Finance Parties), to guarantee the ₱7,059.4 million (£103 million) loan of Parent Company’s wholly owned, UK-based indirect subsidiary Marlow Foods Ltd. (Borrower). The Guarantor undertakes with each Finance Party that whenever the Borrower does not pay any amount when due or in connection with any finance document, the Guarantor shall promptly on demand pay the amounts as if it was the principal obligor. This has no impact in the consolidated financial statements since this transaction will be eliminated.

Geopolitical Situation in Ukraine and Russia

APAC BFB. The business experienced significant inflation for Q1 2022 for wheat/flour, edible oils and energy costs. The management’s response as cost containment is to enter locked in prices and hedged wheat until end of Q3 2022 and palm oil until end of Q2 2022. The Group also locked in lower energy cost from sustainable source by Q3 2022. The Group also continues to stockpile USD for natural hedge against PHP depreciation.

Meat Alternative. The War in Ukraine impacts the business’ supply chain in UK. The Group has provided support to its Ukrainian staff and others who have been affected by the war. Energy costs are escalating, which is beginning to feed through to other input costs. Future demand for high volume raw materials is covered by forward contracts where possible. The supply of raw materials directly affected by the war has been switched to alternative locations.

Considering the evolving nature of this event, the Group will continue to monitor the situation.

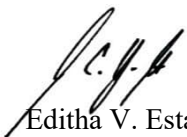


INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
Monde Nissin Corporation
Felix Reyes St., Barangay Balibago
City of Santa Rosa, Laguna

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Monde Nissin Corporation and Subsidiaries, as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, included in this Form 17-A, and have issued our report thereon dated May 10, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Editha V. Estacio

Partner

CPA Certificate No. 91269

Tax Identification No. 178-486-845

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 91269-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-094-2020, July 27, 2020, valid until July 26, 2023

PTR No. 8853492, January 3, 2022, Makati City

May 10, 2022



INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
Monde Nissin Corporation
Felix Reyes St., Barangay Balibago
City of Santa Rosa, Laguna

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Monde Nissin Corporation and Subsidiaries (the Group), as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated May 10, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2021, 2020 and 2019 and for the years then ended and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Editha V. Estacio

Partner

CPA Certificate No. 91269

Tax Identification No. 178-486-845

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 91269-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-094-2020, July 27, 2020, valid until July 26, 2023

PTR No. 8853492, January 3, 2022, Makati City

May 10, 2022



MONDE NISSIN CORPORATION**SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR
DIVIDEND DECLARATION
DECEMBER 31, 2021**

Unappropriated Retained Earnings (RE), as adjusted, as at December 31, 2020	₱4,774,501
Net income actually earned during the year -	
Net income during the period closed to RE	2,900,546
Less non-actual income/Add non-actual losses:	
Movement in deferred tax asset	381,737
Gain on loan modification	155,648
Unrealized foreign exchange gain	199,857
Net income actually earned during the year	3,637,788
Add (less):	
Dividends declared during the period	(10,060,424)
Reversal of 2020 appropriations	6,800,000
2020 appropriation for dividends	(2,500,000)
	(5,760,424)
RE available for dividend declaration as at December 31, 2021	₱2,651,865

Note: In accordance with SEC Financial Reporting Bulletin No. 14, the reconciliation is based on the parent company financial statements of Monde Nissin Corporation.

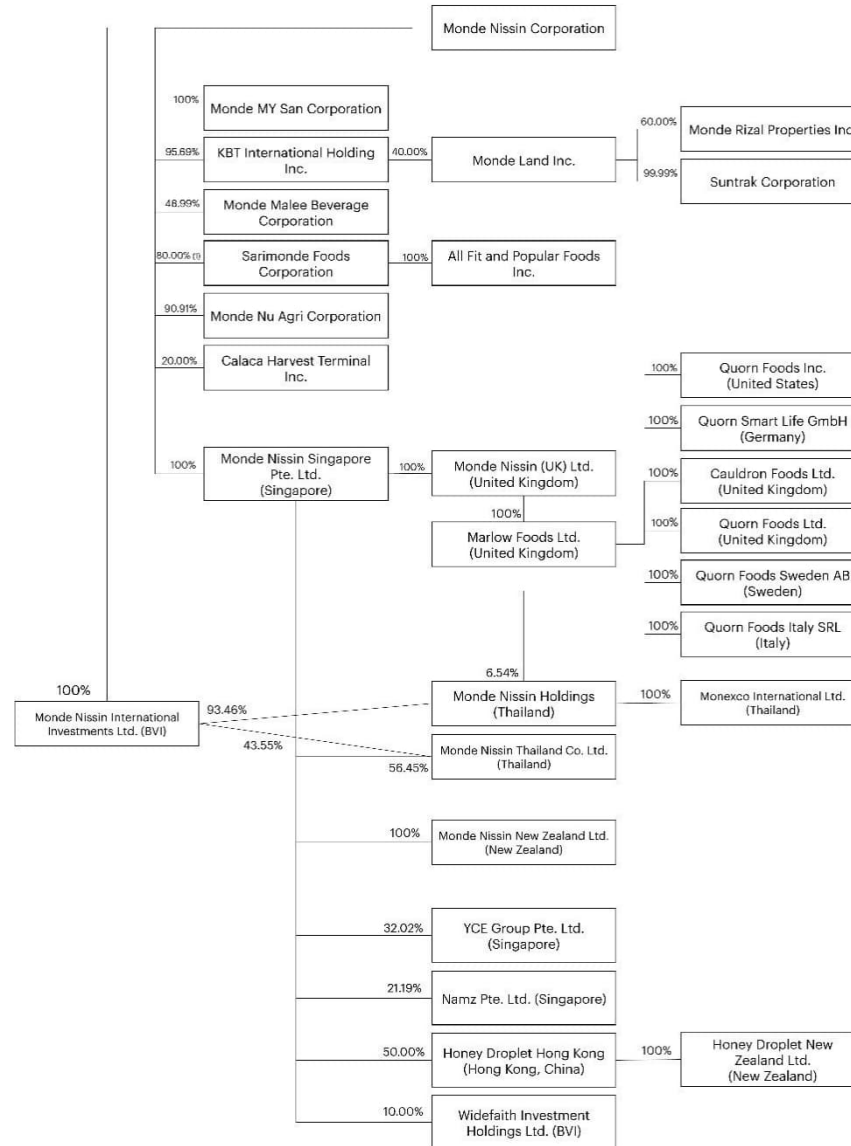
MONDE NISSIN CORPORATION AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

AS AT DECEMBER 31, 2021, 2020 and 2019

Financial Ratios	Formula	2021	2020	2019
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	1.37	0.98	1.02
Acid test ratio	$\frac{\text{Cash and cash equivalents} + \text{Current receivables} + \text{Current financial assets}}{\text{Current liabilities}}$	0.90	0.65	0.75
Solvency ratio	$\frac{\text{Net income attributable to Equity Holders of the Parent Company} + \text{Depreciation and Amortization}}{\text{Total Liabilities}}$	17.8%	16.7%	12.6%
Debt-to-equity ratio	$\frac{\text{Total liabilities (current + noncurrent)}}{\text{Equity attributable to Equity Holders of the Parent Company}}$	0.46	2.29	2.89
Asset-to-equity ratio	$\frac{\text{Total assets (current + noncurrent)}}{\text{Equity attributable to Equity Holders of the Parent Company}}$	1.46	3.34	3.96
Interest rate coverage ratio	$\frac{\text{Earnings Before Interest and Taxes (EBIT)}}{\text{Interest Expense}}$	4.02	7.42	4.62
Return on equity	$\frac{\text{Net income attributable to Equity Holders of the Parent Company}}{\text{Equity attributable to Equity Holders of the Parent Company (average)}}$	6.7%	31.3%	26.8%
Return on assets	$\frac{\text{Net income attributable to Equity Holders of the Parent Company}}{\text{Total assets (average)}}$	3.4%	8.6%	6.8%
Net Sales growth	$\frac{\text{Current Period Net Sales} - \text{Prior Period Net Sales}}{\text{Prior Period Net Sales}}$	2.0%	3.8%	3.3%
Gross margin	$\frac{\text{Gross Profit}}{\text{Net Sales}}$	36.9%	39.0%	38.6%
Net profit margin	$\frac{\text{Net income}}{\text{Net sales}}$	4.7%	11.9%	10.2%
Net profit after tax (NPAT) growth	$\frac{\text{Current Period NPAT} - \text{Prior Period NPAT}}{\text{Prior Period NPAT}}$	(148.6%)	21.3%	42.7%
EBITDA Growth	$\frac{\text{Current Period EBITDA} - \text{Prior Period EBITDA}}{\text{Prior Period EBITDA}}$	(16.9%)	9.7%	23.8%
EBITDA Margin	$\frac{\text{EBITDA}}{\text{Net Sales}}$	19.2%	22.9%	21.7%
Return on Invested Capital	$\frac{\text{EBIT} - \text{Income Tax Expense}}{\text{Working Capital} + \text{Property Plant and Equipment}}$	15.8%	33.7%	34.2%

MONDE NISSIN CORPORATION
MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP
AS AT DECEMBER 31, 2021



(1) Pending BIR issuance of CAR relating to transfer by MNC to MNSG of 20% of SMFC shares and pending BIR issuance of CAR relating to transfer by NIC to MNC of 55% of SMFC shares; The remaining 20% are held by MNSG Holdings Pte. Ltd.

MONDE NISSIN CORPORATION AND SUBSIDIARIES
SCHEDULE A – FINANCIAL ASSETS
DECEMBER 31, 2021
(Amounts in thousands)

Financial Assets	Name of Issuing Entity and Description of Each Issue	Amount Shown in the Balance Sheet/Notes	Value Based on Market Quotations at Balance Sheet Date	Income Received and Accrued
Financial Assets at FVTPL				
UITF*	Banco de Oro Universal Bank	₱1,001	₱1,001	₱12,543
Financial Assets at Amortized Cost				
Cash in banks and cash equivalents	N/A	13,855,341	N/A	72,212
Trade and other receivables	N/A	6,248,732	N/A	—
Noncurrent receivables	N/A	500,000	N/A	10,759
Loans receivable*	N/A	164,936	N/A	—
Withholding tax receivables	N/A	12,038	N/A	—
Advances to employees	N/A	68,911	N/A	—
Financial Assets at FVOCI				
Unquoted equity securities	Wide Faith Foods and Co. Ltd	Nil	Nil	Nil
		₱20,850,959	₱1,001	₱95,514

**Presented under current financial assets and noncurrent receivables*

MONDE NISSIN CORPORATION AND SUBSIDIARIES
SCHEDULE B – AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL
STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2021
(Amounts in thousands)

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Collections	Write Offs	Balance at End of Period		
					Current	Noncurrent	Total
Various employees	₱42,524	₱64,866	(₱38,479)	₱–	₱–	₱68,911	₱68,911

MONDE NISSIN CORPORATION AND SUBSIDIARIES
SCHEDULE C – AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF
FINANCIAL STATEMENTS
DECEMBER 31, 2021
(Amounts in thousands)

Receivable to Name of Subsidiary / Counterparty	Balance at Beginning of Period	Additions	Collections	Write-off	Balance at End of Period		
					Current	Noncurrent	Total
MNC	₱1,945,592	₱15,109,923	(₱15,002,437)	₱–	₱2,053,078	₱–	₱2,053,078
MNTH	284,259	664,173	(779,399)	–	169,033	–	169,033
MIL	–	244,250	(81,448)	–	162,802	–	162,802
MMYSC	116,730	706,165	(690,940)	–	131,955	–	131,955
MNSPL	858	91,005	(55,781)	–	36,082	–	36,082
SMFC	3,652	150,956	(151,412)	–	3,196	–	3,196
	₱2,351,091	₱16,966,472	(₱16,761,417)	₱–	₱2,556,146	₱–	₱2,556,146

MONDE NISSIN CORPORATION AND SUBSIDIARIES
SCHEDULE D – LONG-TERM DEBT
DECEMBER 31, 2021
(Amounts in thousands)

Name of Issuer and Type of Obligation	Amount Shown as Current	Amount Shown as Long-term	Total
Parent			
₱18,700.0 million Floating Rate Corporate Notes (FRCNs)	₱19,942	₱—	₱19,942
MFL			
£113.0 term loan	6,978,863	—	6,978,863
	₱6,998,805	₱—	₱6,998,805

MONDE NISSIN CORPORATION AND SUBSIDIARIES
SCHEDULE E – INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2021

Name of Related Party	Balance at beginning of the Period	Balance at End of the Period

- NONE TO REPORT -

MONDE NISSIN CORPORATION AND SUBSIDIARIES
SCHEDULE F – GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2021

Name of Issuing Entity of Securities Guaranteed by the Company for Which This Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by Person for Which this Statement is Filed	Nature of Guarantee

- NONE TO REPORT -

MONDE NISSIN CORPORATION AND SUBSIDIARIES
SCHEDULE G – CAPITAL STOCK
DECEMBER 31, 2021

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held by		
				Affiliates	Directors, Officers and Employees	Others
Common Shares at ₱0.50 par value	20,400,000,000	17,968,611,496	—	—	10,755,214,900	1,609,671,496*
Preferred "A" Shares at ₱1.00 par value	400,000,000	—	—	—	—	—
Preferred "B" Shares at ₱1.00 par value	800,000,000	—	—	—	—	—
Preferred "C" Shares at ₱0.25 par value	2,400,000,000	—	—	—	—	—

**Refers to Shares under Lock-up, excluding Lock-up shares which are already counted under "Directors, Officers and Employees"*

ANNEX B

2021 Parent Company Audited Financial
Statements and Supplementary Schedules
(with BIR ITR Filing Reference)



Monde Nissin

MONDE NISSIN CORPORATION
Felix Reyes Street,
Barangay Balibago
City of Santa Rosa, Laguna
4026 Philippines

Tel.: (+632) 7759.7500
Fax: (+632) 8810.9207
www.mondenissin.com

THE SECURITIES AND EXCHANGE COMMISSION

Secretariat Bldg., PICC Complex
Roxas Boulevard, Manila

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **MONDE NISSIN CORPORATION** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2021 and 2020 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Company's financial reporting process.

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

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.



Henry Soesanto
Acting Chairman of the Board



Henry Soesanto
Chief Executive Officer



Jesse C. Teo
Chief Financial Officer

Signed this 16th day May of 2022



Monde Nissin

MONDE NISSIN CORPORATION
Felix Reyes Street,
Barangay Balibago
City of Santa Rosa, Laguna
4026 Philippines

Tel.: (+632) 7759.7500
Fax: (+632) 8810.9207
www.mondenissin.com

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY, METRO MANILA) ss.

SUBSCRIBED AND SWORN TO before me this 11th day of May 2022:

NAME	TIN No	Competent Evidence of Identity	Place and Date of Issue
Henry Soesanto	100-574-508	Passport No. C1226256	KBRI Manila; 16 July 2019
Jesse C. Teo	146-443-245	Passport No. P0044240B	DFA NCR West; 27 December 2018

Doc. No. 21;
Page No. 7;
Book No. II;
Series of 2022.




MARION NERISSE D. KHO
Notary Public for Makati City
Appointment No. M-230 until Dec. 31, 2022
Roll of Attorneys No. 72076
PTR No. 8853113MJ • 01/07/22 • Makati City
IBP No. 183637 • 01/03/22 • Makati Chapter
MCLE Compliance No. VII-0012542 • 03/08/2022
21st Floor, 6750 Office Tower, Ayala Avenue
Makati City, Metro Manila, Philippines

SWORN CERTIFICATION

I, HELEN G. TIU, of legal age, Filipino, and with office address at the 21st floor, 6750 Office Tower, Ayala Avenue, Makati City, after being sworn according to law, hereby certify that:

1. I am the Corporate Secretary of **MONDE NISSIN CORPORATION** (the "**Corporation**"), a corporation organized and existing under the laws of the Republic of the Philippines, with principal office address at Felix Reyes Street, Barangay Balibago, City of Santa Rosa, Laguna.

2. At the special meeting of the Board of Directors of the Corporation held on **May 10, 2022**, at which a quorum was present and acting throughout, the Board of Directors approved the following resolutions and, among others, appointed Mr. Henry Soesanto as Acting Chairman to execute the related Statements of Management Responsibility for Financial Statements:

"RESOLVED, that the Board of Directors of MONDE NISSIN CORPORATION (the "Corporation") approve, as it hereby approves the parent company and consolidated audited financial statements of the Corporation as of and for the year ended 31 December 2021 prepared by the Corporation and audited by its external auditors SyCip Gorres Velayo & Co. ("2021 Parent Company and Consolidated AFS") and authorize, as it hereby authorizes, the Corporation to make the necessary and relevant filings with the appropriate government agencies such 2021 Parent Company and Consolidated AFS;

RESOLVED, FURTHER, That, in connection with the 2021 Parent Company and Consolidated AFS, each of the Corporation's Acting Chairman and Acting President MR. HENRY SOESANTO and Chief Finance Officer MR. JESSE C. TEO be, as each is hereby authorized, for and in behalf of the Corporation, to execute any and all relevant forms, documents, certificates, and papers (including the Statement of Management Responsibility for Financial Statements), and to do any and all acts and deeds, necessary to implement these resolutions;

RESOLVED, FINALLY, That, in connection with the Corporation's annual income tax return for the year ended December 31, 2021, each of the Corporation's Acting Chairman and Acting President HENRY SOESANTO, Chief Finance Officer, MR. JESSE C. TEO and Treasurer MS. MONICA DARMONO (each, an "**Authorized Representative**") be, as each is hereby authorized, for and in behalf of the Corporation, (a) to give binding instructions with respect thereto, (b) to sign, file with, and/or submit to the Bureau of Internal Revenue, any and all relevant forms, documents, certificates, and papers (including the Statement of Management's Responsibility for Annual Income Tax Return), and (c) to do any and all acts and deeds, necessary to implement these resolutions;

RESOLVED, FURTHER, That in connection with the foregoing, each Authorized Representative be, as he/she is hereby granted, full powers and authority to do and perform all and every act requisite or necessary to carry into effect the foregoing authority as fully and to all intents and purposes as the Corporation might or could lawfully do, with full power of substitution and revocation, and hereby ratifying and confirming all that said attorney or his substitutes had lawfully done or shall lawfully do or cause to be done by virtue hereof;

RESOLVED, FINALLY, That the foregoing power of attorney granted to each Authorized Representative shall remain valid and subsisting for the purpose so granted, until revoked or modified by written notice of the Corporation to the relevant government authority (i.e., Securities and Exchange Commission, Bureau of Internal Revenue etc.)"



3. The foregoing appointment of Mr. Henry Soesanto as Acting Chairman in lieu of Chairperson Kataline Darmono was necessitated by the physical and practical impossibility of Ms. Darmono flying in to the Philippines in time to execute the related Statements of Management Responsibility for Financial Statements ("SMRs") corresponding to the Corporation's Parent and Consolidated 2021 Audited Annual Financial Statements in view of the travel and health-related restrictions and protocols brought about by the COVID-19 pandemic.

4. Furthermore, given that SMRs for publicly listed companies are required to be sworn statements, it would not be possible to have Chairperson Kataline Darmono execute the same in Jakarta, Indonesia and have the executed SMRs authenticated before the Philippine Embassy in Jakarta, Indonesia in time for filing of the audited financial statements with the Securities and Exchange Commission on May 15, 2022. The authentication process before the Philippine Embassy in Jakarta, Indonesia takes between two to four months. It is a requirement of the Philippine Embassy in Jakarta, Indonesia that before going to the Philippine Embassy for authentication services, a foreign-sourced document (i.e., document executed in Indonesia) must have been verified by the Ministry of Foreign Affairs of Indonesia, and affixed with a security seal and/or stamp, with a signature of a qualified official certifying its validity (please refer to <https://jakartape.dfa.gov.ph/consular-services/authentication>). In our experience, the verification process at the Indonesian Ministry of Foreign Affairs also takes one to two months.

IN WITNESS WHEREOF, I have hereunto set my hand at the place and on the date indicated below.

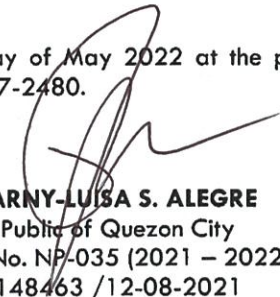


HELEN GO TIU
Corporate Secretary

REPUBLIC OF THE PHILIPPINES)
Quezon City, Metro Manila) S.S.

SUBSCRIBED AND SWORN TO before me this 16th day of May 2022 at the place stated above, affiant exhibiting to me her Pag-ibig MID No. 1212-0257-2480.

Doc. No. 420;
Page No. 85;
Book No. 11;
Series of 2022.



ATTY. GARNY-LUISA S. ALEGRE
Notary Public of Quezon City
Commission No. NP-035 (2021 – 2022)
IBP No. 148463 /12-08-2021
Roll No. 53666/Albay
PTR No. 2904965/1-03-2022/Parañaque City
MCLE No. VII-0002539/2-24-2020
Banawe, Quezon City

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

							8	6	3	3	5

COMPANY NAME

M	O	N	D	E		N	I	S	S	I	N		C	O	R	P	O	R	A	T	I	O	N						

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

F	E	L	I	X		R	E	Y	E	S		S	T	.	,		B	A	R	A	N	G	A	Y					
B	A	L	I	B	A	G	O	,		C	I	T	Y		O	F		S	A	N	T	A		R	O	S	A	,	
L	A	G	U	N	A																								

Form Type

A	A	F	S

Department requiring the report

	N	A	

Secondary License Type, If Applicable

	N	A	

COMPANY INFORMATION

Company's Email Address

WWW.MONDENISSIN.COM

Company's Telephone Number

+63 2 7 759 7595

Mobile Number

-

No. of Stockholders

16

Annual Meeting (Month / Day)

4th Tuesday of November

Fiscal Year (Month / Day)

12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Enrico Peñas

Email Address

mnc-
sec.communications@
mondenissin.com

Telephone Number/s

+632 7759-7519

Mobile Number

09688548548

CONTACT PERSON'S ADDRESS

Felix Reyes St., Barangay Balibago, City of Santa Rosa, Laguna

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

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



INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Monde Nissin Corporation
Felix Reyes St., Barangay Balibago
City of Santa Rosa, Laguna

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of Monde Nissin Corporation (the Company), which comprise the parent company statements of financial position as at December 31, 2021 and 2020, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

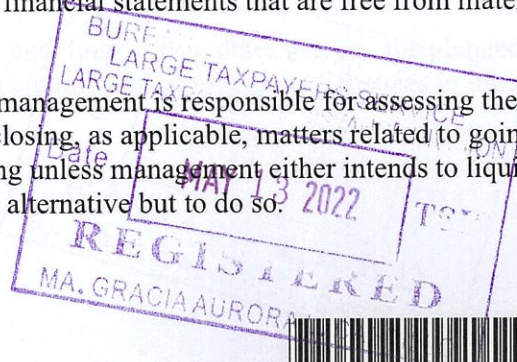
Basis for Opinion

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

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

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

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



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

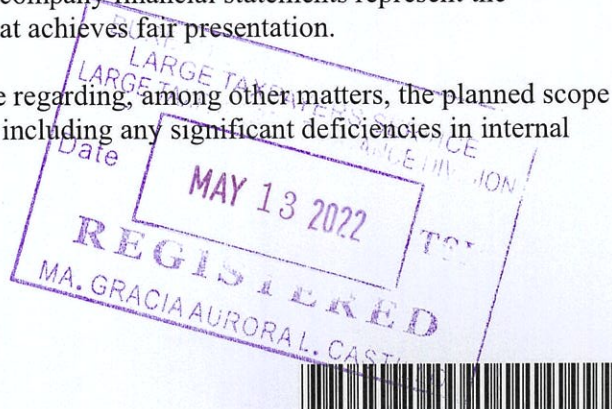
Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

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

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

- Identify and assess the risks of material misstatement of the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 28 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic parent company financial statements. Such information is the responsibility of the management of Monde Nissin Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic parent company financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic parent company financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Editha V. Estacio
Partner

CPA Certificate No. 91269

Tax Identification No. 178-486-845

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 91269-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-094-2020, July 27, 2020, valid until July 26, 2023

PTR No. 8853492, January 3, 2022, Makati City

May 10, 2022



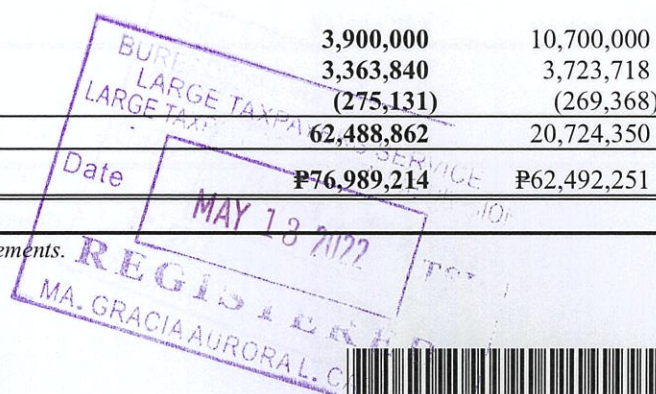
MONDE NISSIN CORPORATION

PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

(Amounts in thousands)

	December 31	
	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱9,955,613	₱3,801,085
Trade and other receivables (Notes 5 and 20)	4,122,687	4,690,821
Inventories (Notes 6 and 16)	3,966,232	2,537,159
Financial assets at fair value through profit or loss (FVTPL; Note 24)	1,001	—
Prepayments and other current assets (Note 7)	852,452	276,525
Total Current Assets	18,897,985	11,305,590
Noncurrent Assets		
Property, plant and equipment (Note 10)	12,993,634	10,762,957
Investments in subsidiaries, associate, and joint venture (Note 9)	42,337,380	37,678,747
Intangible assets (Note 11)	654,146	638,167
Deferred tax assets - net (Note 21)	673,545	873,105
Noncurrent receivables (Notes 8, 20, 23 and 24)	500,000	500,000
Other noncurrent assets	932,524	733,685
Total Noncurrent Assets	58,091,229	51,186,661
	₱76,989,214	₱62,492,251
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Notes 12, 20 and 22)	₱8,378,390	₱6,805,025
Current portion of loans payable (Note 14)	19,943	8,803,333
Acceptance and trust receipts payable (Notes 6 and 13)	3,714,690	605,902
Refund liabilities (Note 12)	303,878	279,696
Current portion of lease liabilities (Note 22)	84,075	83,079
Income tax payable	—	305,133
Total Current Liabilities	12,500,976	16,882,168
Noncurrent Liabilities		
Lease liabilities (Note 22)	1,502,157	1,563,637
Pension liability (Note 19)	497,219	342,601
Loans payable (Note 14)	—	13,438,445
Convertible note (Note 14)	—	7,027,164
Derivative liability (Notes 24)	—	2,513,886
Total Noncurrent Liabilities	1,999,376	24,885,733
Total Liabilities	14,500,352	41,767,901
Equity		
Capital stock (Note 15)	8,984,306	6,570,000
Additional paid-in capital (Note 15)	46,515,847	—
Retained earnings (Note 15):		
Appropriated	3,900,000	10,700,000
Unappropriated	3,363,840	3,723,718
Remeasurement losses on pension liability (Note 19)	(275,131)	(269,368)
	62,488,862	20,724,350
	₱76,989,214	₱62,492,251

See accompanying Notes to Parent Company Financial Statements.

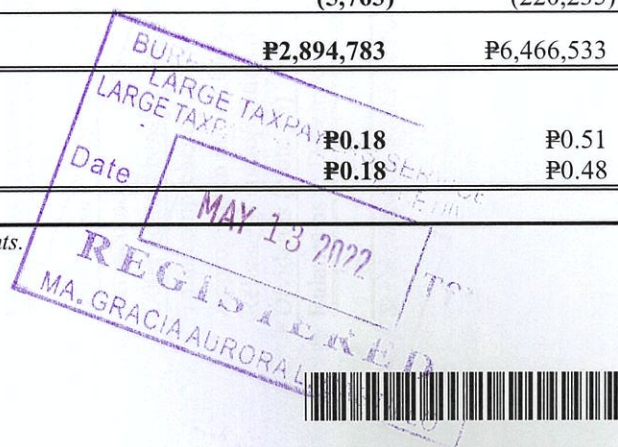


MONDE NISSIN CORPORATION**PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME**

(Amounts in Thousands, Except Earnings Per Share Value)

	Years Ended December 31	
	2021	2020
NET SALES (Note 20)	₱51,400,175	₱50,656,128
COST OF GOODS SOLD (Notes 6 and 16)	36,393,075	34,189,588
GROSS PROFIT	15,007,100	16,466,540
SALES, GENERAL AND ADMINISTRATIVE EXPENSES (Note 17)	9,256,835	8,028,394
	5,750,265	8,438,146
OTHER INCOME (EXPENSES)		
Dividend income (Note 9)	2,018,361	1,534,056
Impairment loss (Notes 9 and 10)	(52,427)	(458,380)
Other income (Note 18)	637,590	936,756
	2,603,524	2,012,432
INCOME BEFORE FINANCE INCOME (EXPENSES)	8,353,789	10,450,578
FINANCE INCOME (EXPENSES)		
Derivative gain (loss) (Note 24)	(2,258,075)	99,409
Loss on convertible note redemption (Note 14)	(1,579,324)	—
Interest expense (Note 18)	(1,437,747)	(1,441,640)
Interest income (Note 18)	82,298	52,806
Gain on loan modification (Note 14)	—	165,066
Others	4,075	616
	(5,188,773)	(1,123,743)
INCOME BEFORE INCOME TAX	3,165,016	9,326,835
PROVISION FOR INCOME TAX (Note 21)		
Current	62,989	2,589,650
Deferred	201,481	50,417
	264,470	2,640,067
NET INCOME	2,900,546	6,686,768
OTHER COMPREHENSIVE LOSS		
Other comprehensive income not to be reclassified to profit and loss in subsequent periods:		
Remeasurement loss on defined benefit plans (Note 19)	(7,684)	(314,621)
Income tax effect	1,921	94,386
Other comprehensive loss, net of tax	(5,763)	(220,235)
TOTAL COMPREHENSIVE INCOME	₱2,894,783	₱6,466,533
EARNINGS PER SHARE (EPS) (Note 15)		
Basic, income attributable to equity holders	₱0.18	₱0.51
Diluted, income attributable to equity holders	₱0.18	₱0.48

See accompanying Notes to Parent Company Financial Statements.



MONDE NISSIN CORPORATION
PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Amounts in Thousands)

	Capital Stock (Note 15)	Additional Paid-in Capital	Retained Earnings (Note 15)		Remeasurement Losses on Pension Liability (Note 19)	Total
			Appropriated	Unappropriated		
Balance as at January 1, 2021	₱6,570,000	₱—	₱10,700,000	₱3,723,718	(₱269,368)	₱20,724,350
Net income	—	—	—	2,900,546	—	2,900,546
Other comprehensive loss, net of tax	—	—	—	—	(5,763)	(5,763)
Total comprehensive income (loss)	—	—	—	2,900,546	(5,763)	2,894,783
Issuance of shares (Note 15)	2,414,306	46,515,847	—	—	—	48,930,153
Release of appropriation (Note 15)	—	—	(6,800,000)	6,800,000	—	—
Dividends (Note 15)	—	—	—	(10,060,424)	—	(10,060,424)
Balance as at December 31, 2021	₱8,984,306	₱46,515,847	₱3,900,000	₱3,363,840	(₱275,131)	₱62,488,862
Balance as at January 1, 2020	₱6,570,000	₱—	₱8,200,000	₱2,033,550	(₱49,133)	₱16,754,417
Net income	—	—	—	6,686,768	—	6,686,768
Other comprehensive income, net of tax	—	—	—	—	(220,235)	(220,235)
Total comprehensive income	—	—	—	6,686,768	(220,235)	6,466,533
Appropriation during the year (Note 15)	—	—	10,700,000	(10,700,000)	—	—
Release of appropriation (Note 15)	—	—	(8,200,000)	8,200,000	—	—
Dividends (Note 15)	—	—	—	(2,496,600)	—	(2,496,600)
Balance as at December 31, 2020	₱6,570,000	₱—	₱10,700,000	₱3,723,718	(₱269,368)	₱20,724,350

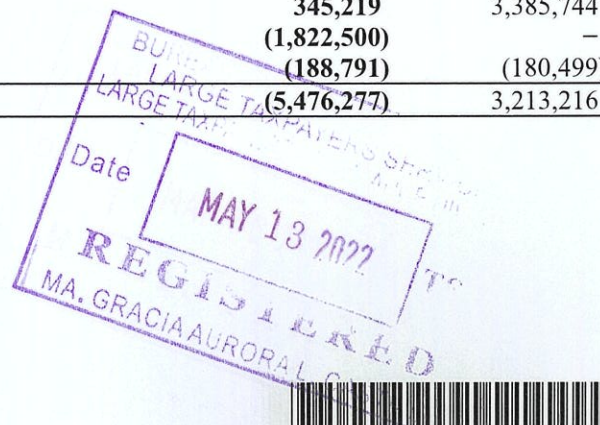
See accompanying Notes to Parent Company Financial Statements.


MONDE NISSIN CORPORATION**PARENT COMPANY STATEMENTS OF CASH FLOWS**

(Amounts in Thousands)

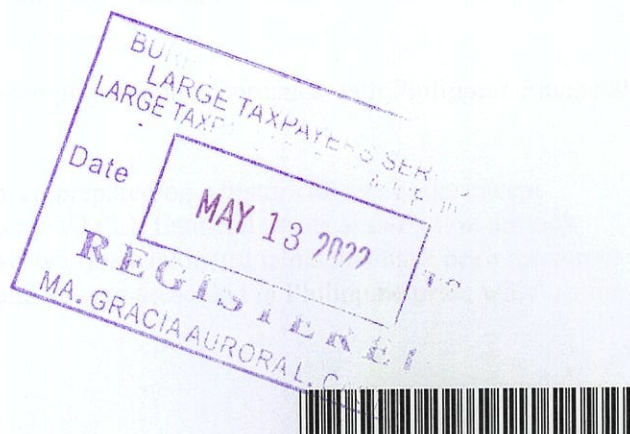
	Years Ended December 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱3,165,016	₱9,326,835
Adjustments to reconcile income before income tax to net cash flows:		
Derivative (gain) loss - net (Notes 14 and 24)	2,258,075	(99,409)
Dividend income (Note 9)	(2,018,361)	(1,534,056)
Loss on convertible note redemption (Note 14)	1,579,324	—
Finance costs (Notes 13, 14, 18 and 22)	1,318,595	1,559,066
Depreciation (Notes 10, 16, 17 and 18)	1,004,222	865,996
Movement in pension liability (Notes 16, 17 and 19)	146,934	(47,196)
Amortization of debt issue costs (Notes 14 and 18)	119,152	(117,426)
Unrealized foreign exchange gain - net	(101,490)	(535,344)
Finance income (Notes 4, 8, 18, 20 and 23)	(86,373)	(218,488)
Amortization of intangible assets (Notes 11, 17 and 18)	62,068	59,085
Impairment loss (Notes 9 and 10)	52,427	458,380
Market valuation gain on financial instruments at FVTPL (Note 18)	(12,543)	—
Gain on sale of property and equipment - net (Note 10)	(600)	(544)
Working capital adjustments:		
Decrease (increase) in:		
Inventories	(1,429,073)	747,957
Prepayments and other current assets	(575,927)	(43,472)
Trade and other receivables	589,010	(26,936)
Increase (decrease) in:		
Acceptance and trust receipts payable	3,098,092	(1,952,849)
Accounts payable and other current liabilities	970,845	713,573
Refund liabilities	24,182	20,313
Net cash generated from operations	10,163,575	9,175,485
Income tax paid	(368,122)	(2,556,234)
Interest received	79,462	81,543
Net cash flows from operating activities	9,874,915	6,700,794
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Financial assets at FVTPL (Note 24)	(7,401,000)	—
Property and equipment (Note 10)	(3,237,829)	(1,204,352)
Investment in subsidiaries, associate, and joint venture (Note 9)	(2,524,911)	(299,356)
Intangible assets (Notes 11 and 20)	(78,047)	(24,250)
Proceeds from:		
Termination of financial assets at FVTPL (Note 24)	7,412,542	—
Dividends (Note 9)	2,018,361	1,534,056
Sale of property and equipment (Note 10)	679	1,873
Capital repatriation (Note 9)	345,219	3,385,744
Acquisition of non-controlling interest (Note 9)	(1,822,500)	—
Increase in other noncurrent assets	(188,791)	(180,499)
Net cash flows from (used in) investing activities	(5,476,277)	3,213,216

(Forward)



	Years Ended December 31	
	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Loans (Note 14)	(P22,320,000)	(P4,136,367)
Convertible note (Note 14)	(13,351,935)	—
Cash dividends (Note 15)	(10,060,424)	(2,496,600)
Finance costs	(1,399,331)	(1,283,038)
Lease liabilities (Note 22)	(117,251)	(687,893)
Derivatives	—	(100,512)
Issuance of capital stock - net of transaction cost (Note 15)	48,930,153	—
Net cash flows from (used in) financing activities	1,681,212	(8,704,410)
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,079,850	1,209,600
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	74,678	(69,507)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,801,085	2,660,992
CASH AND CASH EQUIVALENTS AT END OF YEAR	P9,955,613	P3,801,085

See accompanying Notes to Parent Company Financial Statements.



MONDE NISSIN CORPORATION

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

(Amounts in Thousands, Except Number of Shares, Earnings Per Share Value and Unless Otherwise Specified)

1. General Information

Monde Nissin Corporation (the Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on May 23, 1979, primarily to engage in manufacturing, processing, baking, packaging, servicing, repacking, assembling, importing, exporting, buying, selling, trading or otherwise dealing in all kinds of goods, wares and merchandises, which are or may become articles of commerce such as but not limited to candies, confectioneries, biscuits, cakes and other foods, drugs, and cosmetics.

On March 1, 2021, at least a majority of the members of the Board of Directors (BOD) of the Parent Company and stockholders representing at least two-thirds (2/3) of the outstanding capital stock of the Parent Company approved certain amendments to the Parent Company's Articles of Incorporation (AOI) including the following: (a) include "noodles" in the articles of commerce that the Parent Company may manufacture, process, service, package, re-package, import, export, buy, sell, trade, or otherwise deal in; (b) amend the term of corporate existence from 50 years to a "perpetual corporate term unless the SEC issues a certificate providing otherwise"; (c) increase the number of directors of the Parent Company from 7 to 9; and (d) authorized number of shares, as amended, shall be 20,400,000,000 common shares with a par value of ₱0.50 per share, from the current par value of ₱1.00 per share. These amendments in the Parent Company's AOI was approved by the SEC on April 7, 2021.

On April 20, 2021 and April 21, 2021, the SEC and Philippine Stock Exchange, Inc. (PSE), respectively, approved the application of the Parent Company for the listing of up to 17,968,611,496 common shares on the Main Board of the PSE.

On June 1, 2021, the Parent Company completed its initial public offering (IPO) and was listed in the PSE under the stock symbol "Monde". As a public company, it is covered by the Revised Securities Regulation Code (SRC) Rule 68.

The Parent Company's principal place of business is at Felix Reyes St., Barangay Balibago, City of Santa Rosa, Laguna.

The parent company financial statements were reviewed and recommended for approval by the Audit Committee on May 10, 2022. On the same date, the BOD also approved and authorized the issuance of the parent company financial statements.

2. Basis of Preparation and Summary of Significant Accounting Policies

Basis of Preparation

The parent company financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

The parent company financial statements have been prepared on a historical cost basis, except financial assets at fair value through profit or loss (FVTPL), financial assets at fair value through other comprehensive income (FVOCI) and derivative financial instruments that have been measured at fair value. The parent company financial statements are presented in Philippine peso, which is the



Parent Company's functional currency. All values are rounded to the nearest peso, except when otherwise indicated.

The Parent Company prepares and issues consolidated financial statements for the same period as the parent company financial statements and are presented in accordance with PFRSs. The consolidated financial statements of the Parent Company are filed and may be obtained from the SEC.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2021. The Parent Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise indicated, adoption of these new standards did not have an impact on the Parent Company's financial statements.

- Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*

The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if all of the criteria are met.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

- Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

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

The Parent Company shall also disclose information about the nature and extent of risks to which the entity is exposed and how the entity manages those risks; and their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition.

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The Parent Company intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Parent Company's financial statements unless otherwise indicated.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately. The amendments also add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.



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

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

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

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Parent Company.

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

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

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

- *Annual Improvements to PFRSs 2018-2020 Cycle*

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

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

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

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

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or



exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

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

Effective beginning on or after January 1, 2023

▪ Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

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

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

▪ Amendments to PAS 8, *Definition of Accounting Estimates*

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

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Parent Company.

▪ Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Parent Company.



Effective beginning on or after January 1, 2024

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

The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024. The Parent Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Effective beginning on or after January 1, 2025

▪ PFRS 17, *Insurance Contracts*

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

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

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

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.



Deferred effectivity

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

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

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

Current versus Noncurrent Classification

The Parent Company presents assets and liabilities in the parent company statement of financial position based on current/noncurrent classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Parent Company classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

a. Financial Assets

Initial Recognition and Measurement. Financial assets are classified at fair value at initial recognition and subsequently measured at amortized cost, FVOCI, and FVTPL.



The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Parent Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Parent Company has applied the practical expedient, the Parent Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Parent Company has applied the practical expedient are measured at the transaction price determined under PFRS 15, *Revenue from Contracts with Customers*.

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

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

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

Subsequent Measurement. For purposes of subsequent measurement, financial assets are classified into four categories:

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

The financial assets of the Parent Company as at December 31, 2021 and 2020 consist of financial assets at amortized cost and financial assets at FVTPL. The Parent Company has no financial assets at FVOCI.

Financial assets at amortized cost (debt instruments)

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

The Parent Company's financial assets at amortized cost include cash and cash equivalents, trade and other receivables, noncurrent receivables and advances to employees recorded under "other noncurrent assets" in the parent company statement of financial position.



Financial assets at FVOCI (equity instruments)

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

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

The Parent Company elected to classify irrevocably its non-listed equity investments under this category.

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

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

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

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

Impairment of Financial Assets. The Parent Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cashflows due in accordance with the contract and all the cash flows that the Parent Company expects to receive, discounted at an approximation of the original EIR.

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



The key inputs in the model include the Parent Company's definition of default and historical data of three years for the origination, maturity date, and default date. The Parent Company considers trade receivables in default when contractual payments are 90 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records, which are administrative in nature, which may extend the definition of default. However, in certain cases, the Parent Company may also consider a financial asset to be in default when internal or external information indicates that the Parent Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Parent Company. Trade receivables are written off when there is no reasonable expectation of recovery.

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

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

Determining the stage for impairment

At each reporting date, the Parent Company assesses whether there has been a SICR for financial assets since initial recognition by comparing the risk of a default occurring over the expected life between the reporting date and the date of initial recognition. The Parent Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis. An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed SICR since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

Staging assessment

PFRS 9 establishes a three-stage approach for impairment of financial assets, based on whether there has been SICR of a financial asset. Three stages then determine the amount of impairment to be recognized.

- Stage 1 is comprised of all non-impaired financial instruments which have not experienced SICR since initial recognition. Entities are required to recognize 12-month ECL for stage 1 financial instruments. In assessing whether credit risk has increased significantly, entities are required to compare the risk of default occurring on the financial instrument as at the reporting date, with the risk of default occurring on the financial instrument at the date of initial recognition.
- Stage 2 is comprised of all non-financial instruments which have experienced SICR since initial recognition. Entities are required to recognize lifetime ECL for stage 2 financial instruments. In subsequent reporting periods, if the credit risk of the financial instrument



improves such that there is no longer SICR since initial recognition, then entities shall revert to recognizing 12-month ECL.

- Financial instruments are classified as stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with negative impact on the estimated future cash flows of a financial instrument or portfolio of financial instruments. The ECL model requires that lifetime ECL be recognized for impaired financial instruments, which is similar to the requirements under PAS 39 for impaired financial instruments.

b. Financial Liabilities

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

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

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

Financial liabilities at FVTPL

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

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

Gains or losses on liabilities held for trading are recognized in profit or loss.

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

This category applies to the Parent Company's derivative liabilities.

Financial liabilities at amortized cost (loans and borrowings)

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

This category applies to the Parent Company's accounts payable and other current liabilities (excluding statutory payables), acceptance and trust receipts payable, loans payable and convertible note.

Derecognition. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. When an existing financial liability is replaced by another



from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

Exchange or modification of financial liabilities. The Parent Company considers both qualitative and quantitative factors in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original EIR, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the modification of the financial liability is so fundamental that immediate derecognition of the original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the fair value of the new liability is recognized in profit or loss.

When the exchange or modification of the existing financial liability is not considered as substantial, the Parent Company recalculates the gross carrying amount of the financial liability as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR and recognizes a modification gain or loss in profit or loss.

If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the financial instrument and are amortized over the remaining term of the modified financial instrument.

c. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the parent company statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Embedded derivatives

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



Derivative Financial Instruments and Hedge Accounting

The Parent Company uses cross-currency swap to manage its foreign currency exposures in its net investment. In order to manage such risk, the Parent Company applies hedge accounting for transactions that meet specified criteria. At inception of the hedge accounting relationship, the Parent Company formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the risk management objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship at inception and on an ongoing basis.

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is “an economic relationship” between the hedged item and the hedging instrument
- The effect of credit risk does not “dominate the value changes” that result from that economic relationship
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Parent Company actually hedges and the quantity of the hedging instrument that the Parent Company actually uses to hedge that quantity hedged item

At each reporting date, a hedge relationship must be expected to be highly effective on a prospective basis and demonstrate that it was highly effective (retrospective effectiveness) for the designated period in order to qualify for hedge accounting. A formal assessment is undertaken both at inception and at each period end on an ongoing basis. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated were offset by the hedging instrument in a range of 80% to 125% and were expected to achieve such offset in future periods.

Hedges of a net investment. Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized as OCI, while any gains or losses relating to the ineffective portion are recognized in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the Parent Company statement of comprehensive income.

Fair Value Measurement

The Parent Company financial instruments such as derivative liabilities and equity instruments carried at FVOCI at fair value. The Parent Company also discloses the fair values of financial instruments measured at amortized cost.

Fair value is the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Parent Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic



best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Parent Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the parent company financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

For the purpose of fair value disclosures, the Parent Company has determined classes of assets and liabilities on the basis of the nature, characteristics, and risks of the asset or liability and the level of fair value hierarchy as explained above.

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and are subject to an insignificant risk of change in value.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV).

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

- Raw materials and packaging materials – purchase cost on a first-in, first-out basis;
- In-transit – purchase cost;
- Finished goods and work-in-process – cost of direct materials, labor, and a proportion of manufacturing overhead costs based on normal operating capacity on a first-in, first-out basis.

NRV for finished goods, work-in-process, and in-transit inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion, and the estimated costs necessary to make the sale. NRV for raw materials and packaging materials is the current replacement cost.



Prepayments and Other Current Assets

Prepayments. Prepayments are expenses paid in advance and recorded as an asset before these are utilized. Prepaid expenses are apportioned over the period covered by the payment and charged to the appropriate accounts in profit or loss when incurred.

Withholding Tax and Other Credits. Withholding tax and other credits represents the amount withheld by the Parent Company's customers. These are recognized upon collection of the related billings and certificates and are utilized as tax credits against tax due as allowed by the Philippine taxation laws and regulations. Withholding tax and other credits are stated at its estimated NRV.

Investments in Subsidiaries, Associate, and Joint Venture

Investments in subsidiaries, associates, and joint ventures are accounted for in the parent company financial statements at cost, less any impairment in value.

A subsidiary is an entity which the Parent Company controls (i.e., when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee). Generally, there is a presumption that a majority of voting rights results in control.

An associate is an entity over which the Parent Company has significant influence (i.e., when the Parent Company has the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies).

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Parent Company recognizes dividends from a subsidiary, an associate, or a joint venture in the parent company's financial statements when its right to receive the dividend is established. An assessment of the carrying value of the Parent Company's investment is performed when there is an indication that the investment has been impaired.

Property, Plant and Equipment

Property, plant, and equipment are stated at cost, net of accumulated depreciation, and any accumulated impairment losses. The initial cost of property, plant and equipment, consists of its purchase price including import duties and other costs directly attributable in bringing the asset to its working condition and location for its intended use. Cost also includes the cost of replacing the part of such property, plant and equipment when the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Parent Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property, plant, and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.



Depreciation is calculated on a straight-line basis over the following estimated useful lives:

Buildings and improvements	10 - 25 years
Right-of-use (ROU) asset	20 - 25 years or term of lease, whichever is shorter
Leasehold improvements	20 years or term of the lease, whichever is shorter
Plant machinery and fixtures	5 - 15 years
Office furniture and equipment	5 years
Transportation equipment	5 years
Computer and communications equipment	3 years

The useful life of each of the Parent Company's property, plant, and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice and experience with similar assets. The property, plant, and equipment's residual values, useful lives, and depreciation method are reviewed at each reporting period, and adjusted prospectively, if appropriate.

Machineries under installation and construction in-progress represent properties under construction and are stated at cost net of accumulated impairment losses, if any. These include the cost of construction and other direct costs. Machineries under installation and construction in-progress are not depreciated until such time that the relevant assets are completed and put into operational use.

An item of property, plant, and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

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

The Parent Company classifies ROU assets as part of property, plant, and equipment. The Parent Company recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received, and the estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Parent Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term. ROU assets are subject to impairment.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.



The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized using the straight-line method over the following useful economic life and assessed for impairment whenever there is an indication that the asset may be impaired:

Distribution rights	20 years
Software	5 - 10 years
Trademark/License	Indefinite

The amortization period and method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Gains or losses arising from the derecognition of an intangible asset are 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 Nonfinancial Assets

The Parent Company assesses at the end of each reporting period whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Parent Company makes an estimate of the asset's recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal (FVLCD) and its value in use (VIU). The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. The Parent Company bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Parent Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

In determining FVLCD, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. Any impairment loss is recognized in profit or loss in the expense category consistent with the function of the impaired asset.



For assets excluding goodwill, an assessment is made at the end of each reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment have been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Intangible assets with indefinite useful lives are tested for impairment annually as at December 31, at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

Leases

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

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

Lease Liabilities. At the commencement date of the lease, the Parent Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Parent Company and payments of penalties for terminating a lease, if the lease term reflects the Parent Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period on which the event or condition that triggers the payment occurs.

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

Short-term leases and leases of low-value assets. The Parent Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.



Equity

Capital Stock. Capital stock is measured at par value for all shares issued. Incremental costs directly attributable to the issue of capital stock are recognized as deductions from equity, net of any tax effects. Proceeds and fair value of the consideration received in excess of par value are recognized as additional paid-in capital.

Retained Earnings. Retained earnings include all current and prior period financial performance as reported in the parent company statement of comprehensive income and reduced by dividends on capital stock.

Dividends on Capital Stock. The Parent Company may pay dividends in cash or by the issuance of shares of stock. Cash and property dividends are subject to the approval of the BOD, while stock dividends are subject to approval by the BOD, at least two-thirds of the outstanding capital stock of the shareholders at a shareholders' meeting called for such purpose, and by the SEC. Dividends on capital stock are recognized as a liability and deducted from equity when they are approved for payment by the BOD. Dividends for the year that are approved after the reporting period are recognized as an event after the reporting period.

Remeasurement Gains (Losses). Remeasurement gains (losses) comprise actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability, and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability). Remeasurement gains (losses) are recognized immediately in the parent company statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Revenue Recognition

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

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

Variable Consideration. If the consideration in a contract includes a variable amount, the Parent Company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of the Parent Company's goods provide customers with a right of return within a specified period. The rights of return give rise to variable consideration.

- *Rights of Return.* The Parent Company uses the expected value method to estimate the variable consideration given the large number of contracts that have similar characteristics. The Parent Company then applies the requirements on constraining estimates of variable consideration in



order to determine the amount of variable consideration that can be included in the transaction price and recognized as revenue. A refund liability is recognized for the goods that are expected to be returned (i.e., the amount not included in the transaction price). A right of return asset is also recognized for the right to recover the goods from the customer.

- *Sales discount.* The Parent Company's contracts with customers generally provide customers with discounts (presented as deduction from "Sales"). The Parent Company uses most likely amount method to estimate the amount of expected future rebates for distribution discounts. A refund liability is recognized for the expected future sales discount (i.e., the amount not included in the transaction price).
- *Consideration payable to customers.* Consideration payable to a customer includes cash amounts that the Parent Company pays, or expects to pay, to the customers (e.g. slotting fees). The consideration payable to a customer is accounted for as a reduction of the transaction price unless the payment to the customer is in exchange for distinct goods or services that the customer transfers to the Parent Company.

Refund liabilities. A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer. The Parent Company's refund liabilities arise from its customers' right of return and sales discount. The liability is measured at the amount the Parent Company ultimately expects it will have to return to the customer. The Parent Company updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Revenue outside the scope of PFRS 15

Interest Income. Revenue is recognized as the interest accrues, taking into account the effective yield on the asset.

Dividend Income. Revenue is recognized when the Parent Company's right to receive the payment is established.

Miscellaneous Income. Miscellaneous income mainly comprises of service fees charged by the Parent Company primarily for reimbursement of share of investees and principals of the agency brands in common expenses, reversal of allowance for ECL, foreign exchange gains, rental income and other miscellaneous items to which are recorded under the "Miscellaneous income" account in the parent company statements of comprehensive income.

Right-of-return Assets

A right-of-return asset is recognized for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods and any potential decreases in value. The Parent Company updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned products. The Parent's Company right-of-return assets are included in inventories.

Cost and Expense Recognition

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in a decrease in equity, other than those relating to distributions to equity participants. Cost of goods sold, sales, general and administrative expenses, and finance costs are recognized in profit or loss in the period these are incurred.



Borrowing costs

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

Foreign-Currency-Denominated Transactions

Transactions denominated in foreign currencies are recorded in Philippine peso by applying to the foreign currency amount the exchange rate between the Philippine peso and the foreign currency at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the closing exchange rate prevailing at the end of the reporting period. All exchange rate differences, including those arising from the translation or settlement and restatement of monetary items at rates different from those at which they were initially recorded, are recognized in profit or loss in the year such differences arise. Nonmonetary items denominated in foreign currencies are measured on a historical cost basis and translated using the exchange rate at the date of transaction.

Employee Benefits

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

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

Defined benefit costs comprise the following:

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

Service costs, which include current service costs, past service costs, and gains or losses on non-routine settlements, are recognized as an expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by an independent qualified actuary.

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

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

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Parent Company, nor can they be paid directly to the Parent Company. The fair value of plan assets is based on market price information.



When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

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

Income Taxes

Current Tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

Deferred Tax. Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets (DTA) are recognized for all deductible temporary differences to the extent that it is probable that future taxable income will be available against which the deductible temporary differences can be utilized.

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 future taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered.

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

The Parent Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Input Value-added Tax (VAT). Input VAT represents VAT imposed on the Parent Company by its suppliers and contractors for the acquisition of goods, services, and capital assets required under Philippine taxation laws and regulations. Input VAT is recognized as an asset and will be used to offset against the Parent Company's current output VAT liabilities. Input VAT is stated at its recoverable amount.

Deferred input VAT represents the input VAT related to the unpaid portion of the cost of services and unamortized input VAT related to acquisitions of capital goods.



The net amount of tax recoverable from, or payable to, the tax authority is included as part of receivables or payables in the parent company statement of financial position.

Earnings per share (EPS)

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible note) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

Segment Reporting

The Parent Company's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Provisions

Provisions are recognized when the Parent Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risk specific to the liability. When discounting is used, the increase in the provisions due to the passage of time is recognized as interest expenses. When the Parent Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement.

Contingencies

Contingent liabilities are not recognized in the parent company financial statements but are disclosed in the notes to parent company financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the parent company financial statements but are disclosed in the notes to parent company financial statements when an inflow of economic benefits is probable.

Events after the Reporting Period

Post-year-end events that provide additional information about the Parent Company's financial position at the end of the reporting period (adjusting events), if any, are reflected in the parent company financial statements. Post-year-end events that are not adjusting events are disclosed in the notes to parent company financial statements when material.

3. Significant Accounting Judgments, Estimates, and Assumptions

The preparation of the Parent Company's financial statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of revenues, costs and expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.



Judgments

In the process of applying the Parent Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the parent company financial statements:

Revenue recognition on sale of goods and scrap items. Revenue recognition under PFRS 15 involves the application of significant judgment and estimation in the: (a) identification of the contract for the sale of goods that would meet the requirements of PFRS 15; (b) assessment of performance obligation and the probability that the entity will collect the consideration from the buyer; (c) determining the method to estimate variable consideration and assessing the constraint; and (d) recognition of revenue as the Parent Company satisfies the performance obligation.

a. Existence of a contract

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

b. Identifying performance obligation

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

Based on management assessment, other than the sale of goods, no other performance obligations were identified.

c. Recognition of revenue as the Parent Company satisfies the performance obligation

The Parent Company recognizes its revenue for all revenue streams at a point in time, when the customer obtains control of the promised goods or when the goods are sold and delivered.

d. Determining method to estimate variable consideration and assessing the constraint

The Parent Company's contracts with customers include a right of return and sales discounts that give rise to variable consideration. In estimating the variable consideration, the Parent Company is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Parent Company determined that the expected value method is the appropriate method to use in estimating the variable consideration for the revenue with rights of return, given the large number of customer contracts that have similar characteristics. In estimating the variable consideration for sales discounts, the Parent Company determined that using the most likely amount method is appropriate, given that these contracts has single volume threshold.

Before including any amount of variable consideration in the transaction price, the Parent Company considers whether the amount of variable consideration is constrained. The Parent Company determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.



Recognition of right of return assets. The Parent Company assesses the value of its right of return assets by reference to the carrying amount of the products less any expected costs to recover those products, including potential decreases in the value of the returned products. At the end of each reporting period, the Parent Company updates the measurement of the return asset arising from changes in expectations about products to be returned, including possible impairment.

As at December 31, 2021 and 2020, the Parent Company assessed that the value of any return assets is nil given the perishable nature of the products.

Determination of uncertain tax positions. The Parent Company has assessed whether it has any uncertain tax position. The Parent Company applies significant judgment in identifying uncertainties over its income tax treatments. The Parent Company determined, based on its tax compliance review and in consultation with its tax advisors, that it is probable that its income tax treatments will be accepted by the taxation authorities. Accordingly, the Parent Company has determined its accounting for income taxes consistently with the related tax treatment in accordance with the requirements of IFRIC 23, *Uncertainty over Income Tax Treatments*.

Determination of lease term of contracts with renewal and termination options – Company as a lessee. The Parent Company has several lease contracts that include extension and termination options. The Parent Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. It considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Parent Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Parent Company expects to exercise its right to renew the lease of real estate properties where its facilities are located; hence, has included the renewal period as part of the lease term.

Evaluation of Intangible Asset. In 2014, the Parent Company has entered into a Distribution, Marketing, and Sales Agreement with Sandpiper Spices and Condiments Corporation (SSCC) under which the Parent Company became the exclusive distributor of all of SSCC's products in the Philippines until 2034. Under the agreement, the Parent Company shall pay SSCC a non-reimbursable and non-recoupable sum of ₱727.6 million payable in 5 equal annual installments. The Parent Company assessed that the amount paid or to be paid to SSCC qualifies for recognition as an intangible asset since (a) it is probable that the expected future economic benefits that are attributable to the asset will flow to the Parent Company, and (b) the cost of the asset can be measured reliably. The Parent Company has assessed the probability of expected future economic benefits using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

The carrying value of the distribution rights amounted to ₱457.8 million and ₱494.1 million as at December 31, 2021 and 2020, respectively (see Note 11).

Determination of acquisition date of SFC. On September 7, 2020, MNC acquired 55% ownership interest of PT Nippon Indosari Corpindo TBK. (NIC) in SFC, through a Share and Purchase Agreement (SPA) between MNC and NIC, subject to certain conditions precedent to closing. The acquisition increased MNC's ownership interest from 25% to 80%.

Management assessed that the acquisition date or the date on which MNC obtained control of SFC is September 7, 2020 since under the SPA, management control of SFC shall be transferred to MNC on



that date. Although the SPA enumerated certain conditions that should be satisfied before the transaction is deemed closed, these are merely administrative in nature and does not significantly inhibit MNC from exercising control over SFC.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities are discussed below. The Parent Company based its estimates and assumptions on parameters available when the parent company financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the Parent Company's control. Such changes are reflected in the assumptions when they occur.

Fair Value of Financial Instruments. The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the Parent statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. See Note 24 for further disclosures.

Estimating the fair value of Equity Conversion and Redemption Options. The fair value of embedded derivatives related to the issuance of convertible notes recorded in the parent company statement of financial position as a derivative liability is measured using the Jarrow-Rudd Binomial Lattice model. The inputs to this model are taken from a combination of observable markets and unobservable market data. Changes in inputs about these factors could affect the reported fair value of the embedded derivatives and impact profit or loss. The inputs considered in the calculation which involves judgement and estimates are stock price, option-adjusted credit spread, dividend yield, probability of default and stock volatility.

The carrying value of the embedded derivative liability amounted to nil and ₱2,513.9 million as at December 31, 2021 and 2020, respectively (see Note 24).

Assessment for ECL on Trade Receivables. The Parent Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, customer type, and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Parent Company's historical observed default rates. The Parent Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every financial reporting period, the historical observed default rates are, and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historically observed default rates, forecast economic conditions, and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Parent Company's historical credit loss



experience and forecast of economic conditions may also not be representative of the customer's actual default in the future.

The COVID-19 pandemic does not have significant impact to the collectability of the Parent Company's trade receivables in 2021 and 2020. The customers' payment terms were not extended due to the pandemic. The overdue trade receivables however increased in the first two months of strict community lockdowns but have greatly improved in the succeeding months and the good momentum was sustained up to December 31, 2021. Considering the evolving nature of this pandemic, the Parent Company will continue to monitor the situation. Uncertainties in market trends and economic conditions may persist due to COVID-19 pandemic, which may impact actual results and differ materially from the estimates of ECL.

The Parent Company recognized reversal of ECL on trade receivables amounting to ₱38.4 million in 2021 and provision for ECL on trade receivables amounting to ₱84.2 million in 2020. The carrying amount of trade and other receivables amounted to ₱4,122.7 million and ₱4,690.8 million as at December 31, 2021 and 2020, respectively (see Note 5).

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

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

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

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

In 2021 and 2020, the Parent Company recognized (reversal of) provision for ECL on noncurrent receivables as a result of settlement of advances to YCE impaired in the previous periods amounting to (₱77.4) million and ₱8.9 million, respectively. Noncurrent receivables written off amounted to ₱0.9 million and nil in 2021 and 2020, respectively. Allowance for ECL on noncurrent receivables and other receivables amounted to ₱115.3 million, and ₱193.6 million as at December 31, 2021 and 2020, respectively. The carrying amount of noncurrent receivables amounted to ₱500.0 million as at December 31, 2021 and 2020 (see Notes 5 and 8).

Assessment of Impairment of Non-Financial Assets (Property, plant and equipment, Investment in associates and joint ventures and other noncurrent assets). The Parent Company assesses the impairment of non-financial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Parent Company consider important, which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;



- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry and economic trends.

a. Property, plant and equipment

The Parent Company assess impairment of property, plant and equipment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. The COVID-19 pandemic did not have a significant impact on the impairment assessment of the Parent Company's property, plant and equipment since the Parent Company manufactures and distributes essential goods. The Parent Company determined that the actual performance of certain property, plant and equipment in MNC below the estimated or planned outputs is an indicator of impairment. There are no impairment indicators identified on other property, plant and equipment of the Parent Company.

In 2021 and 2020, the Parent Company determined that the VIU of these assets is zero since these assets pertain to discontinued product lines with no expected future cashflows. Management assessed that any scrap value (FVLCD) is not material.

Based on this assessment, the Parent Company recognized an impairment loss amounting to ₱52.4 million in 2021 and ₱230.0 million in 2020 (see Note 10).

Accumulated impairment losses amounted to ₱1,322.0 million and ₱1,269.6 million as at December 31, 2021 and 2020, respectively. The carrying values of the Parent Company's property, plant, and equipment amounted to ₱12,993.6 million and ₱10,763.0 million as at December 31, 2021 and 2020, respectively (see Note 10).

b. Investment in Monde Nissin (Thailand) Company Limited (MNTH), Monde NU Agri Corporation (MNAC), Monde Malee Beverage Corporation (MMBC), and Sarimode Foods Corporation (SFC).

The Parent Company assess impairment of investments in subsidiaries, associate and joint venture whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The factors that the Parent Company consider important, which could trigger an impairment review include the following:

- a downgrade of a subsidiary's, associate's or joint venture's credit rating or a decline in the fair value of the subsidiary, associate or joint venture in consideration of other available information
- significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the associate or joint venture operates

The Parent Company determined that the negative results of operations and cashflow projections of the subsidiaries, associate and joint venture are impairment indicators of its investment in MNTH, MNAC, MMBC and SFC.

The Parent Company determined the recoverable amount of its investments, except for SFC, based on adjusted net asset method.



The Parent Company estimated the recoverable amount of its investment in SFC based on VIU calculation using cash flow projection from financial budgets approved by management covering a 5-year period. The Parent Company applied 4.94% pre-tax discount rate on the cash flow projections. The following assumptions were also used in computing VIU:

- *Growth rate estimates* – growth rates include long-term and terminal growth rates that are based on experiences and strategies developed for the various subsidiaries. The prospect for the industry was also considered in estimating the growth rates. Growth rate used in the projected future cash flows is at an average of 25% from 2022 to 2026.
- *Discount rates* - discount rates were estimated based on the industry weighted average cost of capital, which includes the cost of equity and debt after considering the gearing ratio.

VIU is most sensitive to changes in discount rate and growth rate.

As a result, the Parent Company recognized impairment loss amounting to nil in 2021 and ₱228.4 million in 2020 (see Note 9).

c. Trademark

The Parent Company performed its annual impairment test on Parent Company's trademark with indefinite useful life as of reporting date. The recoverable amount of the trademark was determined based on VIU calculation using cash flow projection from financial budgets approved by management covering a 5-year period:

- i. Growth rates – The growth rates include long-term and terminal growth rates that are based on experiences and strategies developed for the various subsidiaries. The prospect for the industry was also considered in estimating the growth rates. Growth rate used in the projected future cash flows is at an average of 25% from 2022 to 2026.
- ii. Discount rate – The pre-tax discount rate of 11.75% in 2021 was estimated based on the industry weighted average cost of capital, which includes the cost of equity and debt after considering the gearing ratio.

VIU is most sensitive to changes in growth rates and discount rate.

Based on the assumptions above, no impairment loss is recognized on trademark in 2021 and 2020.

Leases - Estimating the IBR. The Parent Company cannot readily determine the interest rate implicit in the lease; therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Parent Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR, therefore, reflects what the Parent Company "would have to pay," which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Parent Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).



The Parent Company's lease liabilities amounted to ₱1,586.2 million and ₱1,646.7 million as at December 31, 2021 and 2020, respectively (see Note 22).

Estimation of Refund Liabilities. The Parent Company uses two-year average historical return data of each product to estimate the refund liabilities. These percentages are applied to determine the expected value of the variable consideration. Estimates of expected returns and volume rebates are sensitive to changes in circumstances and the Parent Company's past experience regarding returns and discount entitlements may not be representative of customers' actual returns and discount entitlements in the future. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Parent Company. The Parent Company updates its assessment of expected return and volume rebates annually and refund liabilities are adjusted accordingly. As at December 31, 2021 and 2020, the Parent Company's refund liabilities for the expected returns and volume discounts amounted to are ₱303.9 million and ₱279.7 million, respectively (see Note 12).

Estimation of Pension and Other Benefits Costs. The cost of defined benefit pension plans and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include determining the discount rates, future salary increases, mortality rates, and future pension increases. Due to the complexity of the valuation, the underlying assumptions, and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting period. In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of Philippine government bonds with terms consistent with the expected employee benefit payout as of reporting date.

The mortality rate is based on publicly available mortality tables in the Philippines and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates in the Philippines.

On May 1, 2021, the Parent Company amended its retirement plan as follows:

- Change in disability benefit from 60 days to 75 days
- Change in death benefit from ₱0.2 million plus gratuity pay or ₱1.0 million, to 75 days per year of service or ₱2.0 million, whichever is higher, with the exemption of self-inflicted cause of death

As a result of the amendment, the Parent Company recognized ₱75.1 million past service cost in 2021.

Further details about the assumptions used are provided in Note 19.

Net pension liability amounted to ₱497.2 million and ₱342.6 million as at December 31, 2021 and 2020, respectively (see Note 19).

Recognition of Deferred Taxes. The Parent Company's assessment on the recognition of deferred tax assets on nondeductible temporary differences is based on the forecasted taxable income of the following reporting periods over which the deductible temporary differences can be utilized. This



forecast is based on the Parent Company's past results and future expectations on revenues and expenses (see Note 21).

Deferred tax assets recognized in the parent company financial statements amounted to ₱673.5 million and ₱873.1 million as at December 31, 2021 and 2020 (see Note 21).

Deferred tax assets amounting to ₱151.7 million and ₱205.5 million were not recognized in the parent company financial statements as at December 31, 2021 and 2020, since the Parent Company believes that it will not be utilized in the future (see Note 21).

Estimating Legal Contingencies and Regulatory Assessments. As at December 31, 2021 and 2020, the Parent Company is involved in various legal proceedings and regulatory assessments, and management believes that these proceedings will not have a material effect on the parent company's financial statements. Disclosure of additional details beyond the present disclosures may seriously prejudice the Parent Company's position and negotiating strategy.

The Parent Company, in consultation with its external and internal legal and tax counsels, believe that its position on these assessments are consistent with relevant laws and believe that these proceedings will not have a material adverse effect on the parent company financial statements. However, it is possible that future results of operations could be materially affected by changes in the estimates or the effectiveness of management's strategies relating to these proceedings. As at December 31, 2021, management has developed an estimate of the probable cash outflow to settle these assessments and has recognized provision for these liabilities.

As allowed by PAS 37, *Provisions, Contingent Liabilities, and Contingent Assets*, no further disclosures were provided as this might prejudice the Parent Company's position on this matter.

4. Cash and Cash Equivalents

	2021	2020
Cash on hand and in banks	₱979,446	₱776,915
Cash equivalents	8,976,167	3,024,170
	₱9,955,613	₱3,801,085

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents are short-term deposits made for varying periods of one month up to three months, depending on the immediate cash requirements, and earn interest at the respective short-term deposit rates.

Interest income from cash and cash equivalents amounted to ₱64.0 million in 2021 and ₱36.9 million in 2020 (see Note 18).



5. Trade and Other Receivables

	2021	2020
Trade receivables:		
Non-related parties	₱3,412,559	₱3,784,608
Related parties (see Note 20)	356,987	402,033
Notes receivables (see Note 20)	331,494	536,362
Other receivables	23,820	9,826
	4,124,860	4,732,829
Less allowance for ECL	(2,173)	(42,008)
	₱4,122,687	₱4,690,821

Trade receivables are noninterest-bearing and are generally on 30-60 days' terms.

Notes receivables consist of short-term interest-bearing loans to subsidiaries and other related parties due within 1 year. Interest income from notes receivables are as follows (see Notes 18 and 20):

	2021	2020
Monexco International Limited (MIL)	₱7,338	₱318
SFC	241	5,032
	₱7,579	₱5,350

Other receivables comprise of various receivables from employees, accruals for interest from short term placements, receivable from a supplier, and advances made to employees for SSS claims. These are noninterest-bearing and typically settled through salary deductions

As at December 31, 2021 and 2020, movements in the allowance for ECL follow:

	2021	2020
Balance at beginning of year	₱42,007	₱356,730
Provision for (reversal of) ECL (see Note 18)	(38,365)	84,227
Write-off	(1,469)	(398,950)
Balance at end of year	₱2,173	₱42,007

6. Inventories

	2021	2020
At NRV:		
Finished goods	₱1,062,674	₱1,086,196
Raw materials	1,658,856	745,466
Packaging and other materials	356,277	279,692
Work in-process	649,329	309,539
	3,727,136	2,420,893
At cost -		
In-transit (see Note 20)	239,096	116,266
	₱3,966,232	₱2,537,159



The cost of inventories sold that are recognized under the “Cost of goods sold” account amounted to ₱36,393.1 million in 2021 and ₱34,189.6 million in 2020 (see Note 16).

The carrying value of the Parent Company’s right of return assets amounted to nil as at December 31, 2021 and 2020 (see Note 3).

The cost of inventories carried at NRV are as follows:

	2021	2020
At cost:		
Raw materials (see Note 20)	₱1,776,221	₱833,343
Finished goods	1,133,486	1,122,152
Work in-process	687,449	331,678
Packaging and other materials	376,292	332,390
	₱3,973,448	₱2,619,563

Movements in the allowance for inventory obsolescence for finished goods are as follows:

	2021	2020
Balance at beginning of year	₱198,670	₱121,662
Provision	66,094	77,008
Write-off	(18,452)	—
Balance at end of year	₱246,312	₱198,670

Under the terms of the agreements covering liabilities under trust receipts totaling ₱3,714.7 million and ₱605.9 million as at December 31, 2021 and 2020, respectively, certain inventories which approximate the trust receipts payable, have been released to the Parent Company under trust receipt agreement with the banks. The Parent Company is accountable to these banks for the trusted merchandise or their sales proceeds (see Note 13).

7. Prepayments and Other Current Assets

	2021	2020
Creditable withholding tax (CWT) and other credits	₱629,007	₱6,371
Deferred input VAT	159,589	176,949
Prepayments	63,856	74,400
Borrowed inventory	—	18,805
	₱852,452	₱276,525

CWT and other credits include the overpayment of 2020 income tax due to CREATE Act.

Deferred input VAT represents the input VAT related to the unpaid portion of the cost of services.

Prepayments mainly pertain to prepayments of insurance and advertising expenses.

Borrowed inventory pertains to borrowed flours and wheats which is normally settled within 30 days.



8. Noncurrent Receivables

	2021	2020
Non-related parties (see Note 23)	₱500,000	₱500,000
Related parties (see Note 20)	115,266	193,572
	615,266	693,572
Less allowance for ECL (see Note 20)	115,266	193,572
	₱500,000	₱500,000

Movements in the allowance for ECL follow:

	2021	2020
Balance at January 1	₱193,572	₱184,642
(Reversal of) provision for ECL (Note 18)	(77,369)	8,930
Write-off	(937)	—
	₱115,266	₱193,572

Interest income from noncurrent receivables amounted to ₱10.8 million in 2021 and ₱10.5 million in 2020 (see Notes 18 and 23).

9. Investments in Subsidiaries, Associates, and Joint Venture

	2021	2020
Investments in subsidiaries:		
Monde Nissin Singapore Pte Ltd (MNSPL)	₱36,997,710	₱34,221,577
Monde M.Y. San Corporation (MMYSC)	2,264,180	441,680
Monde Nissin International Investments Ltd. (MNIIL)	1,518,300	1,518,300
KBT International Holdings, Inc. (KBT)	768,336	768,336
SFC	730,254	730,254
MNAC	186,000	186,000
Investments in associate - Calaca Harvest Terminal, Inc. (CHTI)	140,000	80,000
Investment in a joint venture - MMBC	147,000	147,000
	₱42,751,780	₱38,093,147
Less allowance for impairment	(414,400)	(₱414,400)
	₱42,337,380	₱37,678,747



The Parent Company's percentage ownership and key information on the foregoing investments are as follows:

Subsidiaries	Principal Activity	Country of Incorporation	Percentage of Ownership			
			2021		2020	
			Direct	Indirect	Direct	Indirect
MNSPL	Investment/sales	Singapore	100.00	—	100.00	—
MNUKL	Investment holding	United Kingdom	—	100.00	—	100.00
Marlow Foods Limited	Manufacturing, Sales, and Marketing	United Kingdom	—	100.00	—	100.00
Quorn Smart Life GmbH	Sales, and Marketing	Germany	—	100.00	—	100.00
Quorn Foods Inc	Sales, and Marketing	United States of America	—	100.00	—	100.00
Cauldron Foods Ltd*	Sales, and Marketing	United Kingdom	—	100.00	—	100.00
Quorn Foods Italy SRL**	Sales, and Marketing	Italy	—	100.00	—	100.00
Quorn Foods Sweden	Sales, and Marketing	Sweden	—	100.00	—	100.00
Monde Nissin New Zealand Limited (MNNZ)	Distribution of food related goods	New Zealand	—	100.00	—	100.00
Monde Nissin Holding (Thailand) Limited (MNHTL)***	Investment company	Thailand	—	6.50	—	6.50
MIL	Manufacture of seasonings	Thailand	—	100.00	—	100.00
MNTH***	Manufacture and distribution of bread and cookies	Thailand	—	56.40	—	56.40
MNIIIL	Investment company	British Virgin Islands	100.00	—	100.00	—
MNHTL***	Investment company	Thailand	—	93.50	—	93.50
MNTH***	Manufacture and distribution of bread and cookies	Thailand	—	43.60	—	43.60
KBT International Holdings, Inc. (KBT)	Investment company	Philippines	95.69	—	95.69	—
MNAC*	Manufacture, process, and distribution of industrial coconut and agricultural products	Philippines	90.91	—	90.91	—
SFC****	Manufacture and process of bread	Philippines	80.00	—	80.00	—
All Fit & Popular Foods Inc. (AFPFI)	Manufacturing, importing, exporting, selling and distribution of breads; Purchasing or registering intellectual properties	Philippines	—	80.00	—	80.00
Monde M.Y. San Corporation (MMYSC)	Manufacture, process, and export of biscuits	Philippines	100.00	—	60.00	—

*Dormant

**Dissolved in 2021

***The Group effectively owns 100%

****Subsidiary effective September 7, 2020



MNSPL

In May 2020, the BOD approved the reduction in its share capital in MNSPL by 113,000,000 shares in the amount of ₱2,810.9 million (GBP43.8 million). As a result, the Parent Company's shares in MNSPL were reduced from 587,250,257 shares to 474,250,257 shares. MNSPL repatriated a portion of its capital to the Parent Company amounting to ₱2,465.7 million (GBP38.8 million) in 2020. The outstanding balance of ₱345.2 million (GBP5.0 million) was repatriated to the Parent Company in September 2021.

On September 20, 2021, the BOD approved to subscribe additional 42,924,533 ordinary shares of MNSPL at an aggregate subscription price of ₱3,121.4 million (GBP45.0 million) payable in several tranches on or before March 31, 2022. On the following dates, the Parent Company paid for the following:

Payment date	No. of shares	Amount in GBP	Amount in PHP
	<i>(In Thousands, Except No. of Shares)</i>		
September 24, 2021	3,924,533	£6,000	₱410,238
October 12, 2021	9,000,000	9,000	624,139
November 15, 2021	6,000,000	6,000	409,318
December 31, 2021	12,000,000	12,000	826,969
February 14, 2022	6,000,000	6,000	421,430
March 14, 2022	6,000,000	6,000	429,259

As at December 31, 2021, the Parent Company's subscription payable recorded under "Non-trade payables" amounted to ₱850.7 million (see Note 20).

MMYSC

The Parent Company received cash dividends from MMYSC amounting to ₱1,996.9 million in 2021 and ₱1,518.7 million in 2020.

On January 28, 2021, the Parent Company purchased from My Crackers, Inc. (MCI) the latter's 4,500,000 common shares in MMYSC representing 40% of the outstanding capital stock of MMYSC for ₱1,822.5 million. This increased the Parent Company's ownership interest from 60% in 2020 to 100% in 2021.

MNIIIL

On May 29, 2020, the BOD approved MNIIIL's repurchase of its 18,420,870 ordinary shares and repatriation of a portion of its capital to Parent Company amounting to ₱920.1 million.

KBT

The Parent Company received cash dividends from KBT amounting to ₱21.5 million in 2021 and ₱15.3 million in 2020.

SFC

In 2016, the Parent Company entered into a Joint Venture Agreement with NIC, an Indonesian-based company, primarily engaged in the manufacture and distribution of packaged bread, cakes, and packaged baked goods, to set-up SFC. SFC was incorporated on June 27, 2016. The Parent Company and NIC have 45% and 55% ownership interest, respectively.

In 2019, the Parent Company agreed to sell 20% of SFC to MNSG Holdings Pte. Ltd. in exchange for ₱48.0 million.



In April 2020, prior to the acquisition of the 55% ownership interest of NIC in SFC, the Parent Company made additional investments in SFC amounting to ₱188.1 million.

On September 7, 2020, the Parent Company acquired NIC's 55% equity interest in SFC which increased its ownership interest in SFC from 25% to 80%, for a total consideration of ₱256.2 million. As a majority stockholder of SFC, the Parent Company accounted the investment in SFC as investment in subsidiary starting September 7, 2020 from investment in associate in 2019. The Parent Company acquired SFC to gain control of the latter's business and increase its market share by creating synergies with the Parent Company's existing products and route to market strategies.

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

	Fair Value recognized on acquisition
Assets	
Cash	₱34,315
Trade and other receivables	39,983
Prepayments and other current assets	219,917
Property, plant and equipment	1,095,471
Intangible assets	14,721
Other noncurrent assets	4,237
	₱1,408,644
Liabilities	
Accounts payable	₱193,336
Other current liabilities	155,824
Loans payable	390,000
Lease liability	157,901
Other liabilities	15,923
Deferred tax liability	21,332
	934,316
Total identifiable net assets at fair value	₱474,328
Fair value of previously-held equity interest	₱105,105
Non-controlling interest measured at fair value	94,823
Purchase consideration transferred	256,150
Total value	456,078
Total identifiable net assets at fair value	(474,328)
Bargain purchase*	(₱18,250)

The fair value and the gross amount of the trade and other receivables amounted to ₱40.0 million which is expected to be collected in full.

The Parent Company measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favorable terms of the lease relative to market terms.



The net cash outflow from the acquisition is as follows:

Net cash acquired from the subsidiary	₱34,315
Cash paid*	(51,230)
	<u>(₱16,915)</u>

*20% of total acquisition price

As at December 31, 2021 and 2020, unpaid portion of the total acquisition price amounted to ₱10.6 million and ₱204.9 million, respectively, and is recorded under “Accounts payable and other current liabilities” account.

The Parent Company estimated the recoverable amount of its investment in SFC based on VIU calculation using cash flow projection from financial budgets approved by management covering a 5-year period. The Parent Company applied 4.94% pre-tax discount rate on the cash flow projections. The following assumptions were also used in computing VIU:

- *Growth rate estimates* – growth rates include long-term and terminal growth rates that are based on experiences and strategies developed for the various subsidiaries. The prospect for the industry was also considered in estimating the growth rates. Growth rate used in the projected future cash flows is at an average of 25% from 2022 to 2026.
- *Discount rates* – discount rates were estimated based on the industry weighted average cost of capital, which includes the cost of equity and debt after considering the gearing ratio.

VIU is most sensitive to changes in discount rate and growth rate.

As a result, the Parent Company recognized impairment loss amounting to nil in 2021 and ₱115.9 million in 2020.

MNAC

On November 26, 2016, the BOD of MNAC approved the cessation of business operation of MNAC effective January 1, 2017. As a result, the Parent Company’s investment in MNAC is fully impaired as at December 31, 2021 and 2020.

CHTI

CHTI is a company engaged in general and commercial business by buying, selling, storage, warehouse and transport of grain and other related commodities. The Parent Company entered into a Joint Venture Agreement with CHTI in 2018 with a 20% share for an investment of ₱20.0 million. In March 2020, the Parent Company made an additional investment amounting to ₱60.0 million.

In 2021, The Parent Company made an additional investment amounting to ₱60.0 million representing 60,000 shares in CHTI to maintain its ownership interest of 20%.

MMBC

In 2015, the Parent Company signed a Joint Venture Agreement with Malee Beverage Public Co. Ltd., a leading juice and canned fruit manufacturer in Thailand, to set up MMBC to tap the aggressive growth of the beverage market in the Philippines.

The Parent Company determined the recoverable amount of its investment in MMBC based on adjusted net asset method. As a result, the Parent Company recognized impairment loss amounting to nil in 2021 and ₱112.5 million in 2020.



10. Property, Plant and Equipment

	2021											Total
	Buildings	Building Improvements	Leasehold Improvements	Plant Machinery and Fixtures	Office Furniture and Equipment	Transportation Equipment	Computer and Communications Equipment	Machineries Under Installation	Construction In-progress	ROU Land (see Note 22)	ROU Building (see Note 22)	
Cost												
Balance at beginning of year	P3,989,082	P1,045,945	P99,984	P12,148,755	P106,961	P73,757	P150,428	P1,934,222	P822,031	P2,130,567	P179,996	P22,681,728
Additions	463,495	3,767	—	389,152	4,846	9,460	13,454	1,444,788	999,785	—	2,585	3,331,332
Disposals	—	—	—	—	—	(3,126)	—	—	—	—	(67,165)	(70,291)
Reclassifications	1,393,743	248,610	—	2,183,566	3,215	—	18,692	(2,205,525)	(1,642,301)	—	—	—
Balance at end of year	5,846,320	1,298,322	99,984	14,721,473	115,022	80,091	182,574	1,173,485	179,515	2,130,567	115,416	25,942,769
Accumulated Depreciation												
Balance at beginning of year	1,747,686	301,151	68,866	8,163,182	73,337	50,776	101,043	—	—	73,192	69,939	10,649,172
Depreciation (see Notes 16 and 17)	211,887	49,790	3,036	606,937	12,592	9,948	32,878	—	—	49,556	27,598	1,004,222
Disposals	—	—	—	—	—	(3,047)	—	—	—	—	(23,238)	(26,285)
Balance at end of year	1,959,573	350,941	71,902	8,770,119	85,929	57,677	133,921	—	—	122,748	74,299	11,627,109
Accumulated Impairment												
Balance at beginning of year	4,042	128,834	12	450,505	—	—	—	543,684	142,522	—	—	1,269,599
Impairment loss	—	—	—	—	—	—	—	28,080	24,347	—	—	52,427
Balance at the end of year	4,042	128,834	12	450,505	—	—	—	571,764	166,869	—	—	1,322,026
Net Book Value	P3,882,705	P818,547	P28,070	P5,500,849	P29,093	P22,414	P48,653	P601,721	P12,646	P2,007,819	P41,117	P12,993,634

	2020											Total
	Buildings	Building Improvements	Leasehold Improvements	Plant Machinery and Fixtures	Office Furniture and Equipment	Transportation Equipment	Computer and Communications Equipment	Machineries Under Installation	Construction In-progress	ROU Land (see Note 22)	ROU Building (see Note 22)	
Cost												
Balance at beginning of year	P3,989,082	P1,045,530	P99,789	P12,075,740	P92,378	P76,712	P118,633	P1,314,069	P361,393	P972,774	P130,310	P20,276,410
Additions	—	415	195	20,685	12,213	3,558	30,176	676,472	460,638	1,157,793	63,703	2,425,848
Disposals	—	—	—	—	—	(6,513)	—	—	—	—	(14,017)	(20,530)
Reclassifications	—	—	—	52,330	2,370	—	1,619	(56,319)	—	—	—	—
Balance at end of year	3,989,082	1,045,945	99,984	12,148,755	106,961	73,757	150,428	1,934,222	822,031	2,130,567	179,996	22,681,728
Accumulated Depreciation												
Balance at beginning of year	1,575,618	249,549	58,131	7,654,394	60,211	46,154	76,672	—	—	31,462	42,303	9,794,494
Depreciation (see Notes 16 and 17)	172,068	51,602	10,735	508,788	13,126	9,807	24,371	—	—	41,730	33,769	865,996
Disposals	—	—	—	—	—	(5,185)	—	—	—	—	(6,133)	(11,318)
Balance at end of year	1,747,686	301,151	68,866	8,163,182	73,337	50,776	101,043	—	—	73,192	69,939	10,649,172
Accumulated Impairment												
Balance at beginning of year	—	24,667	12	440,937	—	—	—	530,351	43,652	—	—	1,039,619
Impairment loss	4,042	104,167	—	9,568	—	—	—	13,333	98,870	—	—	229,980
Balance at end of year	4,042	128,834	12	450,505	—	—	—	543,684	142,522	—	—	1,269,599
Net Book Value	P2,237,354	P615,960	P31,106	P3,535,068	P33,624	P22,981	P49,385	P1,390,538	P679,509	P2,057,375	P110,057	P10,762,957



Machineries under installation pertain to plant equipment for various product lines that are still under installation which are expected to be completed in 2022 to 2023. Additions to machineries under installation include costs for the construction of a new production and research and development facilities.

Construction in-progress pertains to the construction of building improvements, which is expected to be completed in 2022 to 2023. There were no capitalized borrowing costs as the construction-in-progress were funded by cash from operations.

The recognized impairment loss amounting to ₱52.4 million in 2021 and ₱230.0 million in 2020 is based on VIU calculation. The VIU of these assets is zero since these assets pertain to discontinued product lines and machines that did not pass trial run. Management assessed that any scrap value (FVLCD) is not material.

In 2021 and 2020, the Parent Company sold property, plant and equipment with a total net book value of ₱0.1 million and ₱1.3 million, respectively, for a cash consideration of ₱0.7 million in 2021 and ₱1.9 million in 2020. The net gains on these disposals were recognized as part of “Other income (expense)” account in the parent company statement of comprehensive income (see Note 18).

There are no idle property, plant, and equipment as at December 31, 2021, and 2020.

The Parent Company has no property, plant and equipment used as collateral as at December 31, 2021 and 2020.

The Parent Company has capital commitments for acquisitions of plant machineries, equipment and building expansions amounting to ₱840.7 million and ₱1,568.0 million as at December 31, 2021 and 2020, respectively.

11. Intangible Assets

	2021				
	Distribution Rights (see Note 23)	Software	Trademark* (see Note 20)	IP License*	Total
Cost					
Balance at beginning of year	₱727,560	₱222,326	₱14,459	₱—	₱964,345
Additions	—	43,408	—	34,639	78,047
Balance at end of year	727,560	265,734	14,459	34,639	1,042,392
Accumulated amortization					
Balance at beginning of year	233,426	92,752	—	—	326,178
Amortization (see Note 17)	36,377	25,691	—	—	62,068
Balance at end of year	269,803	118,443	—	—	388,246
Net Book Value	₱457,757	₱147,291	₱14,459	₱34,639	₱654,146

*Indefinite useful life



2020				
	Distribution Rights (see Note 23)	Software	Trademark	Total
Cost				
Balance at beginning of year	₱727,560	₱212,535	₱—	₱940,095
Additions	—	9,791	14,459	24,250
Balance at end of year	727,560	222,326	14,459	964,345
Accumulated Depreciation				
Balance at beginning of year	197,048	70,045	—	267,093
Amortization (see Note 17)	36,378	22,707	—	59,085
Balance at end of year	233,426	92,752	—	326,178
Net Book Value	₱494,134	₱129,574	₱14,459	₱638,167

In 2021, the Parent Company acquired intellectual property license with indefinite useful life amounting to ₱34.6 million. This pertains to acquisition of know-how and other intellectual property from a third party.

The Parent Company performed its annual impairment test in December 2021 and 2020 (see Note 3).

Trademarks with indefinite useful life amounted to ₱14.5 million as at December 2021 and 2020. No impairment loss was recognized in 2021 and 2020.

12. Accounts Payable and Other Current Liabilities and Refund Liabilities

	2021	2020
Trade payables to:		
Non-related parties	₱2,155,201	₱2,001,855
Related parties (see Note 20)	2,106,007	1,896,588
Nontrade payables to:		
Non-related parties	1,831,245	1,984,918
Related parties (see Note 20)	850,688	4,934
Statutory payables	851,036	235,297
Accruals for:		
Personnel costs	295,520	366,185
Advertising and promotions	65,325	—
Selling, general and administrative expenses	34,551	8,334
Trade spend	25,292	27,056
Interest payable	29	135,447
Provisions	57,559	110,361
Contract liability	97,350	19,634
Others	8,587	14,416
	₱8,378,390	₱6,805,025

Accounts payable and other current liabilities are noninterest-bearing and are generally settled within 30 to 60 days.

Trade payables pertain to liabilities to suppliers for the purchase of raw materials, finished goods, and other costs directly related to the operations of the Parent Company and are generally settled within 30 to 60 days.



Nontrade payable include liabilities related to utilities, advertising, other operating and manufacturing overhead expenses.

Provisions pertain to claims by third parties in the ordinary course of business. As allowed by PAS 37, only a general description is provided as the disclosure of additional details beyond the present disclosures may prejudice the Parent Company's position and negotiation strategies with respect to these matters.

Statutory payables comprise mainly of the Parent Company's liabilities to the tax authority.

Refund Liabilities

As at December 31, 2021 and 2020, the Parent Company's refund liabilities consist of the following:

	2021	2020
Refund liabilities		
Arising from rights of return	₱181,697	₱166,970
Arising from volume discount	122,181	112,726
	₱303,878	₱279,696

13. Acceptance and Trust Receipts Payable

This account represents the Parent Company's peso and US dollar-denominated liabilities incurred in connection with the importations and acquisitions of raw materials from foreign suppliers. These raw materials are insured in compliance with the requirements of the bank. These liabilities are for a period of 1 year, with an average annual interest rate of 2.50% in 2021 and 3.25% in 2020.

The Parent Company has outstanding acceptance and trust receipts payable amounting to ₱3,714.7 million and ₱605.9 million as at December 31, 2021 and 2020, respectively.

Interest expense recognized amounting to ₱37.1 million in 2021 and ₱32.8 million in 2020 (see Note 18).



14. Loans Payable and Convertible Note

Details of the Parent Company's loans are as follow:

Description	Maturities	Interest Rates	2021	2020
			Php Equivalent	Php Equivalent
₱18,700.0 million Floating Rate Corporate Notes (FRCNs)	December 2022	Higher of (a) 3-day average of the 3-month BVAL + 75 bps per annum or (b) the BSP overnight borrowing rate + 30 bps per annum effective April 5, 2021; Effective after December 31, 2021, the interest will be the higher of (a) 3-day average of the 3-month BVAL + 75 bps per annum or (b) the overnight deposit facility rate.	₱5,000	₱8,736,666
₱9,000.0 million FRCN	October 2021	Average 3-month BVAL rate + 100 bps or BSP RRP rate + 25 bps, whichever is higher	—	5,486,668
₱4,550.0 million FRCN	November 2023	Average 3-month BVAL rate + 125 bps	—	1,001,666
₱7,100.0 million Fixed Rate Note (FXCN)	October 2023	4.50% until October 2020 and 3.75% thereafter until maturity	—	7,100,000
			5,000	22,325,000
Current portion			(19,943)	(8,803,333)
Unamortized debt issue costs			14,943	(83,222)
			₱—	₱13,438,445



Loans Payable

The Parent Company has outstanding unsecured loans payable with various financial institutions. These loans bear a mix of floating and fixed interest rates. These loans have the following financial covenants and shall be computed on a consolidated basis:

- a. The Parent Company and its subsidiaries (collectively referred to as the “Group”) are required to maintain a Debt-to-Equity Ratio of not greater than 4.0x.
- b. The Group is required to maintain a Gross Leverage of less than 6.0x from January 1, 2019, onwards.
- c. The Group is required to maintain a Debt Service Cover Ratio greater than 1.20x.

Financial testing shall be done every six (6) months and reported the following month of such period.

In addition and as stated in the loan agreements, the Group may declare or pay dividends to its stockholders or make any other capital or other asset distribution to its stockholders as long as it is in compliance with the above financial covenants and no event of default has occurred.

In 2016, the Parent Company and the financial institutions agreed to amend the definitions of debt-to-equity ratio and of shareholder’s equity to exclude deferred tax liabilities related to any acquisitions made by MNC and its subsidiaries from the total liabilities, and cumulative translation adjustments account from the shareholder’s equity.

As at December 31, 2021 and 2020, the Parent Company is in compliance with the financial covenants.

In 2020, the Parent Company and a major financial institution amended the fixed rate from 4.50% to 3.75% and extended maturity from October 26, 2020 to October 26, 2023. Based on the Parent Company’s assessment, these modifications in the contractual cash flows are not substantial and therefore do not result in the derecognition of the affected financial liabilities. As a result of this modification, the Parent Company recognized a gain amounting to ₱165.1 million which is recorded under “Finance income” in the parent company statement of comprehensive income.

In May 2021, the Parent Company and a major financial institution amended the rate from 3-day average of the 3-Month BVAL + 75 bps (subject to floor rate of the BSP overnight borrowing rate) to the higher of (a) 3-day average of the 3-month BVAL + 75 bps per annum or (b) the BSP overnight borrowing rate + 30bps per annum effective April 5, 2021. Effective after December 31, 2021, the interest will be the higher of (a) 3-day average of the 3-month BVAL + 75 bps per annum or (b) the overnight deposit facility rate. The amendment has no significant impact in the interest expense on loans. The remaining balance of the loan’s principal after January 4, 2021 shall be paid in full at maturity date of December 29, 2022.

In 2021, the Parent Company prepaid its loan amounting to ₱22,041.0 million as part of the change in use of IPO proceeds approved by BOD last August 2021.

The Parent Company recognized interest expense related to its loan payable amounting to ₱432.3 million in 2021 and ₱952.8 million in 2020 (see Note 18).



Convertible Note

On February 5, 2019, the Parent Company and Arran Investment Pte. Ltd. (Arran or Investor), a company incorporated in the Republic of Singapore, entered into a Subscription Agreement wherein the Parent Company agreed to issue a Convertible Note with a face amount of ₱9,122.7 million and convertible at the option of the holder upon the occurrence of a contingent event into 494,516,100 shares as adjusted for the stock split in September 2019 representing 7.00% of the issued and outstanding shares of the Parent Company on a fully-diluted basis. In 2021, the equivalent ownership interest of the Convertible Note has decreased from 7.00% to 6.44% of the Parent Company's issued and outstanding shares as a result of the issuance of Parent Company's common shares to MCI (see Note 18). On April 12, 2019, the Parent Company issued to Arran the Convertible Note subject to certain terms and conditions, including the redemption features which result in the treatment of the Convertible Note as a USD-denominated instrument with a principal amount of \$174.8 million. The Convertible Note is mandatorily redeemable at the Philippine peso equivalent of the redemption amount computed based on a formula after five years from its issue date. In addition, the Convertible Note has an optional redemption feature exercisable by the holder upon the happening of the same contingent event for the conversion feature. The Parent Company also entered into an Investor Rights Agreement on April 12, 2019 that gave certain rights to the Investor pending redemption of the Convertible Note.

When establishing the accounting treatment for the convertible note, the Parent Company classifies such instrument's components separately as financial liabilities, financial assets, or equity instruments in accordance with PAS 32. The Convertible Note is assessed to be a hybrid instrument containing a host financial liability and derivative components for the equity conversion and redemption options. The equity conversion and redemption options were identified as embedded derivatives and were separated from the host contract (see Note 24) on issuance date of the Convertible Note.

Shown below are the movements in the value of the host liability:

	2021	2020
Host liability:		
Beginning balance	₱7,027,164	₱7,257,980
Accretion of interest (see Note 18)	746,998	489,910
Payment of cash variable interest	(113,739)	(187,916)
Unrealized foreign exchange gain	(73,445)	(580,435)
Amortization of debt issue cost	20,988	47,625
Redemption	(7,607,966)	—
	₱—	₱7,027,164

Cash variable interest is an amount equal to the amount of the dividends received by the Parent Company's shareholder that the Investor would have received if the Convertible Note was converted into shares prior to the declaration of such dividend. In September 2021, the Parent Company settled the unpaid cash variable interest amounting to ₱588.5 million based on the dividend declaration approved by the Parent Company's BOD on March 1, 2021 at ₱1.19 per share to holders of record or beneficial owners as of the date of declaration (see Note 15).

On March 1, 2021, at least a majority of the members of the BOD of the Parent Company and stockholders representing at least two-thirds (2/3) of the outstanding capital stock of the Parent Company approved certain amendments to the Parent Company's AOI including the removal of certain rights and entitlements of the Investor from the Parent Company's AOI.

On June 3, 2021, the Parent Company redeemed the Convertible Note and paid the amount of ₱13,351.9 million, listing redemption amount. This resulted to loss on redemption of Convertible



Note amounting to ₱1,579.3 million in 2021. (i.e. difference between the listing redemption amount and the carrying value of the Convertible Note and the related derivative liability).

As at December 31, 2021 and 2020, the Parent Company had available undrawn committed borrowing facilities amounting to ₱29,828.2 million and ₱41,331.0 million, respectively.

The movement in unamortized debt issue costs is as follows:

	2021	2020
Balance at beginning of year	₱257,150	(₱15,923)
Redemption during the year	(152,941)	—
Amortization during the year	(119,152)	117,426
Additions during the year	—	155,647
Balance at end of year	(₱14,943)	₱257,150

15. Equity

Capital Stock and Additional Paid-in Capital (APIC)

The details of the Parent Company's common stock as at December 31, 2021 and 2020 follows:

	2021	2020
Authorized number of shares	20,400,000,000	12,000,000,000
Par value per share	₱0.50	₱1
Issued and outstanding common shares:		
Balance at January 1	6,570,000,000	6,570,000,000
Issuance to MCI	614,305,748	—
Reduction in par	7,184,305,748	—
Issuance during IPO	3,600,000,000	—
Balance at end of period	17,968,611,496	6,570,000,000

The balance of the Parent Company's additional paid-in capital net of share issuance cost amounted to ₱46,515.8 million as at December 31, 2021 and nil in 2020. The details of the Parent Company's additional paid-in capital as at December 31, 2021 and 2020 follows:

	2021	2020
Balance at January 1	₱—	₱—
Additions		
Issuance of common shares during IPO	46,800,000	—
Issuance of common shares to MCI	1,204,039	—
Share issuance costs		
Issuance of common shares during IPO	(1,484,817)	—
Issuance of common shares to MCI	(3,375)	—
Balance at end of period	₱46,515,847	₱—

On January 11, 2021, the Parent Company entered into an agreement with MCI for the subscription of the Parent Company's 614,305,748 common shares at a subscription price of ₱2.96 per share or a total subscription price of ₱1,818.3 million which was fully settled on January 29, 2021.

On April 20, 2021, the SEC favorably considered, subject to certain conditions, the amended registration statement filed by the Parent Company covering the registration of 17,968,611,496



common shares to be listed and traded on the Main Board of the PSE with a par value of ₱0.50 per shares in relation to the Parent Company's IPO.

On April 21, 2021, the BOD of the PSE approved, subject to certain conditions, the application of the Parent Company for the listing of up to 17,968,611,496 common shares on the Main Board of the PSE.

On June 1, 2021, the Parent Company completed its IPO and was listed in the PSE under the stock symbol "Monde". The Parent Company issued 3,600,000,000 common shares for a total consideration of ₱48,600.0 million.

The Parent Company's record of registration of its securities follows:

Number of shares registered	17,968,611,496
Issue/offer price	₱13.50
Date of approval	April 20, 2021

The total number of stockholders was 16 and 12 as at December 31, 2021 and 2020, respectively. With respect to the Parent Company's stockholders as at December 31, 2021, the shares were either held through stock certificates issued to the stockholders or in scripless form, held in the account of the PCD Nominee Corporation (PCD Nominee) through 136 trading participants (e.g. brokers and custodians) of the Philippine Depository and Trust Corporation, Inc. (PDTC). The shares lodged with PCD Nominee is counted as two stockholders (i.e., PCD Nominee (Filipino) and PCD Nominee (Non-Filipino)).

Amendment of AOI

On March 1, 2021, at least a majority of the members of the BOD of the Parent Company and stockholders representing at least two-thirds (2/3) of the outstanding capital stock of the Parent Company approved certain amendments to the Parent Company's AOI including amending the authorized capital stock of the Parent Company (without increasing or decreasing the same) such that the authorized number of shares, as amended, shall be:

- 20,400,000,000 common shares with a par value of ₱0.50 per share, from the current par value of ₱1.00 per share; and
- 3,600,000,000 Preferred Shares classified into:

Class of Preferred Shares	No. of shares	Par value	Amount
Non-voting "A"	400,000,000	1.00	₱400,000
Non-voting "B"	800,000,000	1.00	800,000
Voting "C"	2,400,000,000	0.25	600,000
Total	3,600,000,000		₱1,800,000

Said preferred shares' issue value, dividend rate and the terms and conditions of their redemption shall be determined by the BOD at the time of their respective issuances. Furthermore, they shall be cumulative and non-participating as to dividends and non-convertible into common shares. Said preferred shares shall also enjoy preference in assets in the event of liquidation of the Parent Company and in the payment of dividends as against common shares; however, they shall not enjoy any pre-emptive rights to any issue of shares (whether common or preferred).

These amendments on the Parent Company's AOI was approved by the SEC on April 7, 2021.

There have been no issuances of preferred stock as at December 31, 2021.



Changes on Dividend Policy

On March 12, 2021, the Parent Company's BOD approved to adopt and maintain an annual dividend payment ratio of 60% of the preceding fiscal year's net income after tax, subject to the requirements of applicable laws and regulations, capital expenditure requirements, compliance with the Parent Company's loan covenants, and other circumstances which restrict the payment of dividends.

Retained Earnings

On the following dates, the BOD approved the following cash dividends, all of which have been previously appropriated:

Dividend declaration and stockholders of record date	Dividend per share	Amount
October 1, 2020	₱0.15	₱985,500
November 5, 2020	0.23	1,511,100
January 22, 2021	0.23	1,511,100
March 1, 2021	1.19	8,549,324

In 2021 and 2020, the BOD also approved the following:

- On November 5, 2020, reversal of the 2019 appropriation for ₱6,200.0 million for dividends, expansions, and other capital requirements.
- On December 16, 2020, additional reversal of the 2019 appropriation for ₱2,000.0 million for dividends, expansions, and other capital requirements.
- On December 16, 2020, appropriation of ₱10,700.0 million from the Parent Company's retained earnings for dividends, expansions, and other capital requirements, and to comply with the financial covenants in 2021.
- On March 1, 2021, reversal of the 2020 appropriation for ₱6,800.0 million for dividends, expansions, and other capital requirements.

As at December 31, 2021 and 2020, the Parent Company's appropriated retained earnings follows:

	2021		2020	
	Expected Completion	Amount	Expected Completion	Amount
Appropriation to comply with financial covenants (see Note 14)		₱—		₱4,200,000
Dividends		—	2021	2,500,000
Expansions and other capital requirements	2022-2023	3,900,000	2021-2022	4,000,000
		₱3,900,000		₱10,700,000

The Parent Company's appropriation for capital expenditure is expected to be used to build new capacity and capability. Key projects will be the completion of a new production facility and other operational efficiency initiatives.



Earnings per Share

The following reflects the income and share data used in the basic and diluted EPS computation:

Basic EPS

	2021	2020
<i>(In Thousands, Except Number of Shares and Per Share Data)</i>		
Net income attributable to equity holders of the parent:	₱2,900,546	₱6,686,768
Number of shares:		
Common shares outstanding at January 1	6,570,000,000	6,570,000,000
Effect of common share issuance to MCI	563,113,602	—
Effect of reduction in par	7,133,113,602	6,570,000,000
Effect of common share issuance during IPO	2,100,000,000	—
Weighted average number of common shares	16,366,227,204	13,140,000,000
Basic EPS	₱0.18	₱0.51

The number of common shares has been adjusted for the effect of the reduction in par value approved by the SEC on April 7, 2021 and September 25, 2019.

Diluted EPS

	2021	2020
<i>(In Thousands, Except Number of Shares and Per Share Data)</i>		
Net income (a)	₱2,900,546	₱6,686,768
Adjustments, net of tax:		
Unrealized foreign exchange gain	—	(406,305)
Accretion of interest	—	284,896
Derivative loss	—	134,645
Cash variable interest	—	58,041
Amortization of debt issue cost	—	33,337
Net income as adjusted for the effect of dilution (b)	2,900,546	6,791,382
Number of shares:		
Common shares outstanding at January 1	6,570,000,000	6,570,000,000
Effect of common share issuance to MCI	563,113,602	—
Effect of reduction in par	7,133,113,602	6,570,000,000
Effect of common share issuance during IPO	2,100,000,000	—
Weighted average number of common shares (c)	16,366,227,204	13,140,000,000
Dilutive potential common shares	—	989,032,200*
Adjusted weighted average number of common shares diluted (d)	16,366,227,204	14,129,032,200
Diluted EPS (b/d)	₱0.18	₱0.48

*Adjusted for the effect of the reduction in par value.



16. Cost of Goods Sold

	2021	2020
Direct materials (see Note 20)	₱31,454,603	₱29,465,646
Direct labor (see Notes 18 and 19)	1,636,741	1,715,772
Manufacturing overhead:		
Plant utilities, other consumption and steam	905,042	693,049
Repairs and maintenance	841,456	556,614
Depreciation (see Notes 10 and 18)	756,587	678,567
Light and water	647,069	477,199
Taxes and licenses	170,623	92,642
Indirect labor (see Note 18)	47,391	53,465
Rent (see Notes 20 and 22)	90	4,629
Others	249,741	177,561
Total manufacturing costs	36,709,343	33,915,144
Inventory movements (see Note 6):		
Finished goods	23,522	184,839
Work in-process	(339,790)	89,605
	₱36,393,075	₱34,189,588

17. Sales, General, and Administrative Expenses

	2021	2020
Advertising and promotional expenses	₱2,157,286	₱1,933,112
Transportation and delivery	1,913,765	1,809,922
Salaries, wages and employee benefits (see Notes 18 and 19)	1,573,887	1,469,112
Outside services	1,495,976	718,297
Logistics warehouse handling costs	543,612	631,163
Depreciation (see Notes 10 and 18)	247,635	187,429
Repairs and maintenance	181,112	147,589
Fringe benefit tax	167,357	62,008
Dealer support	141,257	87,930
Taxes and licenses	126,907	94,527
Research and development	119,937	90,422
Entertainment, amusement and recreation	100,353	15,556
Light and water	78,667	46,923
Amortization of intangible assets (see Notes 11 and 18)	62,068	59,085
Inventory loss	29,472	96,978
Insurance	17,169	7,496
Rent (see Notes 20 and 22)	13,755	3,246
Donations	10,288	70,904
Bank charges	9,285	930
Provision for ECL (see Notes 5 and 8)	—	93,157
Others	267,047	402,608
	₱9,256,835	₱8,028,394



18. Finance Costs and Other Income and Expenses

a. Finance costs

	2021	2020
Convertible note (see Note 14)	₱746,998	₱489,910
Loans payable (see Note 14)	432,268	952,752
Lease liabilities (see Note 22)	102,184	76,066
Amortization of debt issue cost (Note 14)	119,152	(117,426)
Acceptance and trust receipts payable (see Note 13)	37,140	32,770
Others	5	7,568
	₱1,437,747	₱1,441,640

b. Finance income

	2021	2020
Cash and cash equivalents (see Note 4)	₱63,960	₱36,941
Noncurrent receivables (see Note 8)	10,759	10,515
Notes receivables (see Notes 5 and 20)	7,579	5,350
	₱82,298	₱52,806

c. Other income (expenses)

	2021	2020
Foreign exchange gain (loss) - net	₱206,460	₱723,909
Reversal of ECL (Notes 5 and 8)	115,734	—
Promotional fees	112,464	116,819
Rental income	82,343	—
Early payment discount	50,446	5,244
Service fees	44,176	52,165
Miscellaneous income (Note 20)	25,967	38,619
	₱637,590	₱936,756

d. Personnel Costs

	2021	2020
Cost of goods sold:		
Direct labor (see Note 16)	₱1,582,177	₱1,703,156
Retirement expense (see Notes 16 and 19)	54,564	12,616
Indirect labor (see Note 16)	47,391	53,465
Sales, general and administrative expenses:		
Salaries and wages (see Note 17)	1,288,230	1,239,978
Retirement expense (see Notes 17 and 19)	101,335	24,066
Employee benefits (see Note 17)	95,056	123,070
Other employee benefits (see Note 17)	89,266	81,998
	₱3,258,019	₱3,238,349



e. Depreciation and Amortization Expense

	2021	2020
Cost of goods sold (see Note 16)	₱756,587	₱678,567
Sales, general and administrative expenses (see Note 17)	309,703	246,514
	₱1,066,290	₱925,081

19. Pension Liability

The Parent Company provides retirement benefits in accordance with Republic Act 7641, *Retirement Pay Law*. The benefit plan is noncontributory and is paid in a lump sum upon retirement or separation. These benefits are funded by the Parent Company. Contributions and costs are determined in accordance with the actuarial study made for the plan. The latest actuarial valuation report is December 31, 2021.

On May 1, 2021, the Parent Company amended its retirement plan as follows:

- Change in disability benefit from 60 days to 75 days
- Change in death benefit from ₱0.2 million plus gratuity pay or ₱1.0 million to 75 days per year of service or ₱2.0 million, whichever is higher, with the exemption of self-inflicted cause of death

The Parent Company appointed a local trustee bank as the retirement plan trustee. The trustee bank is responsible for the general administration of the retirement Plan and the management of the retirement fund. As the administrator of the retirement plan, the trustee bank is responsible for the ultimate control, disposition, or management of the money received or contributed.



Changes in the net defined benefit liability in 2021 and 2020 follow:

	Net Benefit Cost in Profit or Loss					Benefits Paid	Remeasurements in OCI					Contributions by Employer	December 31, 2021
	January 1, 2021	Current Service Cost	Net Interest Cost	Past Service Cost	Subtotal		Actuarial Changes Arising from Financial Assumptions	Actuarial Changes Arising from Demographic Assumptions	Actuarial Changes Arising from Experience Adjustments	Remeasurement Gain on Plan Asset	Subtotal		
Present value of defined benefit obligation	(₱848,538)	(₱60,068)	(₱39,370)	(₱75,139)	(₱174,577)	₱62,972	₱105,519	(₱6,728)	(₱92,415)	₱–	₱6,376	₱–	(₱953,767)
Fair value of plan asset	505,937	–	18,678	–	18,678	(54,758)	–	–	–	(14,060)	(14,060)	751	456,548
Net pension liability	(₱342,601)	(₱60,068)	(₱20,692)	(₱75,139)	(₱155,899)	₱8,214	₱105,519	(₱6,728)	(₱92,415)	(₱14,060)	(₱7,684)	₱751	(₱497,219)

	Net Benefit Cost in Profit or Loss					Benefits Paid	Remeasurements in OCI					Contributions by Employer	December 31, 2020
	January 1, 2020	Current Service Cost	Net Interest Cost	Past Service Cost	Subtotal		Actuarial Changes Arising from Financial Assumptions	Actuarial Changes Arising from Demographic Assumptions	Actuarial Changes Arising from Experience Adjustments	Remeasurement Gain on Plan Asset	Subtotal		
Present value of defined benefit obligation	(₱586,072)	(₱31,364)	(₱32,468)	₱–	(₱63,832)	₱125,537	(₱221,280)	₱6,702	(₱109,593)	₱–	(₱324,171)	₱–	(₱848,538)
Fair value of plan asset	510,896	–	27,150	–	27,150	(84,794)	–	–	–	9,550	9,550	43,135	505,937
Net pension liability	(₱75,176)	(₱31,364)	(₱5,318)	₱–	(₱36,682)	₱40,743	(₱221,280)	₱6,702	(₱109,593)	₱9,550	(₱314,621)	₱43,135	(₱342,601)



The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions. The trustee has no specific matching strategy between the plan assets and the retirement obligation. The Parent Company is not required to pre-fund the defined benefit obligation before they become due. The amount and timing of contributions to the retirement fund are at the Parent Company's discretion.

The carrying value and fair value of plan assets by each class as at the end of the reporting period are as follow:

	2021	2020
Debt instruments:		
Fixed rate treasury notes and retail treasury bonds	₱377,755	₱394,960
Corporate bond and fixed-rate notes	63,672	103,636
Cash and cash equivalents	1	6
Investments in UITF	12,458	4,615
Others	3,282	3,419
Liabilities	(620)	(699)
	₱456,548	₱505,937

The plan assets have diverse investments and do not have any concentration risk.

The costs of the defined benefit pension plan and the present value of the pension obligation are actuarially determined using the projected unit credit method. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension benefit obligations for the defined benefit plans are shown below:

	2021	2020
Discount rate	5.07%	3.90%
Salary increase rate	5.00%	5.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2021 and 2020, assuming all other assumptions were held constant:

	2021	2020
	Increase (decrease)	Effect on Defined Benefit Obligation
Discount rates	1.00% (1.00%)	(₱76,370) 88,950
		(₱73,049) 86,494
Future salary increases	1.00% (1.00%)	88,107 (77,099)
		84,630 (72,985)

The average duration of the defined benefit obligation at the end of the reporting period is 8.7 years in 2021 and 9.4 years in 2020.



Shown below is the expected future benefit payment:

Financial Year	2021	2020
Year 1	₱130,767	₱99,174
Year 2	68,741	76,904
Year 3	84,061	60,182
Year 4	97,854	74,723
Year 5	107,805	80,061
Years 6–10	515,162	365,323

20. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

The Parent Company has Material Related Party Transaction Policies containing the approval requirements and limits on amounts and extent of related party transactions in compliance with the requirements under the Revised SRC Rule 68 and SEC Memorandum Circular 10, series of 2019.

As at December 31, 2021, and 2020, the Parent Company has the following significant transactions with its related parties and the outstanding balances:

Nature	Year	Volume of Transactions	Outstanding Balance	Terms	Conditions
Subsidiaries					
MMYSC					
(a) Trade sales	2021	₱576,543	₱121,944	60 days;	Unsecured;
	2020	₱472,290	₱107,267	noninterest-bearing	no impairment
(b) Rent expense	2021	4,773	—	15 days;	Unsecured
	2020	6,364	—	noninterest-bearing	
(c) Charges (expenses)	2021	326	—	On-demand, noninterest-	Unsecured
	2020	1,753	—	bearing	
(d) Trade purchases, net	2021	9,399,012	(1,599,315)	45 days;	Unsecured
	2020	9,066,000	(1,425,774)	noninterest-bearing	
(e) Miscellaneous income	2021	25,865	6,611	30 days; noninterest-	Unsecured;
	2020	21,627	—	bearing	no impairment
(f) Advances from	2021	595	—	On-demand, noninterest-	Unsecured;
	2020	—	—	bearing	no impairment
MIL					
(a) Notes receivable	2021	317,200	331,494	Payable quarterly until	Unsecured
	2020	48,400	48,718	June 30, 2022; interest-	
				bearing	
(b) Trade sales	2021	30,647	28,253	150 days from Bill of	Unsecured;
	2020	3,755	3,364	lading	no impairment
				date; noninterest-	
				bearing	
(c) Trade purchases	2021	1,402,470	(383,479)	45 days from Bill of lading	Unsecured;
	2020	—	—	date; noninterest-	no impairment
				bearing	
(d) Miscellaneous income	2021	944	—	30 days; noninterest-	Unsecured;
	2020	—	—	bearing	no impairment

(Forward)



Nature	Year	Volume of Transactions	Outstanding Balance	Terms	Conditions
MNTH					
(a) Trade purchases, net	2021 2020	₱1,677,706 ₱3,087,890	(₱21,987) (₱332,215)	60 days from Bill of lading date; noninterest-bearing	Unsecured
(b) Trade sales	2021 2020	441,487 395,109	123,989 227,713	150 days from Bill of lading date; noninterest-bearing	Unsecured; no impairment
(c) Miscellaneous income	2021 2020	36,954 —	34,752 —	30 days; noninterest-bearing	Unsecured; no impairment
MNUK					
(a) Trade purchases, net	2021 2020	8,372 —	(2,436) —	60 days from Bill of lading date; noninterest-bearing	Unsecured
(b) Charges (expense)	2021 2020	1,808 11,219	— —	30 days; noninterest-bearing	Unsecured
(c) Miscellaneous income	2021 2020	6,278 2,598	3,680 —	30 days; noninterest-bearing	Unsecured
MNSPL					
(a) Trade sales	2021 2020	2,838 4,633	785 1,187	30 days; noninterest-bearing	Unsecured; no impairment
(b) Professional fees	2021 2020	71,121 33,973	(25,520) (33,156)	30 days; noninterest-bearing	Unsecured; no impairment
(c) Miscellaneous income	2021 2020	41 —	— —	30 days; noninterest-bearing	Unsecured; no impairment
SFC					
(a) Trade purchases, net	2021 2020	506,523 131,218	(51,382) (69,735)	30 days; noninterest-bearing	Unsecured
(b) Rent income	2021 2020	82,343 —	— —	5 days; noninterest-bearing	Unsecured; no impairment
(c) Trade sales	2021 2020	45,957 32,755	3,196 2,790	30 days; noninterest-bearing	Unsecured; no impairment
(d) Rent expense	2021 2020	— 691	— (740)	30 days; noninterest-bearing	Unsecured;
(e) Notes receivable	2021 2020	— 520,000	— 487,644	30 days to 1 year; interest-bearing	Unsecured; no impairment
(f) Miscellaneous income	2021 2020	8,424 2,106	— 2,358	30 days; noninterest-bearing	Unsecured; no impairment
(g) Purchase of property and equipment	2021 2020	841,817 —	— —	30 days; noninterest-bearing	Unsecured; no impairment
AFPFI					
(a) Purchase of trademark (see Note 11)	2021 2020	— 14,459	— (4,194)	30 days; noninterest-bearing	Unsecured
Associate					
CHTI					
(a) Transportation and delivery expense	2021 2020	258,902 205,919	(18,089) (23,146)	15 days; noninterest-bearing	Unsecured
Associates and joint ventures					
MMBC					
(a) Miscellaneous income	2021 2020	5,125 52,165	33,777 57,354	30 days; noninterest-bearing	Unsecured; no impairment

(Forward)



Nature	Year	Volume of Transactions	Outstanding Balance	Terms	Conditions
(b) Trade purchases, net	2021	₱57,131	(₱3,799)	30 days;	Unsecured
	2020	₱74,422	(₱12,562)	noninterest-bearing	
Monde Land, Inc.*					
(a) Rent expense	2021	62,987	—	15 days;	Unsecured
	2020	62,655	—	noninterest-bearing	
Honey Droplet Limited**					
(a) Noncurrent receivables (Note 8)	2021	—	—	4-6 years;	Unsecured;
	2020	—	—	interest-bearing	gross advances amounted to ₱115.3 million in 2021 and 2020; fully impaired in 2021 and 2021 impaired by ₱4.3 million in 2019;
YCE Group Pte Ltd.***					
(a) Noncurrent receivables (Note 8)	2021	5,412	—	Interest-bearing	Unsecured;
	2020	8,930	—		gross advances amounted to nil in 2021 and ₱78.3 million in 2020 ; fully impaired in 2020
Common shareholders					
PT. Nissin Biscuit Indonesia****					
(a) Trade purchases, net	2021	27,063	—	45 days;	Unsecured
	2020	57,993	—	noninterest-bearing	
Totals					
Trade receivables (see Note 5)	2021		₱356,987		
	2020		402,033		
Notes receivables (see note 5)	2021		331,494		
	2020		536,362		
Noncurrent receivables*****	2021		115,266		
(see note 8)	2020		193,572		
Trade payables (see Note 12)	2021		(2,106,007)		
	2020		(1,896,588)		
Nontrade payables (see Note 12)	2021		—		
	2020		(4,934)		

* Monde Land, Inc. is 40% owned by KBT, a subsidiary.

** Honey Droplet Limited is 50% owned by MNSPL, a subsidiary.

*** YCE Group Pte Ltd. is 32% owned by MNSPL, a subsidiary.

****PT Nissin Biscuit Indonesia has common individual shareholder

*****Fully impaired as at December 31, 2021 and 2020

These transactions with related parties will be settled through cash.

MNSPL

On September 20, 2021, the BOD approved to subscribe additional 42,924,533 ordinary shares of MNSPL at an aggregate subscription price of ₱3,121.4 million (GBP45.0 million) payable in several tranches on or before March 31, 2022. As at December 31, 2021, the Parent Company's subscription payable amounted to ₱850.7 million (see Notes 9 and 12).



MMYSC

The Parent Company and MMYSC entered into a Distribution Agreement wherein MMYSC engaged the services of the Parent Company to handle the warehousing, selling, billing, delivery, and merchandising of all products of MMYSC in the Philippines. This agreement shall be in force and will govern all transactions and relations between both parties until cancelled or terminated.

MIL

On November 4, 2020, the Parent Company and MIL agreed to enter short-term promissory note for the payment of advances to MIL amounting to ₱48.4 million. MIL shall pay quarterly interest on the outstanding principal at a rate of 4.16% per annum.

On July 1, 2021, the Parent Company and MIL agreed to enter short-term promissory note for the payment of advances to MIL amounting to ₱317.2 million. MIL shall pay quarterly interest on the outstanding principal at a rate of 4.16% per annum.

Interest income from notes receivable from MIL amounted to ₱7.4 million in 2021 and ₱0.4 million in 2020 (see Notes 5 and 18).

SFC

On October 1, 2020, the Parent Company entered into a Supply Agreement with SFC for an initial term effective up to December 31, 2025, wherein SFC will manufacture and deliver fresh breads, similar fresh confectionery products, other bread-related products and by-products to the Parent Company. The Supply Agreement will automatically renew unless either of the parties gives a written notice of its intention not to renew within 3 months prior to its effective termination date.

In 2020, the Parent Company and SFC entered into several short-term promissory notes receivable with varying terms from 30 to 85 days. Interest is charged at a rate of 5% per annum. Interest income from notes receivable from SFC amounted to ₱0.2 million in 2021 and ₱5.0 million in 2020 (see Notes 5 and 18).

AFPFI

On December 28, 2020, the Parent Company acquired trademark from AFPFI for a total consideration of ₱14.5 million (see Note 11). The trademark pertains to the proprietary knowledge, technical knowhow and recipes of AFPFI. Based on the Parent Company's analysis of all relevant factors, there is no foreseeable limit to the period over which the Parent Company is expected to generate cash inflows thru the use of these trademark and therefore, this was assessed to have an indefinite life.

MMBC

On May 31, 2016, the Parent Company entered into a Distributorship Agreement with MMBC, wherein MMBC engaged the services of the Parent Company to handle warehousing, selling, billing, delivery, and merchandising of MMBC's products. The agreement shall continue in force until cancelled or terminated by either party at any time with or without cause.

YCE

In 2021, the Parent Company partially reversed provision for ECL amounting to ₱77.4 million as a result of settlement of advances to YCE. The remaining provision of ₱0.9 million is subsequently written off.



Inventories in-transit

Inventories in-transit pertains to purchases already shipped by investees but have not yet arrived at the Parent Company's dock. Inventories in-transit from related parties follow:

	2021	2020
MIL	₱206,939	₱—
MNTH	11,351	104,799
MMBC	5,506	1,780
MNUK	2,436	—
PT Nissin	2,703	—
	₱228,935	₱106,579

Miscellaneous Income

Miscellaneous income mainly comprises of service fees charged by the Parent Company primarily for reimbursement of investees' share in common expenses, rental income, reversal of ECL (see Notes 5 and 8), market valuation gain on financial instruments at FVTPL, and other miscellaneous items which are recorded under the "Other Income (expenses)" account in the parent company statements of comprehensive income.

Compensation of Key Management Personnel

	2021	2020
Short-term employee benefits	₱862,258	₱723,398
Post-employment benefits	50,366	102,925
	₱912,624	₱826,323

21. Income Tax

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as at December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. Accordingly, current and deferred taxes are computed and measured using the applicable income tax rates for financial reporting purposes as follows:

	December 31, 2021	December 31, 2020
Regular corporate income tax	25%	30%
Minimum corporate income tax	1%	2%

Applying the provisions of the CREATE Act, the Parent Company and its Philippine subsidiaries would have been subjected to lower regular corporate income tax rate of 25% effective July 1, 2020.



Current Income Tax

The Parent Company's provision for income tax in 2021 consists of the following:

	2021
Current:	
RCIT	₱222,969
Effect of change in tax rate	(159,980)
	62,989
Deferred:	
Deferred tax expense	51,754
Effect of change in tax rate	149,727
	201,481
	₱264,470

A reconciliation of the provision for income tax computed at the applicable statutory tax rate of 25% in 2021 and 30% in 2020 to provision for income tax as shown in the parent company statements of comprehensive income is as follows:

	2021	2020
Provision for income tax at statutory tax rate	₱791,254	₱2,798,050
Income tax effects of:		
Nontaxable dividend income	(504,590)	(460,217)
Nondeductible expenses	17,736	175,035
Interest income already subjected to final tax and others	(16,116)	(11,082)
Nondeductible interest expense	4,014	4,522
2020 overpayment from CREATE Act	(159,980)	—
Difference in tax rate of temporary differences	149,727	—
Movement on unrecognized DTA	(19,342)	68,033
Others	1,767	65,726
	₱264,470	₱2,640,067

Deferred Income Tax

The components of the Parent Company's net deferred tax assets (liabilities) are as follows:

	2021	2020
Deferred tax assets:		
Allowance for impairment of property, plant and equipment	₱330,506	₱380,879
Pension liability	120,462	102,780
Accrued expenses	84,838	97,601
Refund liabilities	75,970	83,909
Allowance for inventory obsolescence	42,326	36,499
Advances from customers	24,338	5,890
Right-of-use assets and lease liabilities	15,036	1,532
Unamortized past service cost	4,899	6,891
Unrealized foreign exchange loss	2,674	24,088
Allowance for ECL	543	12,602

(Forward)



	2021	2020
Derivative liability	₱—	₱197,328
Interest accretion and cash variable interest on convertible note	—	154,491
	701,592	1,104,490
Deferred tax liabilities:		
Unrealized foreign exchange gain	(28,047)	(184,691)
Gain on loan modification	—	(46,694)
Recognized deferred tax assets - net	₱673,545	₱873,105

The following deferred tax assets were not recognized in the parent company financial statements since management believes that it will not be utilized in the future:

	2021	2020
Allowance for impairment loss on investments	₱103,600	₱124,320
Allowance for ECL	28,817	58,071
Allowance for inventory obsolescence	19,252	23,102
	₱151,669	₱205,493

22. Leases

The Parent Company leases various real estate properties for its plant sites, warehouses, and office spaces. The most significant of these lease agreements is the lease agreement with Monde Land, Inc., a related party, for its plant sites in Sta. Rosa Laguna, Cebu, and Davao. The agreements are for periods of 25 to 50 years, renewable for another 25 years. Under the terms of the leases, in the event that the lessor decides to sell the leased property, the Parent Company shall have the first option to buy the said property subject to the constitutional limitations on the ownership of land.

On June 24, 2020, the Parent Company entered into agreements with Science Park of the Philippines for the lease of certain parcels of land in San Fernando, Malvar, Batangas to be used for various operational activities. The lease agreements are valid for 50 years and are automatically renewable for another 25 years.

The Parent Company has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Parent Company's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised (see Note 3).

The undiscounted potential future rental payments relating to periods following the exercise date of extension options not within the control of lessee that are not included in the lease term amounted to ₱94.5 million. The extension options not included are exercisable in 2030.



The following are the amounts recognized in the parent company statement of comprehensive income:

	2021	2020
Interest expense on lease liabilities (see Note 18)	₱102,184	₱76,066
Depreciation expense of right-of-use assets included in property, plant and equipment (see Note 10)	77,154	75,499
Expenses relating to leases of low-value assets (see Note 17)	13,755	3,246
Expenses relating to short-term leases (see Note 16)	90	4,629
	₱193,183	₱159,440

The movements in the Parent Company's lease liabilities are as follows:

	2021	2020
Balance at beginning of year	₱1,646,716	₱1,045,547
Payment of principal portion of lease liabilities	(117,251)	(687,893)
Accretion of interest (see Note 18)	102,184	76,066
Disposal	(48,002)	(8,500)
Additions	2,585	1,221,496
	₱1,586,232	₱1,646,716
Current	₱84,075	₱83,079
Noncurrent	1,502,157	1,563,637
	₱1,586,232	₱1,646,716

The maturity analysis of lease liabilities is disclosed in Note 24.

23. Commitments

Sandpiper Spices and Condiments Corporation (SSCC)

On July 25, 2014, and August 4, 2014, the Parent Company and SSCC entered into a Distribution, and Marketing and Sales Development Agreement wherein SSCC appoints the Parent Company as its exclusive distributor of all its products in the Philippines for a period of 20 years (until July 25, 2034). Under the Agreement, the Parent Company shall pay SSCC a non-reimbursable and non-recoupable sum of ₱727.6 million payable in 5 equal annual installments starting on August 4, 2014 (see Note 11). The amount is recognized as Distribution Rights and subject to amortization for a period of 20 years up to 2034. The related payable was fully settled in 2018.

On August 4, 2014, the Parent Company and SSCC entered into a Loan Agreement wherein the Parent Company agreed to extend a loan to SSCC in the principal amount of ₱500.0 million with interest rate of 2% per annum. The loan is for a period of 10 years and will mature on August 4, 2024.

As stipulated in Section 6 of the Loan Agreement, the Parent Company has the right to set-off and apply any credit balance of or any amount payable by the Group to SSCC. As a result, the Parent Company presented its receivable from SSCC net of its outstanding payable in its parent company statement of financial position in accordance with PAS 32, *Financial Instrument: Presentation*. As at December 31, 2021 and 2020, the Parent Company's net receivable from SSCC amounted to ₱500.0 million (see Note 8).



Interest income from advances to SSCC amounted to ₱10.8 million in 2021 and ₱10.5 million in 2020 (see Note 18).

Guarantees

Wide Faith Foods Co. Ltd. On November 17, 2015, the Parent Company entered into a Guarantee Agreement with The Hongkong and Shanghai Banking Corporation Limited, Bangkok Branch, to guarantee the ₱141.4 million (\$3.0 million) loan of Wide Faith Foods Co. Ltd.

Marlow Foods Ltd. On March 24, 2022, the Parent Company (Guarantor) entered into a Guarantee Agreement with Citicorp International Limited, as agent for and on behalf of certain financial institutions (Finance Parties), to guarantee the ₱7,059.4 million (£103 million) loan of Parent Company's wholly owned, UK-based indirect subsidiary Marlow Foods Ltd. (Borrower). The Guarantor undertakes with each Finance Party that whenever the Borrower does not pay any amount when due or in connection with any finance document, the Guarantor shall promptly on demand pay the amounts as if it was the principal obligor (see Note 27).

Capital Commitments

The Parent Company has capital commitments for acquisitions of plant machineries, equipment and building expansions amounting to ₱840.7 million and ₱1,568.0 million as at December 31, 2021 and 2020, respectively.

24. Financial Risk Management Objectives and Policies

The Parent Company's principal financial instruments comprise cash and cash equivalents, trade and other receivables, noncurrent receivables and advances to employees. The primary purpose of these financial instruments is to fund the Parent Company's operations. The Parent Company has various other financial instruments such as accounts payable and other current liabilities, acceptance and trust receipts payable, and loan payable, which arise directly from its operations.

The main risks arising from the Parent Company's financial instruments are market risk, credit risk, and liquidity risk. The BOD reviews and agrees on the policies for managing each of these risks, and they are summarized below:

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of interest rate risk and foreign currency risk. Financial instruments affected by market risk include cash and cash equivalents, trade and other receivables, accounts payable and other current liabilities, and loans payable.

The sensitivity analyses in the following sections relate to the position as at December 31, 2021 and 2020. The sensitivity of the relevant statement of other comprehensive income items is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held as at December 31, 2021 and 2020.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Parent Company's exposure to the risk of changes in market interest rates relates primarily to the Parent Company's long-term debt obligations with floating interest rates. The Parent Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.



Interest Rate Sensitivity. The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Parent Company's profit before tax is affected through the impact on floating rate borrowings, as follows:

	2021		2020	
	Increase (Decrease) in Basis Points	Effect on Income Before Tax	Increase (Decrease) in Basis Points	Effect on Income Before Tax
Loans Payable	+50	(P76,919)	+50	(P105,803)
	-50	76,919	-50	105,803

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The Parent Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Parent Company's operating activities (when revenue or expense is denominated in foreign currency).

The Parent Company's significant foreign currency-denominated financial assets and liabilities are as follows (impact of other currencies is not material):

	2021				
	Original Currency				
	USD	EUR	JPY	SGD	Peso Equivalent
Financial Assets					
Cash and cash equivalents	\$99,320	€—	¥—	\$—	P5,065,358
Trade and other receivables	5,119	—	—	—	261,064
	104,439	—	—	—	5,326,422
Financial Liabilities					
Accounts payable and other current liabilities	11,877	3,525	523,559	1,542	1,097,400
Net Financial Assets (Liabilities)	\$92,562	(€3,525)	(¥523,559)	(\$1,542)	P4,229,022
	2020				
	Original Currency				
	USD	EUR	JPY	SGD	Peso Equivalent
Financial Assets					
Cash and cash equivalents	\$25,946	€—	¥—	\$—	P1,245,998
Trade and other receivables	6,581	—	—	—	316,039
	32,527	—	—	—	1,562,037
Financial Liabilities					
Accounts payable and other current liabilities	9,490	3,690	594,661	—	947,574
Net Financial Assets (Liabilities)	\$23,037	(€3,690)	(¥594,661)	(\$—)	P614,463

In translating the foreign-currency-denominated financial instruments into Philippine peso amounts, the exchange rates used are as follows:

Year	USD (\$)	JPY (¥)	EUR (€)	SGD (\$)
2021	P51.00	P0.44	P57.51	P37.55
2020	P48.04	P0.46	P58.69	P36.12



The following table demonstrates the sensitivity to a reasonably possible change in the Philippine peso exchange rate for the next period, with all other variables held constant, of the Parent Company's income before tax. The reasonably possible change in the exchange rate was based on forecasted exchange rate changes within the next two months after the reporting period. The methods and assumptions used remained unchanged over the reporting periods being presented.

	2021		2020	
	Movement in Foreign Exchange Rate Increase (Decrease)	Effect on Income Before Tax	Movement in Foreign Exchange Rate Increase (Decrease)	Effect on Income Before Tax
U.S. dollar	6.20% (6.20%)	292,675 (292,675)	(5.36%) 5.36%	(59,298) 59,298
JPY	(4.67%) 4.67%	10,790 (10,790)	— —	— —
EUR	(2.01%) 2.01%	4,075 (4,075)	4.15% (4.15%)	(8,988) 8,988
SGD	3.97% (3.97%)	(2,299) 2,299	— —	— —

The Company's exposure to foreign currency changes for all other currencies is not material.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Parent Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions, and other financial instruments. Since the Parent Company trades only with recognized third parties, there is no requirement for collateral.

Maximum exposure to credit risk. The table below shows the maximum exposure to credit risk for the Parent Company's financial assets, without taking into account any collateral and other credit enhancements:

	2021	2020
Cash and cash equivalents*	₱9,954,658	₱3,800,130
Trade and other receivables	4,122,687	4,690,821
Financial assets at FVTPL	1,001	—
Noncurrent receivables	500,000	500,000
Advances to employees**	68,911	42,524
Financial assets at FVOCI**	193	193
Total credit risk exposure	₱14,647,450	₱9,033,668

*Excluding cash on hand amounting to ₱955 in 2021 and to ₱955 in 2020.

**Recorded under "Other noncurrent assets" account.



Aging analysis. The aging analysis of financial assets follows:

2021							
	Days Past Due					ECL	Total
	Current	1-30 Days	31-60 Days	61-90 Days	More than 90 Days		
Cash and cash equivalents*	₱9,954,658	₱-	₱-	₱-	₱-	₱-	₱9,954,658
Trade and other receivables	3,761,622	274,810	27,107	15,645	43,503	2,173	4,124,860
Financial assets at FVTPL	1,001	-	-	-	-	-	1,001
Noncurrent receivables	500,000	-	-	-	-	115,266	615,266
Advances to employees**	68,911	-	-	-	-	-	68,911
Financial assets at FVOCI**	193	-	-	-	-	-	193
	₱14,286,385	₱274,810	₱27,107	₱15,645	₱43,503	₱117,439	₱14,764,889

* Excluding cash on hand amounting to ₱955.

** Recorded under "Other noncurrent assets" account.

2020							
	Days Past Due					ECL	Total
	Current	1-30 Days	31-60 Days	61-90 Days	More than 90 Days		
Cash and cash equivalents*	₱3,800,130	₱-	₱-	₱-	₱-	₱-	₱3,800,130
Trade and other receivables	4,072,646	429,182	55,992	46,647	86,354	42,007	4,732,828
Financial assets at FVTPL	-	-	-	-	-	-	-
Noncurrent receivables	500,000	-	-	-	-	193,572	693,572
Advances to employees**	42,524	-	-	-	-	-	42,524
Financial assets at FVOCI**	193	-	-	-	-	-	193
	₱8,415,493	₱429,182	₱55,992	₱46,647	₱86,354	₱235,579	₱9,269,247

* Excluding cash on hand amounting to ₱955.

** Recorded under "Other noncurrent assets" account.

Credit risk under general and simplified approach

2021					
	General Approach			Simplified Approach	Total
	Stage 1	Stage 2	Stage 3		
Cash and cash equivalents*	₱9,954,658	₱-	₱-	₱-	₱9,954,658
Trade and other receivables	355,314	-	-	3,769,546	4,124,860
Financial assets at FVTPL	1,001	-	-	-	1,001
Noncurrent receivables	500,000	-	115,266	-	615,266
Advances to employees**	68,911	-	-	-	68,911
Financial assets at FVOCI**	193	-	-	-	193
	₱10,880,077	₱-	₱115,266	₱3,769,546	₱14,764,889

* Excluding cash on hand amounting to ₱955.

** Recorded under "Other noncurrent assets".

2020					
	General Approach			Simplified Approach	Total
	Stage 1	Stage 2	Stage 3		
Cash and cash equivalents*	₱3,800,130	₱-	₱-	₱-	₱3,800,130
Trade and other receivables	546,186	-	-	4,186,642	4,732,828
Noncurrent receivables	500,000	-	193,572	-	693,572
Advances to employees**	42,524	-	-	-	42,524
Financial assets at FVOCI**	193	-	-	-	193
	₱4,889,033	₱-	₱193,572	₱4,186,642	₱9,269,247

* Excluding cash on hand amounting to ₱955.

** Recorded under "Other noncurrent assets".

Simplified Approach. Set out below is the information about the credit risk exposure on the Parent Company's trade receivables using simplified approach (provision matrix):

2021							
	Days Past Due						
	Current	<30 days	30-60 days	61-90 days	91-120 days	121-365 days	>365 days
ECL rate	0.02%	0.12%	0.48%	1.08%	1.71%	2.12%	100.00%
Estimated total gross carrying amount at default	₱3,410,665	₱278,422	₱27,166	₱15,788	₱11,386	₱26,119	₱-
ECL	₱802	₱321	₱131	₱171	₱194	₱554	₱-
							₱2,173



	2020							Total
	Days Past Due							
	Current	<30 days	30-60 days	61-90 days	91-120 days	121-365 days	>365 days	
ECL rate	0.19%	0.86%	3.57%	8.05%	11.98%	15.69%	100.00%	
Estimated total gross carrying amount at default	P3,541,498	P432,891	P58,045	P50,714	P13,177	P78,920	P11,396	P4,186,641
ECL	P6,766	P3,729	P2,072	P4,080	P1,578	P12,386	P11,396	P42,007

Liquidity Risk

Liquidity risk is the risk the Parent Company will be unable to meet its payment obligations when they fall due. The Parent Company monitors and maintains a level of cash deemed adequate by management to finance the Parent Company's operations, ensure continuity of funding, and to mitigate the effects of fluctuations in cash flows.

The Parent Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and lease contracts. The Parent Company's policy is that not more than 50% of borrowings should mature in the next 12-month period. Approximately 80% of the Parent Company's debt will mature in less than one year at December 31, 2021 (40% in 2020) based on the carrying value of debt reflected in the financial statements. The Parent Company assessed the concentration risk with respect to refinancing its debt and concluded it to be low. The Parent Company has access to a sufficient variety of source of funding and debt maturing within 12 months can be rolled over with existing lenders.

Excessive concentration risk. Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by change in economic, political and other conditions. Concentrations indicate the relative sensitivity of the Parent Company's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Parent Company's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio of distributors and distribution channels. Identified concentration of credit risks are controlled and managed accordingly.

Maturity profile. The table below summarizes the maturity profile of the Parent Company's financial assets and liabilities based on undiscounted payments are as follows:

	2021					Total
	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	More than 5 Years	
Financial Assets						
Cash and cash equivalents	P979,446	P8,976,167	P-	P-	P-	9,955,613
Trade and other receivables	363,238	3,761,622	-	-	-	4,124,860
Financial assets at FVTPL	1,001	-	-	-	-	1,001
Noncurrent receivables	-	-	-	684,177	-	684,177
Financial assets at FVOCI**	193	-	-	-	-	193
	1,343,878	12,737,789	-	684,177	-	14,765,844
Financial Liabilities						
Accounts payable and other current liabilities*	1,299,997	5,376,408	261	-	-	6,676,666
Loans payable	-	31	5,151	-	-	5,182
Acceptance and trust receipts payable	-	-	3,714,690	-	-	3,714,690
Lease liabilities	-	33,854	145,501	492,080	5,314,263	5,985,698
	1,299,997	5,410,293	3,865,603	492,080	5,314,263	16,382,236
	P43,881	P7,327,496	(P3,865,603)	P192,097	(P5,314,263)	(P1,616,392)

* Excluding statutory payables and subscription payable under "Nontrade payables" account.

** Recorded under "Other noncurrent assets" account.



2020						
	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	More than 5 Years	Total
Financial Assets						
Cash and cash equivalents	₱776,916	₱3,024,169	₱—	₱—	₱—	3,801,085
Trade and other receivables	660,182	4,072,646	—	—	—	4,732,828
Financial assets at FVTPL	—	—	—	—	—	—
Noncurrent receivables	—	—	—	736,096	—	736,096
Financial assets at FVOCI**	193	—	—	—	—	193
	1,437,291	7,096,815	—	736,096	—	9,270,202
Financial Liabilities						
Accounts payable and other current liabilities*	1,030,693	5,539,035	—	—	—	6,569,728
Loans payable	—	408,168	9,212,267	14,296,470	—	23,916,905
Acceptance and trust receipts payable	—	—	605,902	—	—	605,902
Convertible note	—	—	603,370	7,818,485	—	8,421,855
Lease liabilities	—	29,873	139,796	407,486	5,589,386	6,166,541
	1,030,693	5,977,076	10,561,335	22,522,441	5,589,386	45,680,931
	₱406,598	₱1,119,739	(₱10,561,335)	(₱21,786,345)	(₱5,589,386)	(₱36,410,729)

* Excluding statutory payables.

** Recorded under "Other noncurrent assets" account.

Changes in Liabilities Arising from Financing Activities

	January 1, 2021	Cash Flows	Foreign Exchange Movement	Fair value changes	Others	December 31, 2021
Current and non-current portion of loans payable*	₱22,241,778	(₱22,320,000)	₱—	₱—	₱98,165	₱19,943
Accrued interest payable	135,447	(1,399,332)	—	—	1,263,913	29
Derivative liability	2,513,886	—	—	(4,753,118)	2,239,232	—
Lease liabilities	1,646,716	(117,251)	—	—	56,767	1,586,232
Convertible note	7,027,164	(13,351,935)	(73,445)	—	6,398,216	—
Dividends payable	—	(10,060,424)	—	—	10,060,424	—
Total liabilities from financing activities	₱33,564,991	(₱47,248,941)	(₱73,445)	(₱4,753,118)	₱20,116,717	₱1,606,204

*"Others" primarily include gain on modification of loans, amortization of debt issue costs, interest expenses and additions from new leases

	January 1, 2020	Cash Flows	Foreign Exchange Movement	Fair value changes	Others	December 31, 2020
Current and non-current portion of loans payable*	₱26,708,262	(₱4,136,367)	₱—	₱—	(₱330,117)	₱22,241,778
Accrued interest payable	237,479	(1,283,038)	—	—	1,181,006	135,447
Derivative liability	2,713,807	(100,512)	—	(99,409)	—	2,513,886
Lease liabilities	1,045,547	(687,893)	—	—	1,289,062	1,646,716
Convertible note	7,257,980	—	(580,435)	—	349,619	7,027,164
Dividends payable	—	(2,496,600)	—	—	2,496,600	—
Total liabilities from financing activities	₱37,963,075	(₱8,704,410)	(₱580,435)	(₱99,409)	₱4,986,170	₱33,564,991

*"Others" primarily include gain on modification of loans, amortization of debt issue costs, interest expenses and additions from new leases

Derivative Financial Instruments

The Parent Company engages in derivative transactions, particularly cross currency swaps (CCS) and European Knockout Option, to manage its foreign currency risk arising from its net investment. These derivatives are accounted for as accounting hedges. The embedded derivative is a transaction not designated as accounting hedge.

Cross Currency Swap Contract

On January 24, 2017, the Parent Company entered into a non-deliverable cross-currency swap agreement with a notional amount of ₱7,100.0 million (£113.8 million). Under the cross-currency swap agreement, the Parent Company receives fixed Philippine Peso interest and pays fixed Pound Sterling interest. The Parent Company also receives the notional Philippine Peso amount in exchange for the notional Pound Sterling amount at the end of the swap period. The CCS, which has been designated as a hedge of a portion of the net investment in MNSPL, is used to hedge the Parent Company's exposure to the GBP foreign exchange risk on its investment in MNSPL.



Pertinent details of the cross-currency swap are as follows:

Notional amount	Trade Date	Effective Date	Maturity Date	Swap rate	Fixed rate (Pay leg)	Fixed rate (Receive leg)
£113,782	01/16/17	01/24/17	10/26/20	₱62.40	1.3700%	3.4211%

European Knockout Option (EKO)

On March 12, 2019, the Parent Company entered into a non-deliverable European Knockout Option (EKO) with a notional amount of ₱3,550.0 million (£56.9 million). Under the EKO, the Parent Company receives fixed Philippine Peso interest and pays fixed Pound Sterling interest. Settlement of the principal will happen if the Spot rate has been fixed below the EKO and at or above the Strike on the relevant expiration date. The intrinsic value of the EKO, which has been designated as a hedge of a portion of the net investment in MNSPL, is used to hedge the Parent Company's exposure to the GBP foreign exchange risk on its investment in MNSPL.

Notional amount	Trade Date	Effective Date	Maturity Date	Strike	EKO	Fixed rate (Pay leg)	Fixed rate (Receive leg)
£56,891	03/12/19	01/22/19	10/27/20	₱62.40	₱75.00	3.44%	0.00%

Movements in the derivative liability account are as follows:

	2021	2020
Beginning of year	₱—	₱392,271
Fair value changes recorded in derivative gain	—	(392,271)
End of year	₱—	₱—

The Parent Company recognized derivative gain of ₱24.8 million and ₱57.8 million from the maturity of CCS and EKO in 2021 and 2020, respectively.

Embedded Derivatives

As discussed in Note 14, the convertible note issued by the Parent Company in 2019 has embedded equity conversion and redemption options which separated from the host contract.

Shown below are the movements in the value of the embedded derivatives (shown as part of derivative liability) as at December 31:

	2021	2020
Embedded derivatives:		
Beginning balance	₱2,513,886	₱2,321,536
Mark-to-market valuation (Note 14)	2,239,232	192,350
Redemption of convertible note (Note 14)	(4,753,118)	—
	₱—	₱2,513,886

The Parent Company recognized the loss on fair value changes on the embedded derivatives amounting to ₱2.2 million and ₱192.4 million in 2021 and 2020, respectively. The Parent Company recognized these under the "Derivative gain (loss)" account (see Note 14).

The total derivative gain (loss) presented in the parent company statement of comprehensive income consists of derivative gain from CCS, EKO, equity conversion and redemption options, and swaps. The derivative loss from swaps entered and settled during the same year, amounted to ₱43.7 million in 2021 and ₱158.3 million in 2020.



Capital Management

For the purpose of the Parent's capital management, capital includes issued capital and all other equity reserves. The primary objective of the Parent Company's capital management is to maximize the shareholder value. The Parent Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Parent Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2021 and 2020. The Parent Company was able to raise funds through an IPO last June 1, 2021.

The Parent Company monitors capital based on the debt-to-equity ratio and makes adjustments to it in light of changes in economic conditions and its financial position. This ratio is calculated as total debt divided by total equity. Debt comprises all liabilities of the Parent Company. Equity comprises all components of equity.

The Parent Company's debt-to-equity ratios are as follows:

	2021	2020
Total debt	₱14,500,352	₱41,767,901
Equity	62,488,862	20,724,350
Debt-to-Equity Ratio	0.23:1.00	2.02:1.00

The Parent Company is obligated to perform certain covenants with respect to maintaining specified debt-to-equity, gross leverage and minimum debt service cover ratios, as set in the agreements with creditors (see Note 14). As at December 31, 2021 and 2020, the Parent Company is in compliance with these covenants.

Fair Value of Financial Instruments

Cash and cash equivalents, trade and other receivables, accounts payable and other current liabilities, and acceptance and trust receipts payable. The carrying value of these financial assets and liabilities approximate their fair values as at December 31, 2021, and 2020 due to the short-term nature of these financial instruments.

Noncurrent receivables and loans payable. As at December 31, 2021 and 2020, the fair value of noncurrent receivables and loans payable with variable interest rates approximates the carrying amount due to frequent repricing of interest. Fair value of loans with fixed interest rate amounted to nil in 2021 and ₱5,807.2 million as at December 31, 2020.

CCS and EKO. The fair value of derivative liability is based on quote obtained from the counterparty bank.

Equity Conversion and Redemption Options. The estimated fair value of the embedded derivative as at December 31, 2020 is based on the Jarrow-Rudd binomial lattice method of valuing equity conversion and redemption options.



As at December 31, the following table presents the level of hierarchy of the Parent Company's financial instruments as follows:

	2021			2020		
	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial instruments measured at fair value						
Financial assets at						
FVTPL	P=	P=	P1,001	P=	P=	P=
Derivative liability - equity conversion and Redemption options	-	-	-	-	-	2,513,886
Financial instruments for which fair values are disclosed						
Loans payable	P=	P=	P=	P=	P5,807,186	P=

Description of significant unobservable inputs to valuation:

The significant unobservable inputs used in the fair value measurements categorized within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at December 31, 2020 is shown below:

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of the input to fair value
Embedded derivatives	Discounted cash flow method	Underlying stock price	2020: P2,086.91	24% increase (decrease) in stock price would result in an increase (decrease) in fair value by P1,355.2 million (P469.2 million) in 2020
Embedded derivatives	Jarrow-Rudd binomial lattice model	Option-adjusted credit spread	2020: 17.49%	5% increase (decrease) in the spread would result in an increase (decrease) in fair value by P856.7 million (P1,094.5 million) in 2020
		Dividend yield	2020: P175,000	29% increase (decrease) in the dividend payable forecast would result in an increase (decrease) in fair value by (P113.8 million) P113.6 million in 2020
		Issuer's probability of default	2020: 125 bps	40% increase (decrease) in the credit spread would result in an increase (decrease) in fair value by P33.4 million (P34.3 million) in 2020
		Stock volatility	2020: 27%	5% increase (decrease) in stock volatility would result in an increase (decrease) in fair value by P112.7 million (P112.9 million) in 2020



25. Supplemental Disclosure to Cash Flow Statements

The Parent Company's material noncash activities are as follows:

	2021	2020
Subscription payable	(P850,688)	P—
Unpaid CAPEX	(90,918)	—
Termination of lease liabilities	(48,002)	(8,500)
Additions to ROU assets	2,585	1,221,496

26. Segment Information

For management purposes, the Parent Company is organized into business units based on its products and has 2 reportable segments, as follows:

- Asia-Pacific Branded Food & Beverage (APAC BFB) manufactures and distributes a diverse mix of biscuits, bakery products, beverages, instant noodles and pasta.
- Meat Alternative manufacturers and distributes a variety of meat alternative brands and products to the retail trade and food service customers in the UK, US, Europe and Asia-Pacific.

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

The Chief Executive Officer monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the parent company financial statements.

Financial information about the business segments follows:

	2021			Parent Company
	APAC BFB	Meat Alternative	Reconciliation	Financial Statements
Net sales - third parties	P54,039,015	P15,245,173	(P17,884,013)	P51,400,175
Costs and expenses	(43,411,777)	(13,773,475)	12,601,632	(44,583,620)
Depreciation and amortization	(1,828,942)	(641,930)	1,404,582	(1,066,290)
Finance income	1,338,617	986	(1,253,230)	86,373
Finance expense	(5,350,902)	(1,311,950)	3,645,781	(3,017,071)
Foreign exchange gain (loss) - net	411,859	(1,457)	(203,942)	206,460
Impairment loss	60,678	(283,739)	170,634	(52,427)
Share in profit (loss) of associates and joint venture	36,367	—	(36,367)	—
Other income (expense)	296,363	—	(104,947)	191,416
Income before income tax	5,591,278	(766,392)	(1,659,870)	3,165,016
Provision for income tax	291,025	1,288,736	(1,315,291)	264,470
Net income	P5,300,253	(P2,055,128)	(P344,579)	P2,900,546
Other information				
Total assets	P69,493,886	P54,170,503	(P46,675,175)	P76,989,214
Total liabilities	P15,139,545	P40,109,264	(P40,748,457)	P14,500,352
Investment in associates and joint venture	P1,094,087	P—	P41,243,293	P42,337,380
Capital expenditures	P3,399,408	P1,816,859	(P1,978,438)	P3,237,829



	2020			
	APAC BFB	Meat Alternative	Reconciliation	Parent Company Financial Statements
Net sales - third parties	₱52,910,573	₱15,034,938	(₱17,289,383)	₱50,656,128
Costs and expenses	(39,802,436)	(12,743,090)	11,252,625	(41,292,901)
Depreciation and amortization	(1,642,275)	(661,044)	1,378,238	(925,081)
Finance income	1,436,836	5,565	(1,223,913)	218,488
Finance expense	(1,517,312)	(1,349,293)	1,424,965	(1,441,640)
Foreign exchange gain (loss) - net	900,877	13,362	(190,330)	723,909
Impairment loss	(229,980)	(783,858)	555,458	(458,380)
Share in profit (loss) of associates and joint venture	(98,300)	—	98,300	—
Other income (expense)	258,889	(8,723)	1,596,146	1,846,312
Income before income tax	12,216,872	(492,143)	(2,397,894)	9,326,835
Provision for income tax	3,292,153	366,869	(1,018,955)	2,640,067
Net income	₱8,924,719	(₱859,012)	(₱1,378,939)	₱6,686,768
Other information				
Total assets	₱54,462,663	₱49,251,201	(₱41,221,613)	₱62,492,251
Total liabilities	₱43,373,262	₱33,800,565	(₱35,405,926)	₱41,767,901
Investment in associates and joint venture	₱1,024,068	₱—	₱36,654,679	₱37,678,747
Capital expenditures	₱1,968,780	₱1,784,694	(₱2,549,122)	₱1,204,352

27. Other Matters and Subsequent Events

Change in Use of IPO Proceeds

On August 9, 2021, the BOD approved the change in use of IPO proceeds, previously earmarked for capital expenditures, to pay down the majority of the remaining term loans of ₱15,600.0 million, resulting in interest expense savings of approximately ₱700.0 million assuming interest rates remain at current levels. This action was done to avoid the significant negative carry associated with large cash balances as these have substantially lower investment returns than the interest payments on the outstanding debt. The BOD confirms that there is no change in the capital expenditure plans as stipulated in the IPO Prospectus, amounting to ₱26,500.0 million or 57.2% of the net proceeds, and considers that the above change in the use of net proceeds is in the best interests of the Company and its shareholders.

On November 23, 2021, the BOD approved the change in use of IPO proceeds previously allocated for “certain capital expenditures to expand the capacity of its Meat Alternative business” amounting to ₱7,105.0 million to “operating expenditures (not in excess of ₱4,100.0 million) relating to, and/or capital expenditures to expand the capacity of its Meat Alternative business”. This reallocation was done concurrent with the Group’s plan to expand the manufacturing capacity of its Meat Alternative business, to engage in activities that will accelerate consumer demand and consumption of its Meat Alternative products in the US and UK (including but not limited to spending for brand building, new product development, influence partnerships, etc.).



CCS Contract

On March 4, 2022, the Company entered into a non-deliverable CCS Agreement with a notional amount of ₱5,839.5 million (£85.0 million). Under the CCS agreement, the Company will receive Philippine Peso interest at 9% p.a. and will pay fixed Pound Sterling interest at 6% p.a. The Company will also pay the notional Pound Sterling amount in exchange for the Philippines Peso amount at the end of the swap period. The CCS, which will be designated as a hedge of a portion of the net investment in MNSPL, is used to hedge the Parent Company's exposure to the GBP foreign exchange risk on its investment in MNSPL.

Parent Company Financial Guarantee

On March 24, 2022, the Parent Company entered into a Guarantee Agreement with Citicorp International Limited (as agent for and on behalf of certain financial institutions) to guarantee the ₱7,059.4 million (£103 million) loan of Parent Company's wholly owned, UK-based indirect subsidiary Marlow Foods Ltd. The Guarantor undertakes with each Finance Party that whenever the Borrower does not pay any amount when due or in connection with any finance document, the Guarantor shall promptly on demand pay the amounts as if it was the principal obligor. The Parent Guarantee has no financial impact as at December 31, 2021.

Geopolitical Situation in Ukraine and Russia

The business experienced significant inflation for Q1 2022 for wheat/flour, edible oils and energy costs. The management's response as cost containment is to enter locked in prices and hedged wheat until end of Q3 2022 and palm oil until end of Q2 2022. The Parent Company also locked in lower energy cost from sustainable source by Q3 2022. The Parent Company also continues to stockpile USD for natural hedge against PHP depreciation.

Considering the evolving nature of this event, the Parent Company will continue to monitor the situation.

28. Supplementary Information Required under RR 15-2010

The Parent Company reported and/or paid the following types of taxes in 2021:

a. VAT

Output VAT. Sales and output VAT declared in the Parent Company's VAT returns follow:

	Net Sales/ Receipts	Output VAT
Taxable sales and others:		
Local sales, net of sales returns	₱52,010,936	₱6,274,473
Scrap sales	140,919	—
Deemed sale	—	—
Miscellaneous income	135,422	—
	52,287,277	6,274,473
Zero-rated sales	622,596	—
Exempt sales	552,106	—
	₱53,461,979	₱6,274,473



Zero-rated sales of goods consist of actual export sales and sales to entities under Subic Bay Metropolitan Authority (SBMA) whose exemptions are provided under special laws or international agreements to which the Philippines is a signatory.

VAT-exempt sales pertain to sales of swine and poultry feeds whose exemptions are provided under Section 109(1)(B) of the National Internal Revenue Code, as amended.

Input VAT. The details of the Parent Company's input VAT follow:

	Purchases	Input VAT
Balance at beginning of year		₱—
Input tax carryover from previous period subject to amortization		227,650
Current year's purchases/payments for:		
Importation of goods other than capital goods	11,154,000	1,311,649
Domestic purchases of goods other than capital goods	21,794,212	2,615,306
Domestic purchase of services	9,452,411	1,134,289
Capital goods subject to amortization		
Domestic purchase of capital goods	1,175,347	141,042
Importation of capital goods	860,584	104,659
Services rendered by nonresidents	198,571	23,828
Purchases not qualified for input tax	1,796,208	—
Total	46,431,333	5,558,423
Input VAT on the purchase of capital goods deferred for the next succeeding period:		
Domestic purchase of capital goods		(144,230)
Importation of capital goods		(215,474)
Application against output VAT		(5,176,133)
Balance at end of year		₱22,586

b. Information on the Parent Company's importations

	Import of Goods	Import of Capital Goods
Cost of importation, at net	₱11,141,600	₱854,067
Custom duties	11,026	6,462
Import processing fee	1,374	55
	₱11,154,000	₱860,584

c. Taxes and licenses

Municipal licenses/business permit	₱146,478
Real property taxes	94,527
Documentary stamp taxes	50,469
Others	6,056
	₱297,530



d. Documentary stamp taxes (DST)

	Amount	DST thereon
Acquisition of assets	₱773,504	₱11,602
Original issue of all debt instruments	322,612	2,420
Original issue of shares of stocks	2,414,306	24,143
Sales agreement to sell	1,023,323	7,675
Transfer of shares of stocks not traded through local stock exchange	450,000	3,375
	4,983,745	49,215
DST remitted by other party, charged to MNC		4,629
	₱4,983,745	₱53,844

e. Withholding taxes

Final withholding taxes	₱1,483,045
Expanded withholding taxes	489,415
Taxes on compensation and benefits	422,533
Fringe benefits	167,357
	₱2,562,350

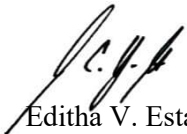


INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
Monde Nissin Corporation
Felix Reyes St., Barangay Balibago
City of Santa Rosa, Laguna

We have audited in accordance with Philippine Standards on Auditing, the parent company financial statements of Monde Nissin Corporation (the Company) as at and for the years ended December 31, 2021 and 2020 and have issued our report thereon dated May 10, 2022. Our audits were made for the purpose of forming an opinion on the parent company financial statements taken as a whole. The schedule of retained earnings available for dividend declaration is the responsibility of the Company's management. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68, and is not part of the basic parent company financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic parent company financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic parent company financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Editha V. Estacio

Partner

CPA Certificate No. 91269

Tax Identification No. 178-486-845

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 91269-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-094-2020, July 27, 2020, valid until July 26, 2023

PTR No. 8853492, January 3, 2022, Makati City

May 10, 2022



MONDE NISSIN CORPORATION**SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR
DIVIDEND DECLARATION****DECEMBER 31, 2021****(Amounts in Thousands)**

Unappropriated Retained Earnings (RE), as adjusted, as at December 31, 2020	₱4,774,501
Net income actually earned during the year -	
Net income during the period closed to RE	2,900,546
Less non-actual income/Add non-actual losses:	
Movement in deferred tax asset	381,737
Gain on loan modification	155,648
Unrealized foreign exchange gain	199,857
Net income actually earned during the year	3,637,788
Add (less):	
Dividend declared during the period	(10,060,424)
Reversal of appropriations	6,800,000
2020 appropriation for dividends	(2,500,000)
	(5,760,424)
RE available for dividend declaration as at December 31, 2021	₱2,651,865



Republic of the Philippines
Department of Finance
Bureau of Internal Revenue

For BIR
Use Only: BCS/
Item:

BIR Form No. 1702-RT January 2018(ENCS) Page 1		Annual Income Tax Return For Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate <i>Enter all required information in CAPITAL LETTERS. Mark applicable boxes with an "X". Two Copies MUST be filed with the BIR and one held by the taxpayer.</i>		 1702-RT 01/18ENCS P1	
1 For ☒ Calendar ☐ Fiscal 2 Year Ended (MM/20YY) 12/2021		3 Amended Return? ☐ Yes ☒ No 4 Short Period Return? ☐ Yes ☒ No		5 Alphanumeric Tax Code (ATC) IC055 Minimum Corporate Income Tax (MCIT) IC010	
Part I - Background Information					
6 Taxpayer Identification Number (TIN) 000 - 417 - 352 - 000				7 RDO Code 116	
8 Registered Name (Enter only 1 letter per box using CAPITAL LETTERS) MONDE NISSIN CORPORATION					
9A Registered Address (Indicate complete registered address) FELIX STREET BALIBAGO LAGUNA					
9B Zipcode 4026					
10 Date of Incorporation/Organization (MM/DD/YYYY)					
11 Contact Number 8922344			12 Email Address bless.vino@mondenissin.com		
13 Method of Deductions ☒ Itemized Deductions [Section 34 (A-J), NIRC] ☐ Optional Standard Deduction (OSD) - 40% of Gross Income [Section 34(L), NIRC as amended by RA No. 9504]					
Part II - Total Tax Payable (Do NOT enter Centavos)					
14 Total Income Tax Due (Overpayment) (From Part IV Item 43)				222,968,569	
15 Less: Total Tax Credits/Payments (From Part IV Item 55)				851,165,881	
16 Net Tax Payable (Overpayment) (Item 14 Less Item 15) (From Part IV Item 56)				(628,197,312)	
Add Penalties					
17 Surcharge				0	
18 Interest				0	
19 Compromise				0	
20 Total Penalties (Sum of Items 17 to 19)				0	
21 TOTAL AMOUNT PAYABLE (Overpayment) (Sum of Item 16 and 20)				(628,197,312)	
If Overpayment, mark "X" one box only (Once the choice is made, the same is irrevocable)					
☒ To be refunded ☐ To be issued a Tax Credit Certificate (TCC) ☐ To be carried over as tax credit next year/quarter					
We declare under the penalties of perjury, that this annual return has been made in good faith, verified by us, and to the best of our knowledge and belief, is true and correct pursuant to the provisions of the National Internal Revenue Code, as amended, and the regulations issued under authority thereof. (If Authorized Representative, attach authorization letter and indicate TIN)					
Signature over printed name of President/Principal Officer/Authorized Representative				Signature over printed name of Treasurer/Assistant Treasurer	
Title of Signatory		TIN	Title of Signatory		TIN
				22 Number of Attachments 4	
Part III - Details of Payment					
Particulars	Drawee Bank/Agency	Number	Date (MM/DD/YYYY)	Amount	
23 Cash/Bank Debit Memo				0	
24 Check				0	
25 Tax Debit Memo				0	
26 Others (Specify Below)				0	
Machine Validation/Revenue Official Receipts Details (if not filed with an Authorized Agent Bank)					
Stamp of receiving Office/AAB and Date of Receipt (RO's Signature/Bank Teller's Initial) LARGE TAXPAYER'S RECEIPT MAY 13 2022 REGISTERED MA. GRACIA AURORA L. CASTILLO					

BIR Form No. 1702-RT January 2018(ENCS) Page 2	Annual Income Tax Return Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate	 1702-RT 01/18ENCS P2
Taxpayer Identification Number (TIN) 000 - 417 - 352 - 000		Registered Name MONDE NISSIN CORPORATION
Part IV - Computation of Tax (Do NOT enter Centavos)		
27 Sales/Receipts/Revenues/Fees		53,155,288,096
28 Less: Sales Returns, Allowances and Discounts		1,716,696,005
29 Net Sales/Receipts/Revenues/Fees (Item 27 Less Item 28)		51,438,592,091
30 Less: Cost of Sales/Services		36,273,907,168
31 Gross Income from Operation (Item 29 Less Item 30)		15,164,684,923
32 Add: Other Taxable Income Not Subjected to Final Tax		1,597,488,629
33 Total Taxable Income (Sum of Items 31 and 32)		16,762,173,552
Less: Deductions Allowable under Existing Law		
34 Ordinary Allowable Itemized Deductions (From Part VI Schedule I Item 18)	15,870,299,278	
35 Special Allowable Itemized Deductions (From Part VI Schedule II Item 5)	0	
36 NOLCO (only for those taxable under Sec. 27(A to C); Sec. 28(A)(1) & (A)(6)(b) of the tax Code) (From Part VI Schedule III Item 8)	0	
37 Total Deductions (Sum of Items 34 to 36)	15,870,299,278	
OR (in case taxable under Sec 27(A) & 28(A)(1))		
38 Optional Standard Deduction (40% of Item 33)	0	
39 Net Taxable Income/(Loss) (If Itemized: Item 33 Less Item 37; If OSD: Item 33 Less Item 38)		891,874,274
40 Applicable Income Tax Rate		25 %
41 Income Tax Due other than Minimum Corporate Income Tax (MCIT) (Item 39 x Item 40)		222,968,569
42 MCIT Due (2% of Item 33)		167,621,736
43 Tax Due (Normal Income Tax Due in Item 41 OR the MCIT Due in Item 42, whichever is higher) (To Part II Item 14)		222,968,569
Less: Tax Credits/Payments (attach proof)		
44 Prior Year's Excess Credits Other Than MCIT	159,979,200	
45 Income Tax Payment under MCIT from Previous Quarter/s	0	
46 Income Tax Payment under Regular/Normal Rate from Previous Quarter/s	172,956,715	
47 Excess MCIT Applied this Current Taxable Year (From Part VI Schedule IV Item 4)	0	
48 Creditable Tax Withheld from Previous Quarter/s per BIR Form No. 2307	368,406,339	
49 Creditable Tax Withheld per BIR Form No. 2307 for the 4th Quarter	148,317,231	
50 Foreign Tax Credits, if applicable	1,506,396	
51 Tax Paid in Return Previously Filed, if this is an Amended Return	0	
52 Special Tax Credits (To Part V Item 58)	0	
Other Credits/Payments (Specify)		
53	0	
54	0	
55 Total Tax Credits/Payments (Sum of Items 44 to 54) (To Part II Item 15)		851,165,881
56 Net Tax Payable / (Overpayment) (Item 43 Less Item 55) (To Part II Item 16)		(628,197,312)
Part V - Tax Relief Availment		
57 Special Allowable Itemized Deductions (Item 35 of Part IV x Applicable Income Tax Rate)	0	
58 Add: Special Tax Credits (From Part IV Item 52)	0	
59 Total Tax Relief Availment (Sum of Items 57 and 58)	0	

BIR Form No. 1702-RT January 2018(ENCS) Page 3	Annual Income Tax Return Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate	 1702-RT 01/18ENCS P3
Taxpayer Identification Number (TIN) 000 - 417 - 352 - 000		Registered Name MONDE NISSIN CORPORATION
Schedule I - Ordinary Allowable Itemized Deductions (Attach additional sheet/s, if necessary)		
1 Amortizations		181,220,298
2 Bad Debts		0
3 Charitable Contributions		3,787,448
4 Depletion		0
5 Depreciation		205,516,755
6 Entertainment, Amusement and Recreation		100,353,026
7 Fringe Benefits		192,892,878
8 Interest		5,401,148,598
9 Losses		0
10 Pension Trust		0
11 Rental		138,057,428
12 Research and Development		119,936,602
13 Salaries, Wages and Allowances		1,217,879,576
14 SSS, GSIS, Philhealth, HDMF and Other Contributions		26,126,738
15 Taxes and Licenses		127,180,688
16 Transportation and Travel		117,046,723
17 Others (Deductions Subject to Withholding Tax and Other Expenses) (Specify below; Add additional sheet(s), if necessary)		
a Janitorial and Messengerial Services		24,793,299
b Professional Fees		666,972,301
c Security Services		6,867,590
d OTHERS - ADVERTISING & PROMOTIONS		2,233,465,141
e OTHERS - COMMUNICATION, LIGHT & WATER		111,646,956
f OTHERS - DEALER SUPPORT DISPLAY ALLOW, LISTING FEE		912,300,201
g OTHERS - DIRECTOR'S FEE		9,600,000
h OTHERS - INSURANCE		17,168,960
i OTHERS		4,056,338,072
		
i.1 OTHERS - MERCHANDISING		528,891,103
i.2 OTHERS - MISCELLANEOUS		76,749,514
i.3 OTHERS - NON MONETARY BENEFITS		242,283,675
i.4 OTHERS - OFFICE SUPPLIES		9,991,479
i.5 OTHERS - OTHER SERVICES		247,912,795
i.6 OTHERS - OTHER SUPPLIES		25,795,992
i.7 OTHERS - REALIZED FOREIGN EXCHANGE LOSS		325,999,142
i.8 OTHERS - REPAIRS & MAINTENANCE		170,613,048
i.9 OTHERS - ROYALTY		8,642,501
i.10 OTHERS - TRAINING		3,535,393
i.11 OTHERS - TRUCKING AND SHIPPING		1,812,544,725
i.12 OTHERS - WAREHOUSE HANDLING FEE AND SUPPLIES		543,611,795
i.13 OTHERS - OTHERS		16,066,068
i.14 UPFRONT AND HEDGING		43,700,842
18 Total Ordinary Allowable Itemized Deductions (Sum of Items 1 to 17) (To Part IV Item 34)		15,870,299,278
Schedule II - Special Allowable Itemized Deductions (Attach additional sheet/s, if necessary)		
Description	Legal Basis	Amount
1		0
2		0
3		0
4		0
		
5 Total Special Allowable Itemized Deductions (Sum of Items 1 to 4) (To Part IV Item 35)		0

BIR Form No. 1702-RT January 2018(ENCS) Page 4	Annual Income Tax Return Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate	 1702-RT 01/18ENCS P4
Taxpayer Identification Number (TIN) 000 -417 -352 -000		Registered Name MONDE NISSIN CORPORATION

Schedule III - Computation of Net Operating Loss Carry Over (NOLCO)	
1 Gross Income (From Part IV Item 33)	0
2 Less: Ordinary Allowable Itemized Deductions (From Part VI Schedule I Item 18)	0
3 Net Operating Loss (Item 1 Less Item 2) (To Schedule IIIA, Item 7A)	0

Schedule IIIA - Computation of Available Net Operating Loss Carry Over (NOLCO) (DO NOT enter Centavos; 49 Centavos or Less drop down; 50 or more round up)		
Net Operating Loss		B) NOLCO Applied Previous Year
Year Incurred	A) Amount	
4	0	0
5	0	0
6	0	0
7	0	0

Continuation of Schedule IIIA (Item numbers continue from table above)

C) NOLCO Expired	D) NOLCO Applied Current Year	E) Net Operating Loss (Unapplied) [E = A Less (B + C + D)]
4	0	0
5	0	0
6	0	0
7	0	0
8 Total NOLCO (Sum of Items 4D to 7D) (To Part IV, Item 36)	0	

Schedule IV - Computation of Minimum Corporate Income Tax (MCIT)			
Year	A) Normal Income Tax as adjusted	B) MCIT	C) Excess MCIT over Normal Income Tax
1	0	0	0
2	0	0	0
3	0	0	0

Continuation of Schedule IV (Item numbers continue from table above)

D) Excess MCIT Applied/Used in Previous Years	E) Expired Portion of Excess MCIT	F) Excess MCIT Applied this Current Taxable Year	G) Balance of Excess MCIT Allowable as Tax Credit for Succeeding Year/s [G = C Less (D + E + F)]
1	0	0	0
2	0	0	0
3	0	0	0
Total Excess MCIT Applied (Sum of Items 1F to 3F) (To Part IV Item 47)		0	

Schedule V - Reconciliation of Net Income per Books Against Taxable Income (attach additional sheet/s, if necessary)	
1 Net Income/(Loss) per books	3,165,026,277
Add: Non-deductible Expenses/Taxable Other Income	
2 DONATION W/O CERT OF DONATION & NOTICE OF DONATION	6,500,583
3 OTHERS	1,021,965,375
3.1 OTHER BANK FEES	
3.1	24,417,910
3.2 INTEREST EXPENSE	
3.2	16,057,629
3.3 CWT WRITE OFF	
3.3	5,267,552
3.4 INVENTORY LOSS W/O BIR DESTRUCTION CERT	
3.4	32,259,834
3.5 BREAD LOSS	
3.5	2,500,461
3.6 BONUS ACCRUAL IN YR 2021	
3.6	274,186,977
3.7 PFRS 15 - MT ACCRUAL IN YR 2021	
3.7	65,163,707
3.8 ADVANCES FROM CUSTOMERS	
3.8	77,716,182
3.9 UNREALIZED FOREX GAIN IN 2020, REALIZED IN 21	
3.9	35,203,768
3.10 UNREALIZED FOREIGN EXCHANGE LOSS IN 2021	
3.10	10,695,856
3.11 GAIN ON LOAN MODIFICATION, FULLY PAID IN 2021	
3.11	155,647,568
3.12 PROVISION ON INVENTORY OBSOLESCENCE	
3.12	47,641,922
3.13 IMPAIRMENT LOSS ON PPE	
3.13	52,427,080
3.14 RETIREMENT FUND	
3.14	143,561,198
3.15 PFRS 15 - ON RETURNS AND DISCOUNTS	
3.15	24,182,272
3.16 PFRS 16 - LEASE LIABILITY	
3.16	55,035,459
4 Total (Sum of Items 1 to 3)	4,193,492,235
Less: A) Non-Taxable Income and Income Subjected to Final Tax	
5 LOSS ON REDEMPTION OF CONVERTIBLE NOTE	365,907,483

6	OTHERS *	2,935,710,478
6.1	INTEREST ON DEFICIENCY TAX ACCRUE Y20 PD Y21	16,330,953
6.2	REVERSAL OF IMPAIRMENT LOSS ON ADVANCES ND 21	77,369,328
6.3	INTEREST INCOME SUBJECTED TO FINAL TAX	64,464,610
6.4	REVERSAL OF NONDED MT ACCRUAL IN YR 20 PFRS15	202,999,937
6.5	DIVIDEND INCOME FROM DOMESTIC CORP.	2,018,360,748
6.6	REVERSAL OF NONDEDBONUS ACCRUAL IN YR 2020	325,337,812
6.7	UNREALIZED FOREX LOSS IN 2020, REALIZED IN 2021(S	80,294,797
6.8	UNREALIZED FOREIGN EXCHANGE GAIN IN 2021	112,186,425
6.9	UNREALIZED MTM GAIN ON FINANCIAL ASSETS AT FVPL	866
6.10	PFRS 9 - EXPECTED CREDIT LOSS/BAD DEBTS	38,365,002
B) Special Deductions		
7		0
8		0
9 Total (Sum of Items 5 to 8)		3,301,617,961
10 Net Taxable Income/(Loss) (Item 4 Less Item 9)		891,874,274

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

FILING REFERENCE NO.

TIN	: 000-417-352-000
Name	: MONDE NISSIN CORPORATION
RDO	: 116
Form Type	: 1702
Reference No.	: 462200047540691
Amount Payable (Over Remittance)	: -628,197,312.00
Accounting Type	: C - Calendar
For Tax Period	: 12/31/2021
Date Filed	: 05/02/2022
Tax Type	: IT

[[BIR Main](#) | [eFPS Login](#) | [User Menu](#) | [Help](#)]





Reference No : 462200047273069
Date Filed : April 15, 2022 05:23 PM
Batch Number : 0



Republic of the Philippines
Department of Finance
Bureau of Internal Revenue

For BIR Use Only: BCS/Item:

BIR Form No. 1702-RT January 2018(ENCS) Page 1		Annual Income Tax Return For Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate <i>Enter all required information in CAPITAL LETTERS. Mark applicable boxes with an "X". Two Copies MUST be filed with the BIR and one held by the taxpayer.</i>		 1702-RT 01/18ENCS P1	
1 For ☒ Calendar ☐ Fiscal 2 Year Ended (MM/20YY) 12/2021		3 Amended Return? ☐ Yes ☒ No 4 Short Period Return? ☐ Yes ☒ No		5 Alphanumeric Tax Code (ATC) IC055 Minimum Corporate Income Tax (MCIT) ☐ IC010 ☒ DOMESTIC CORPORATION IN GENERAL	
Part I - Background Information					
6 Taxpayer Identification Number (TIN) 000 - 417 - 352 - 000				7 RDO Code 116	
8 Registered Name (Enter only 1 letter per box using CAPITAL LETTERS) MONDE NISSIN CORPORATION					
9A Registered Address (Indicate complete registered address) FELIX STREET BALIBAGO LAGUNA					
9B Zipcode 4026					
10 Date of Incorporation/Organization (MM/DD/YYYY)				05/23/1979	
11 Contact Number 8922344			12 Email Address bless.vino@mondennisin.com		
13 Method of Deductions ☒ Itemized Deductions [Section 34 (A-J), NIRC] ☐ Optional Standard Deduction (OSD) - 40% of Gross Income [Section 34(L), NIRC as amended by RA No. 9504]					
Part II - Total Tax Payable (Do NOT enter Centavos)					
14 Total Income Tax Due (Overpayment) (From Part IV Item 43)				222,968,569	
15 Less: Total Tax Credits/Payments (From Part IV Item 55)				851,165,881	
16 Net Tax Payable (Overpayment) (Item 14 Less Item 15) (From Part IV Item 56)				(628,197,312)	
Add Penalties					
17 Surcharge				0	
18 Interest				0	
19 Compromise				0	
20 Total Penalties (Sum of Items 17 to 19)				0	
21 TOTAL AMOUNT PAYABLE (Overpayment) (Sum of Item 16 and 20)				(628,197,312)	
If Overpayment, mark "X" one box only (Once the choice is made, the same is irrevocable) ☐ To be refunded ☒ To be issued a Tax Credit Certificate (TCC) ☐ To be carried over as tax credit next year/quarter					
We declare under the penalties of perjury, that this annual return has been made in good faith, verified by us, and to the best of our knowledge and belief, is true and correct pursuant to the provisions of the National Internal Revenue Code, as amended, and the regulations issued under authority thereof. (If Authorized Representative, attach authorization letter and indicate TIN)					
Signature over printed name of President/Principal Officer/Authorized Representative				Signature over printed name of Treasurer/Assistant Treasurer	
Title of Signatory				Title of Signatory	
TIN				TIN	
				22 Number of Attachments 4	
Part III - Details of Payment					
Particulars		Drawee Bank/Agency	Number	Date (MM/DD/YYYY)	Amount
23 Cash/Bank Debit Memo					0
24 Check					0
25 Tax Debit Memo					0
26 Others (Specify Below)					0
Machine Validation/Revenue Official Receipts Details (if not filed with an Authorized Agent Bank)					
Stamp of receiving Office/AAB and Date of Receipt (RO's Signature/Bank Teller's Initial)					

Stamp of receiving Office/AAB and Date of Receipt (RO's Signature/Bank Teller's Initial)
LARGE TAXPAYER SERVICE
Date MAY 13 2022
REGISTERED
MA. GRACIA AURORA L. CASTILLO

BIR Form No. 1702-RT January 2018(ENCS) Page 2	Annual Income Tax Return Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate	 1702-RT 01/18ENCS P2
Taxpayer Identification Number (TIN) 000 - 417 - 352 - 000		Registered Name MONDE NISSIN CORPORATION
Part IV - Computation of Tax (Do NOT enter Centavos)		
27 Sales/Receipts/Revenues/Fees		53,155,288,096
28 Less: Sales Returns, Allowances and Discounts		1,716,696,005
29 Net Sales/Receipts/Revenues/Fees (Item 27 Less Item 28)		51,438,592,091
30 Less: Cost of Sales/Services		36,255,455,368
31 Gross Income from Operation (Item 29 Less Item 30)		15,183,136,723
32 Add: Other Taxable Income Not Subjected to Final Tax		1,597,488,629
33 Total Taxable Income (Sum of Items 31 and 32)		16,780,625,352
Less: Deductions Allowable under Existing Law		
34 Ordinary Allowable Itemized Deductions (From Part VI Schedule I Item 18)	15,888,751,078	
35 Special Allowable Itemized Deductions (From Part VI Schedule II Item 5)	0	
36 NOLCO (only for those taxable under Sec. 27(A to C); Sec. 28(A)(1) & (A)(6)(b) of the tax Code) (From Part VI Schedule III Item 8)	0	
37 Total Deductions (Sum of Items 34 to 36)	15,888,751,078	
OR [in case taxable under Sec 27(A) & 28(A)(1)]		
38 Optional Standard Deduction (40% of Item 33)	0	
39 Net Taxable Income(Loss) (If Itemized: Item 33 Less Item 37; If OSD: Item 33 Less Item 38)		891,874,274
40 Applicable Income Tax Rate		25 %
41 Income Tax Due other than Minimum Corporate Income Tax (MCIT) (Item 39 x Item 40)		222,968,569
42 MCIT Due (2% of Item 33)		167,806,254
43 Tax Due (Normal Income Tax Due in Item 41 OR the MCIT Due in Item 42, whichever is higher) (To Part II Item 14)		222,968,569
Less: Tax Credits/Payments (attach proof)		
44 Prior Year's Excess Credits Other Than MCIT	159,979,200	
45 Income Tax Payment under MCIT from Previous Quarter/s	0	
46 Income Tax Payment under Regular/Normal Rate from Previous Quarter/s	172,956,715	
47 Excess MCIT Applied this Current Taxable Year (From Part VI Schedule IV Item 4)	0	
48 Creditable Tax Withheld from Previous Quarter/s per BIR Form No. 2307	368,406,339	
49 Creditable Tax Withheld per BIR Form No. 2307 for the 4th Quarter	148,317,231	
50 Foreign Tax Credits, if applicable	1,506,396	
51 Tax Paid in Return Previously Filed, if this is an Amended Return	0	
52 Special Tax Credits (To Part V Item 58)	0	
Other Credits/Payments (Specify)		
53	0	
54	0	
55 Total Tax Credits/Payments (Sum of Items 44 to 54) (To Part II Item 15)		851,165,881
56 Net Tax Payable / (Overpayment) (Item 43 Less Item 55) (To Part II Item 16)		(628,197,312)
Part V - Tax Relief Availment		
57 Special Allowable Itemized Deductions (Item 35 of Part IV x Applicable Income Tax Rate)	0	
58 Add: Special Tax Credits (From Part IV Item 52)	0	
59 Total Tax Relief Availment (Sum of Items 57 and 58)	0	

BIR Form No. 1702-RT January 2018(ENCS) Page 3	Annual Income Tax Return Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate	 1702-RT 01/18ENCS P3
Taxpayer Identification Number (TIN) 000 - 417 - 352 - 000		Registered Name MONDE NISSIN CORPORATION

Schedule I - Ordinary Allowable Itemized Deductions (Attach additional sheet/s, if necessary)		
1	Amortizations	181,220,298
2	Bad Debts	0
3	Charitable Contributions	3,787,448
4	Depletion	0
5	Depreciation	205,516,755
6	Entertainment, Amusement and Recreation	100,353,026
7	Fringe Benefits	192,892,878
8	Interest	469,685,694
9	Losses	18,451,800
10	Pension Trust	0
11	Rental	138,057,428
12	Research and Development	119,936,602
13	Salaries, Wages and Allowances	1,217,879,576
14	SSS, GSIS, Philhealth, HDMF and Other Contributions	26,126,738
15	Taxes and Licenses	127,180,688
16	Transportation and Travel	117,046,723
17	Others (Deductions Subject to Withholding Tax and Other Expenses) [Specify below; Add additional sheet(s), if necessary]	
a	Janitorial and Messengerial Services	24,793,299
b	Professional Fees	666,972,301
c	Security Services	6,867,590
d	OTHERS - ADVERTISING & PROMOTIONS	2,233,465,141
e	OTHERS - COMMUNICATION, LIGHT & WATER	111,646,956
f	OTHERS - DEALER SUPPORT DISPLAY ALLOW LFEE SUBS	912,300,201
g	OTHERS - DIRECTOR'S FEE	9,600,000
h	OTHERS - INSURANCE	17,168,960
i	OTHERS	8,987,800,976
Ⓜ		
i.1	OTHERS - MERCHANDISING	528,891,103
i.2	OTHERS - MISCELLANEOUS	76,749,514
i.3	OTHERS - NON MONETARY BENEFITS	242,283,675
i.4	OTHERS - OFFICE SUPPLIES	9,991,479
i.5	OTHERS - OTHER SERVICES	247,912,795
i.6	OTHERS - OTHER SUPPLIES	25,795,992
i.7	OTHERS - REALIZED FOREIGN EXCHANGE LOSS	325,999,142
i.8	OTHERS - REPAIRS& MAINTENANCE	170,613,048
i.9	OTHERS - ROYALTY	8,642,501
i.10	OTHERS - TRAINING	3,535,393
i.11	OTHERS - TRUCKING AND SHIPPING	1,812,544,725
i.12	OTHERS - WAREHOUSE HANDLING FEE AND SUPPLIES	543,611,795
i.13	OTHERS - OTHERS	16,066,068
i.14	LOSS ON REDEMPTION OF CONVERTIBLE NOTE	4,229,250,042
i.15	VARIABLE INTEREST ON CONVERTIBLE NOTE	702,212,862
i.16	UPFRONT AND HEDGING	43,700,842
18	Total Ordinary Allowable Itemized Deductions (Sum of Items 1 to 17) (To Part IV Item 34)	15,888,751,078

Schedule II - Special Allowable Itemized Deductions (Attach additional sheet/s, if necessary)		
Description	Legal Basis	Amount
1		0
2		0
3		0
4		0
5 Total Special Allowable Itemized Deductions (Sum of Items 1 to 4) (To Part IV Item 35)		0

BIR Form No. 1702-RT January 2018(ENCS) Page 4	Annual Income Tax Return Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate	 1702-RT 01/18ENCS P4
Taxpayer Identification Number (TIN) 000 - 417 - 352 - 000		Registered Name MONDE NISSIN CORPORATION

Schedule III - Computation of Net Operating Loss Carry Over (NOLCO)	
1 Gross Income (From Part IV Item 33)	0
2 Less: Ordinary Allowable Itemized Deductions (From Part VI Schedule I Item 18)	0
3 Net Operating Loss (Item 1 Less Item 2) (To Schedule IIIA, Item 7A)	0

Schedule IIIA - Computation of Available Net Operating Loss Carry Over (NOLCO) (DO NOT enter Centavos; 49 Centavos or Less drop down; 50 or more round up)		
Net Operating Loss		B) NOLCO Applied Previous Year
Year Incurred	A) Amount	
4	0	0
5	0	0
6	0	0
7	0	0

Continuation of Schedule IIIA (Item numbers continue from table above)

C) NOLCO Expired	D) NOLCO Applied Current Year	E) Net Operating Loss (Unapplied) [E = A Less (B + C + D)]
4	0	0
5	0	0
6	0	0
7	0	0
8 Total NOLCO (Sum of Items 4D to 7D) (To Part IV, Item 36)	0	

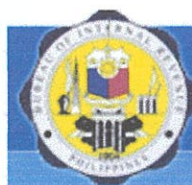
Schedule IV - Computation of Minimum Corporate Income Tax (MCIT)			
Year	A) Normal Income Tax as adjusted	B) MCIT	C) Excess MCIT over Normal Income Tax
1	0	0	0
2	0	0	0
3	0	0	0

Continuation of Schedule IV (Item numbers continue from table above)

D) Excess MCIT Applied/Used in Previous Years	E) Expired Portion of Excess MCIT	F) Excess MCIT Applied this Current Taxable Year	G) Balance of Excess MCIT Allowable as Tax Credit for Succeeding Year/s [G = C Less (D + E + F)]
1	0	0	0
2	0	0	0
3	0	0	0
Total Excess MCIT Applied (Sum of Items 1F to 3F) (To Part IV Item 47)		0	

Schedule V - Reconciliation of Net Income per Books Against Taxable Income (attach additional sheet/s, if necessary)	
1 Net Income/(Loss) per books	3,165,026,277
Add: Non-deductible Expenses/Taxable Other Income	
2 DONATION W/O CERTIFICATE OF DONATION & NOTICE OF D	6,500,583
3 OTHERS	1,021,965,375
	
3.1 OTHER BANK FEES	24,417,910
3.2 INTEREST EXPENSE	16,057,629
3.3 CWT WRITE OFF	5,267,552
3.4 INVENTORY LOSS W/O BIR DESTRUCTION CERT	32,259,834
3.5 BREAD LOSS	2,500,461
3.6 BONUS ACCRUAL IN YR 2021	274,186,977
3.7 PFRS 15 - MT ACCRUAL IN YR 2021	65,163,707
3.8 ADVANCES FROM CUSTOMERS	77,716,182
3.9 UNREALIZED FOREX GAIN IN 2020 REALIZED 2021	35,203,768
3.10 UNREALIZED FOREX LOSS IN 2021	10,695,856
3.11 GAIN ON LOAN MODIFICATION, FULLY PAID IN YR 2021	155,647,568
3.12 PROVISION ON INVENTORY OBSOLESCENCE	47,641,922
3.13 IMPAIRMENT LOSS ON PPE	52,427,080
3.14 RETIREMENT FUND	143,561,198
3.15 PFRS 15 - ON RETURNS AND DISCOUNTS	24,182,272
3.16 PFRS 16 - LEASE LIABILITY	55,035,459
4 Total (Sum of Items 1 to 3)	4,193,492,235
Less: A) Non-Taxable Income and Income Subjected to Final Tax	
5 LOSS ON REDEMPTION OF CONVERTIBLE NOTE	365,907,483

6	OTHERS	2,935,710,478
6.1	INTEREST ON DEFICIENCY TAX ACCRUE IN 20, PAID 21	16,330,953
6.2	REVERSAL OF IMPAIRMENT LOSS ON ADVANCES ND 20	77,369,328
6.3	INTEREST INCOME SUBJECTED TO FINAL TAX	64,464,610
6.4	REVERSAL OF ND MT ACCRUAL IN YR 2020 PFRS 15	202,999,937
6.5	DIVIDEND INCOME FROM DOMESTIC CORP.	2,018,360,748
6.6	REVERSAL OF ND BONUS ACCRUAL IN YR 2020	325,337,812
6.7	UNREALIZED FOREX LOSS IN 2020, REALIZED IN 21(STP	80,294,797
6.8	UNREALIZED FOREX GAIN IN 2021	112,186,425
6.9	UNREALIZED MTM GAIN ON FINANCIAL ASSETS AT FVPL	866
6.10	PFRS 9 - EXPECTED CREDIT LOSS/BAD DEBTS	38,365,002
B) Special Deductions		
7		0
8		0
9	Total (Sum of Items 5 to 8)	3,301,617,961
10	Net Taxable Income/(Loss) (Item 4 Less Item 9)	891,874,274



Bureau of Internal Revenue
Republic of the Philippines

[Home](#) | [Login](#) | [Revenue Issuances](#) | [FAQs](#) | [Job Aids](#) | [BIR Main](#) | [Downloads](#) | [Logout](#)

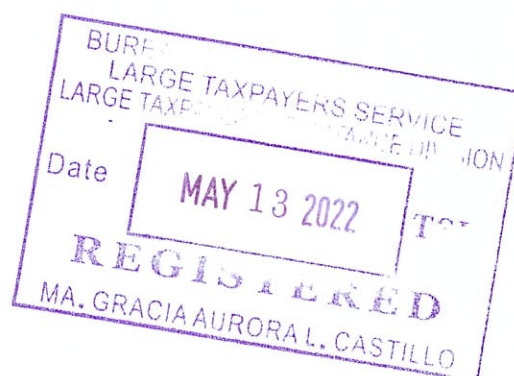
efps

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

FILING REFERENCE NO.

TIN	: 000-417-352-000
Name	: MONDE NISSIN CORPORATION
RDO	: 116
Form Type	: 1702
Reference No.	: 462200047273069
Amount Payable (Over Remittance)	: -628,197,312.00
Accounting Type	: C - Calendar
For Tax Period	: 12/31/2021
Date Filed	: 04/15/2022
Tax Type	: IT

[[BIR Main](#) | [eFPS Login](#) | [User Menu](#) | [Help](#)]



Bless Ian Vino

From: eSubmission <esubmission@bir.gov.ph>
Sent: Thursday, May 12 2022 3:24 pm
To: Bless Ian Vino
Subject: eSubmission Validation Report



WARNING. Do not click any links or open any attachments unless you trust the sender and know the content is safe.

ACKNOWLEDGEMENT RECEIPT NUMBER: 20220512-H028792

This is to confirm receipt of the file(s) as stated below:

Total attachment/file(s) received : 3

No. of valid file(s) : 3

No. of invalid file(s) : 0

We have validated your submission in compliance with existing BIR regulations.

Find below the details of your submission:

Date of Submission: 05/02/2022 2:29:13 PM

Filename(s):

- Attachment : 00041735200001020211702.DAT
00041735200001020211702.DAT - VALID
CONFIRMATION RECEIPT NUMBER - 2022-0000101749
- Attachment : 00041735200001220211702.DAT
00041735200001220211702.DAT - VALID
CONFIRMATION RECEIPT NUMBER - 2022-0000101750
- Attachment : 00041735200001120211702.DAT
00041735200001120211702.DAT - VALID
CONFIRMATION RECEIPT NUMBER - 2022-0000101751

VALIDATION REPORT:

- Attachment : 00041735200001020211702.DAT

TIN of Withholding Agent TIN: 000417352-0000

Alphalist Form : 1702

Taxable Month : 10/2021

LINE NUM	SCHEDULE	ERROR DESCRIPTION



0000000000 No Errors Encountered

2. Attachment : 00041735200001220211702.DAT

TIN of Withholding Agent TIN: 000417352-0000
Alphalist Form : 1702
Taxable Month : 12/2021

LINE NUM	SCHEDULE	ERROR DESCRIPTION
0000000000		No Errors Encountered

3. Attachment : 00041735200001120211702.DAT

TIN of Withholding Agent TIN: 000417352-0000
Alphalist Form : 1702
Taxable Month : 11/2021

LINE NUM	SCHEDULE	ERROR DESCRIPTION
0000000000		No Errors Encountered



Thank You.

** REMINDER: Starting January 8, 2021, the Alphalist Data Entry and Validation Module is now updated to version 7.0.

** You might have used an older version. For the new file structure and naming convention, please visit the BIR website

** at www.bir.gov.ph and look for Revenue Memorandum Circular No. 7-2021 or you may directly visit

** <http://bit.ly/RMC72021> (Full Text) <http://bit.ly/RMC72021A> (Annex A), <http://bit.ly/RMC72021B> (Annex B).

This is a system generated report. For inquiries, please email us at contact_us@bir.gov.ph
or call us at 8981-7003 / 8981-7020 / 8981-7030 / 8981-7040 / 8981-7046 / 8981-7419 / 8981-7452 / 8981-7478.

=====

DISCLAIMER

=====

This email and its attachments may be confidential and are intended solely for the use of the individual or entity to whom it is addressed.

If you are not the intended recipient of this email and its attachments, you must take no action based upon them, nor must you disseminate, distribute or copy this e-mail. Please contact the sender immediately if you believe you have received this email in error.

E-mail transmission cannot be guaranteed to be secure or error-free. The recipient should check this email and any attachments for the presence of viruses. The Bureau of Internal Revenue does not accept liability for any errors or omissions in the contents of this message which arise as a result of e-mail transmission.

For Encrypted Emails click [here](#) for instructions

===== DISCLAIMER ===== This email and its attachments may be confidential and are intended solely for the use of the individual or entity to whom it is addressed. If you are not the intended recipient of this email and its attachments, you must take no action based upon them, nor must you disseminate, distribute or copy this e-mail. Please contact the sender immediately if you believe you have received this email in error. E-mail transmission cannot be guaranteed to be secure or error-free. The recipient should check this email and any attachments for the presence of viruses. The Bureau of Internal Revenue does not accept liability for any errors or omissions in the contents of this message which arise as a result of e-mail transmission.

SWORN DECLARATION

REPUBLIC OF THE PHILIPPINES
CITY OF QUEZON CITY

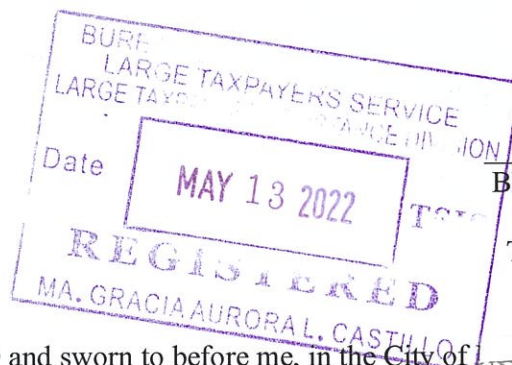
I, Bless-Ian G. Vino, Filipino, of legal age designated as Tax Manager of Monde Nissin Corporation, with business address at Felix Reyes Street, Balibago, City of Sta. Rosa, Laguna Philippines, do hereby certify the following

That in compliance with the requirements of Revenue Regulations No. 2-2015, submitted herewith is one DVD-R containing 10,464 copies of scanned BIR form 2307 covering the periods from October to December 31, 2021.

That the contents of the DVD-R being submitted herewith conform to the conditions/specification requirements set by the Bureau of Internal Revenue.

That the soft copies of the BIR form 2307 contained in the DVD-R being submitted herewith are the complete and exact copies of the original thereof.

I HEREBY DECLARE UNDER THE PENALTIES THAT THE FOREGOING ATTESTATIONS ARE TRUE AND CORRECT.




BLESS-IAN G. VINO

TIN: 243-403-230

SUBSCRIBED and sworn to before me, in the City of Quezon City, this 2nd day of May, 2022 with Passport ID No. P3755936A issued at DFA Manila on 26 day of July 2017.

Notary public

Doc. No. 396
Page No. 87
Book No. 11
Series of WNR


ATTY. GARRY LUSA S. ALEGRE
Notary Public, Quezon City
Commission No. 14-035 (2021 - 2022)
IBP No. 142463 / 12-08-2021
Roll No. 53668 / Albay
PTR No. 2904985 / 1-03-2022 / Parañaque City
MCLE No. VI-0002539 / 2-24-2020
3rd Floor, SOLMAR Building, Dapitan Street,
corner Batawa, Quezon City

000-417-352

**LIST OF CERTIFICATE OF CREDITABLE TAX WITHHELD AT SOURCE APPLIED
4TH QTR 2021 CORPORATE INCOME TAX**

<u>CUSTOMER NAME</u>	<u>TAX BASE</u>	<u>EWT</u>
621 FOODCHOW OPC	7,524,778.11	75,247.81
ABRI COMMERCIAL, INC.	123,763,174.00	1,237,631.74
AH SHOPPERS'MART INCORPORATED	12,602,182.85	126,022.03
ALABANG SUPERMARKET CORPORATION	5,785,141.00	57,851.41
ALFAMART TRADING PHILIPPINES, INC.	106,381,253.17	1,063,812.78
ALL DAY MARTS	24,913,834.00	249,138.34
ALLDAY RETAIL CONCEPTS INC.	1,416,196.00	14,161.96
ALLMIGHTY MERCHANDISING CO.	2,732,941.52	27,329.42
ALMARINEZ, RAULITO, PUGAY	7,322,607.32	73,226.07
ALTURAS SUPERMARKET CORPORATION	69,514,427.89	695,144.29
AYAGOLD RETAILERS INC	3,200,810.98	32,008.06
BACOLOD PROSPERITY FEEDMILL CORPORATION	703,188.39	7,031.89
BATANGAS CITIMART SHOP-ON, INC.	13,610,398.90	136,103.99
BAYSTAR SALES, INC.	18,117,927.91	181,179.22
BELEN, EMMANUEL PANDI (MIDEAST MARKETING)	134,529,078.11	1,345,290.78
BENZ DISTRIBUTION	2,432,583.38	24,325.83
BICOLANDIA DRUG CORPORATION	921,276.00	9,212.76
BIG 8 VENTURES CO., INC.	1,381,051.62	13,810.51
BIG SAVE SUPERMARKET CORP	2,771,510.04	27,715.11
BINAKAYAN MART INC.	4,988,531.87	49,885.31
BOHOL QUALITY CORPORATION	23,648,122.12	236,481.22
C.K.SY COMMERCIAL INDUSTRIAL MGT & DEV'T CORP	10,445,810.55	104,458.07
CAGAYAN VALLEY DRUG CORPORATION	1,101,059.00	11,010.59
CAYCO'S GENERAL MERCHANDISE	5,606,778.00	56,067.78
CEBO DEVELOPMENT CORPORATION	59,332,925.73	593,329.26
CENTRAL LUZON DRUG CORPORATION	1,154,727.00	11,547.27
CENTRO ASIA DISTRIBUTION INC.	3,305,353.90	33,053.54
CHUZON SUPERMARKET CORPORATION	39,321,046.50	393,210.45
CITIMART ISLAND MALL CORPORATION	10,040,126.73	100,401.23
CITY SUPERMARKET INC.	31,415,387.34	314,153.89
CITYSUPER ALABANG INC.	10,693,896.28	106,938.96
CITYSUPER INCORPORATED	15,523,266.00	155,232.66
CITYSUPER NUVALI INC.	4,113,398.13	41,133.98
CJ PHILIPPINES INC.	51,361,572.00	513,615.72
CLYBROS MERCHANDISING, INC.	2,272,291.58	22,722.88
COSTSAVERS SUPERMARKET INC	122,412,854.50	1,224,128.50
CSI WAREHOUSE CLUB INC	85,043,836.82	850,438.39
D BEST VALUE PRODUCT INC	200,372,813.00	2,003,728.13
DAILY NEEDS TRADING CORPORATION	8,110,006.84	81,028.48
DAVAO AMIGO TRADERS	5,453,072.00	54,530.63
DAVAO CENTRAL CONVENIENCE STORES, INC.	14,351,353.00	143,513.53
DAVAO CENTRAL WAREHOUSE CLUB, INC.	32,422,357.00	324,223.57
DC INVEST INC	285,180,514.00	2,851,805.14
DCFE CORPORATION	210,556,743.75	2,105,567.44

**LIST OF CERTIFICATE OF CREDITABLE TAX WITHHELD AT SOURCE APPLIED
4TH QTR 2021 CORPORATE INCOME TAX**

<u>CUSTOMER NAME</u>	<u>TAX BASE</u>	<u>EWT</u>
DIMAX DISTRIBUTION ENTERPRISE	38,616,232.97	386,162.33
DOLE PHILIPPINES INC	526,744.17	5,267.44
DRB SALES INCORPORATED	134,936,908.95	1,349,369.08
DSG SONS GROUP INC.	42,209,852.81	422,098.51
DYNASTY MANAGEMENT & DEVELOPMENT CORP.	69,624,884.54	696,249.14
E. CHAN MARKETING	131,933,016.00	1,319,330.16
EBG SUPERMARKET STORES CORPORATION	76,012,209.88	760,122.10
EEJ FARMS INC	261,514.32	2,615.13
EMILU'S MART, INC.	13,165,339.94	131,653.39
EMILU'S SUPERMARKET SYSTEMS, INC.	8,208,449.48	82,084.43
EUNEE TRADERS AND CO INC	8,705,629.93	87,056.29
EVER COMMONWEALTH CENTER	8,205,151.91	82,051.50
EVER PLUS SUPERSTORE INC	67,361,271.36	673,612.76
F ONE MART, INC.	20,305,662.32	203,056.61
FAR EAST NOBLE HOUSE, INC.	96,150,796.31	961,508.17
FAST UNIMERCHANTS INC	348,500,434.61	3,485,004.38
FCN ORMIN DISTRIBUTION INC.	57,518,455.80	575,184.56
FELCRIS SUPERMARKETS, INC.	10,405,870.00	104,058.70
FIRSON TRADING AND SERVICES	736,517.85	7,365.18
FIRST PACIFIC FORTUNE COMMERCIAL CORP.	95,146,034.00	951,460.36
FISHER RETAIL INC.	15,953,457.00	159,534.57
FOOD PANDA PHILIPPINES INC	556,155.60	5,561.56
FOODA SAVERS MART CORPORATION	5,673,439.00	56,734.39
FRANCISCO, JERIK TEJADA	27,030,178.19	270,301.78
FRIENDSHIP SUPERMARKET INC	52,614,553.41	526,145.60
GAISANO BROS. MDSG, INC.	10,658,264.00	106,582.44
GAISANO DADIANGAS INC	7,410,225.21	74,102.26
Gannetworks Inc.	13,344.09	133.44
GENSAN FLAGSHIP DISTRIBUTOR INC	193,034,947.00	1,930,349.47
GRAND UNION SUPERMARKET, INC.	58,740,370.85	587,403.71
GRUPO MARILEN INC.	345,977,585.46	3,459,775.85
HI-TOP SUPERMART, INC.	8,842,174.00	88,421.74
ILOILO SUPERMART, INC.	1,988,161.41	19,881.61
INNOVEND CORPORATION	547,249.01	5,472.50
INTEGRA MGT AND DEVT CORP	254,100,598.86	2,541,005.99
INTERPACE CORPORATION	23,379,985.00	233,799.85
IS AREVALO PLAZA SUPERMART	4,574,688.43	45,746.88
IS TAGBAK TERMINAL SUPERMART	5,858,649.74	58,586.50
IS UNGKA II TERMINAL SUPERMART, INC.	8,418,092.79	84,180.93
ISSETANN DEPARTMENT STORE, INC.	6,367,228.00	63,672.28
J3A FOODLINE INC	4,801,540.07	48,015.37
JARO SUPERMART	4,285,508.54	42,855.09
JENRA INCORPORATED	107,706,723.00	1,077,067.23
JHG TRADING INC.	9,984,279.85	99,842.48

LIST OF CERTIFICATE OF CREDITABLE TAX WITHHELD AT SOURCE APPLIED
4TH QTR 2021 CORPORATE INCOME TAX

<u>CUSTOMER NAME</u>	<u>TAX BASE</u>	<u>EWT</u>
JOYFUL NETWORK CORP	125,357,296.00	1,253,572.96
KAREILA MANAGEMENT CORPORATION	47,031,743.07	470,317.57
KCC PROPERTY HOLDINGS INC	98,724,498.82	987,245.00
KIC TRADERS AND CO INC	3,121,975.46	31,219.77
KICEM TRADERS AND CO INC	9,673,927.15	96,739.29
KJ FAIRMART, INC.	35,511,157.51	355,111.49
KORONADAL COMMERCIAL CORPORATION	57,707,414.64	577,074.15
L.P.T. MARKETING CO., INC.	243,511,287.89	2,435,112.88
LA NUEVA SUPERMART INC	87,375,012.00	873,750.15
LANUZA, JOANNA LAGATA	15,248,800.00	152,488.00
LAOAG GENERATIONS CORPORATION	172,173,374.47	1,721,733.74
LAWSON PHILIPPINES, INC.	2,618,845.30	26,188.44
LAZADA E-SERVICES PHILIPPINES INC	4,577,906.00	45,779.06
LEGENDS SUPERMARKET CORP	11,638,403.81	116,384.07
LIBERTAD CONSUMERS CORP.	51,720,020.60	517,200.21
LINKAGE FOODS VENTURE CORPORATION	270,506.38	2,705.06
LION COMMERCIAL CORPORATION	65,417,826.38	654,178.26
LOPUE'S SAN SEBASTIAN CORP.	5,769,907.73	57,699.09
LOPUE'S VALUE STORE	11,254,377.27	112,543.77
LTS CITY FOODS, INC.	32,237.47	322.38
LTS RETAIL SPECIALISTS, INC.	134,608,298.53	1,346,084.40
MADISON SHOPPING PLAZA INC	200,862.13	2,008.58
MAGIC SALES, INC.	4,262,218.95	42,622.19
MAGICLUB INC.	29,519,240.52	295,192.39
MAGNOLIA INC	144,066.75	1,440.66
MAIN SHOPPING PRINCESS PHILS. INC	57,399.85	573.94
MAINSTREAM BUSINESS INC	273,935.95	2,739.34
MAJOR SHOPPING MANAGEMENT CORP.	109,118.46	1,091.17
MALITA CENTRAL WAREHOUSE CLUB, INC.	3,923,200.00	39,232.00
MANDURRIO STAR INC.	225,353.54	2,253.51
MANDURRIO SUPERMART	5,119,954.10	51,199.54
MANILA SOUTHERN ASSOCIATES INC.	230,913.19	2,309.14
MARCELA FARMS, INCORPORATED(PLAZA MARCELA)	7,153,545.00	71,535.45
MARKET STRATEGIC FIRM INC.	191,597.66	1,915.92
MASTER SHOPPERS VENUE INC.	52,009.16	520.10
MAUNLAD FORTUNE CORPORATION	142,595,554.07	1,425,955.54
MAYON SHOPPERS LIFESTYLE CORPORATION	72,134.13	721.34
MC MPIRE INC	207,215,686.85	2,072,156.87
MERCANTILE STORES GROUP INC.	144,138.16	1,441.35
MERCURY DRUG CORPORATION	87,810,291.00	878,102.91
MERIDIEN BUSINESS LEADER INC.	93,136.86	931.37
MERRYMART CONSUMER CORP.	25,288,761.96	252,887.68
METRO MAIN STAR ASIA CORP.	149,471.86	1,494.66
METRO MANILA SHOPPING MECCA CORP.	86,903.55	869.01

000-417-352

**LIST OF CERTIFICATE OF CREDITABLE TAX WITHHELD AT SOURCE APPLIED
4TH QTR 2021 CORPORATE INCOME TAX**

<u>CUSTOMER NAME</u>	<u>TAX BASE</u>	<u>EWT</u>
METRO RETAIL STORES GROUP, INC.	200,247,495.00	2,002,474.95
MIDDLE STORE UNITED, INC.	16,323.09	163.24
MINDANAO SHOPPERS DAILY DESTINATION CORP.	80,325.35	803.23
MINDANAO SHOPPING DESTINATION CORPORATION	30,084.75	300.82
MOLO PLAZA SUPERMARKET, INC.	4,140,168.35	41,401.68
MONDE MY SAN CORPORATION	336,127,179.75	3,713,752.12
MULTI STORES CORPORATION	38,997.20	389.97
MY SHOPPING LANE CEBU CORPORATION	52,260.15	522.60
NABUNTURAN CENTRAL WAREHOUSE CLUB, INC.	1,431,197.00	14,311.97
NEOPACE INCORPORATED	36,931,588.00	369,315.88
NEW ILOILO GQ ENTERPRISES INC.	11,702,510.05	117,025.10
NOR DISTRIBUTION ENTERPRISE	152,202,418.15	1,522,024.19
NORTHEASTWEST FOOD MARKETING	195,885,689.84	1,958,856.90
NORTHERN LUZON DRUG CORPORATION	3,356,083.00	33,560.83
NVM MARKETING INC	104,305,131.00	1,043,051.31
O AND N TOWN CENTER CORPORATION	5,372,923.00	53,729.23
OGASSIR CORPORATION	40,713,047.03	407,125.50
OMNIGRAINS TRADING CORPORATION	16,898,800.00	168,988.00
ONE ISLAND FOOD TRADE	32,230.38	322.30
ORORAMA SUPERCENTER INC.	14,209,384.00	142,093.84
PAN DE MANILA FOOD CO INC	38,112.00	381.12
PASIG SUPERMARKET, INC.	5,491,761.00	54,917.61
PD8 BRAVEHEARTS CORPORATION	252,067,526.76	2,520,675.27
PHILIPPINE AIRLINES INC	24,561.00	245.61
PHILIPPINE FAMILY MART CVS INC.	25,535.20	255.35
PHILIPPINE FAMILYMART CVS INC.	411,563.56	4,115.63
PHILIPPINE SEVEN CORPORATION	188,061,040.00	1,880,610.40
PILMICO FOODS CORPORATION	28,332,500.00	283,325.00
PIONEER CENTRE, INC.	6,199,586.00	61,995.86
PO, JACINTO JR. TAN	41,108,615.32	411,086.15
PPCI SUBIC INC.	4,338,385.85	43,383.89
PRICE COMMERCIAL AND DEVELOPMENT CORPORATION	7,504,864.51	75,048.65
PRIMARIE BUSINESS CORPORATION	1,154,321.49	11,543.21
PRINCE RETAIL MERCHANDISING INC.	45,904,466.14	459,044.55
PRINCE WAREHOUSE CLUB, INC	5,618,680.07	56,185.94
PRINCEGATE CORPORATION	44,372,141.57	443,721.05
PRINCEMIN CORPORATION	41,130,492.88	411,303.45
PRINCENTRAL RETAIL INC.	6,367,226.64	63,671.25
PRINCIPALITY, INC.	28,354,546.04	283,541.71
PRINCITY INC.	67,969,382.44	679,692.97
PROS MARKETING & PHARMAPLUS DRUGSTORE	322,305,686.42	3,223,056.86
PUREGOLD DUTY FREE (SUBIC), INC.	1,826,515.18	18,265.12
PUREGOLD PRICE CLUB INC.	1,167,959,819.00	11,679,598.19
RACE VENTURES INC.	213,707,506.41	2,137,075.07

000-417-352

LIST OF CERTIFICATE OF CREDITABLE TAX WITHHELD AT SOURCE APPLIED
4TH QTR 2021 CORPORATE INCOME TAX

<u>CUSTOMER NAME</u>	<u>TAX BASE</u>	<u>EWT</u>
RCS EASTERN INTERTRADE CORPORATION	158,971,450.28	1,589,714.84
RECYCLE PLUS, INC.	2,115,442.70	21,154.48
RED CAMIA SUPERMARKET INC	52,209,995.71	522,099.94
RICH CARE INTERNATIONAL LIFE SOLUTIONS CO.	13,277,858.00	132,778.58
RICKIMEL MARKETING CO.	4,491,940.74	44,919.42
RIVIERA MERCANTILE SYSTEMS, INC.	4,944,601.00	49,446.01
RL VERCONS MERCHANTS CORPORATION	21,921,888.61	219,218.85
ROBINSONS CONVENIENCE STORES, INC.	10,047,847.22	100,478.42
ROBINSON'S SUPERMARKET CORPORATION	521,540,106.48	5,215,402.12
ROSALIANA MARKETING CORPORATION	11,697,678.53	116,976.76
ROYAL CARGO INC.	170,388.47	1,703.89
ROYAL DUTY-FREE SHOPS, INC.	19,505,369.00	195,053.69
ROYAL SALES MARKETING CORPORATION	138,892,455.87	1,388,924.56
ROYAL SOUTH MARKETING CORPORATION	117,747,158.09	1,177,471.58
S&R PIZZA INC.	1,113,572.31	11,135.79
SAMAL CENTRAL WAREHOUSE CLUB, INC.	3,316,386.00	33,163.86
SANFORD MARKETING CORPORATION	352,332,436.00	3,523,324.36
SANTINI FOOD SPECIALISTS INC	6,747,287.00	67,472.87
SARIMONDE FOODS CORPORATION	108,301,370.11	3,665,288.25
SAVE EVERYDAY MART, INC.	10,862,310.75	108,623.02
SAVE-ON DRUGSTORE, INC.	79,860.00	798.60
SAVEWISE SUPERMARKET PHILS	80,123,095.27	801,230.27
SCOMMERCE PHILIPPINES INC	1,490,109.19	14,901.09
SCOTTLAND FOOD GROUP CORP.	98,532.14	985.32
SELUCIA DEVELOPMENT CORPORATION	28,454,104.41	284,540.95
SHOGUN MANAGEMENT & DEVELOPMENT CORP.	77,596,928.50	775,969.65
SHOPMORE COMMERCIAL CORP.	27,228,862.45	272,288.62
SM MART INC.	198,447.66	1,984.42
SOUTHBEST MARKETING INC	194,825,104.64	1,948,251.04
SOUTHEAST ASIA RETAIL INC.	28,331,102.52	283,311.03
SOUTHERN LUZON DRUG CORPORATION	1,119,445.00	11,194.45
SOUTHLAND COMMERCIAL COMPLEX, INC.	25,966,576.41	259,665.83
STA. LUCIA EAST SUPERMARKET CORPORATION	4,057,593.58	40,575.96
STANRICH MARKETING	57,905,908.00	579,059.08
STEAMLOGIC INC.	10,357,872.35	103,578.72
STRETCH DISTRIBUTION INC.	312,262,803.82	3,122,628.04
SUPER 8 RETAIL SYSTMS INC	126,659,778.00	1,266,597.78
SUPER SHOPPING MARKET INC	175,586,116.00	1,755,861.16
SUPERVALUE, INC.	291,631,821.00	2,916,318.21
SUREQUICK MARKETING INC	166,302,679.00	1,663,026.79
SUY SING COMMERCIAL CORPORATION	544,518,156.00	5,445,181.56
SYL HERMANOS DISTRIBUTORS, INC	262,895,214.00	2,628,952.12
TAGUM COMMERCIAL AND REALTY CORPORATION	31,909,484.74	319,094.83
TAIPAN DEVELOPMENT, INC.	45,977,979.00	459,779.79

000-417-352

**LIST OF CERTIFICATE OF CREDITABLE TAX WITHHELD AT SOURCE APPLIED
4TH QTR 2021 CORPORATE INCOME TAX**

<u>CUSTOMER NAME</u>	<u>TAX BASE</u>	<u>EWT</u>
TANDEM CEDAR CYPRESS CORP.	75,818,162.29	758,181.64
THE LANDMARK CORPORATION	24,260,934.00	242,609.34
TJ MARC SALES CORPORATION	30,682,176.36	306,821.67
TOP GOLDEN STAR DELIVERY SERVICES	4,738,228.00	47,382.28
TOPWILL MARKETING DEVELOPMENT CORPORATION	10,595,983.71	105,959.85
TOWER 6789 CORPORATION	8,684,126.00	86,841.26
TRANS WORLD TRADING CO. INC.	821,510.36	8,215.10
TROPICAL HUT FOOD MARKET INC.	3,578,979.00	35,789.79
UM SUPERFOODS CORP.	5,344,242.00	53,442.42
UNICITY GENERAL MERCHANDISE INC.	1,289,606.81	12,896.07
UNIOLOGIX INC	2,244,157.45	22,441.58
UNIMART INCORPORATED	4,589,513.39	45,895.09
UNIPACE CORPORATION	50,222,491.00	502,224.91
UNITOP GENERAL MERCH. INC.	5,363,382.24	53,633.83
UNLAD PRIME RETAIL AND DISTRIBUTION CORPORATION	1,942,753.68	19,427.54
URBAN TRADEWELL CORPORATION	235,051,117.00	2,350,511.17
VALUE CHAIN SOLUTIONS, INC.	263,735,135.65	2,637,351.36
WALTERMART SUPERMARKET INC	224,339,798.00	2,243,397.98
WASHINGTON SUPERMART	211,836.00	2,118.36
WATSONS PERSONAL CARE STORES INC	1,513.00	15.13
WELCOME SUPERMART, INC.	1,073,601.84	10,736.02
WELL MART, INC.	4,958,268.00	49,582.68
WELLBEST MERCHANDISING SALES CORP.	15,956,348.50	159,563.48
WESTERN PINNACLE SALES, INC.	15,812,769.45	158,127.71
WHOLESALE COMMODITY AND EXCHANGE, INCORPORATED	6,101,697.00	61,016.97
WILLS INTERNATIONAL SALES CORPORATION	7,889,200.00	78,892.00
WINFAIR SUPERMARKET CORPORATION	9,949,736.49	99,497.30
Grand Total	14,538,255,945.01	148,317,231.46

Certified True and Correct:


BLESS-IAN VINO
Tax Manager
Monde Nissin Corporation

ANNEX C

2021 Sustainability Report

MONDE NISSIN CORPORATION

SUSTAINABILITY REPORT

Contextual Information

Company Details	
Name of Organization	Monde Nissin Corporation (MNC)
Location of Headquarters	Felix Reyes Street, Barangay Balibago, City of Santa Rosa, Laguna 4026 Philippines
Location of Operations	MNC, together with its subsidiaries, operate manufacturing plants and sales offices in the Philippines, Thailand, Singapore, New Zealand, UK, USA, Netherlands, Germany, and Sweden.
Report Boundary: Legal entities (e.g., subsidiaries) included in this report	Covered in the reporting boundary are (i) MNC, and (ii) Monde Nissin (UK) Ltd. (MNUK) and MNUK's subsidiaries. <i>(MNUK and MNUK's subsidiaries are referred to collectively as "Quorn Foods".)</i> Economic information covers the activities of (i) MNC and (ii) Quorn Foods. For topics covering the Environment, only (i) MNC's fully operational plants in 2021 (Laguna, Cebu, Davao and Pampanga), and (ii) the Belasis, Stokesley, and Methwold, UK locations of MNUK's subsidiary Marlow Foods Ltd. (MFL) are covered. Social information covers the activities of (i) MNC and (ii) Quorn Foods (except for information for Quorn Foods concerning the topic of <i>Occupational Health and Safety</i> which covers only MFL's Belasis, Stokesley, and Methwold, UK locations).
Business Model, including Primary Activities, Brands, Products, and Services	MNC is one of the leading companies in the Philippine food manufacturing industry with a portfolio of iconic and well-loved brands. Its two core businesses are the Asia-Pacific Branded Food and Beverage (APAC BFB) business and the Meat Alternative business. <u>Asia-Pacific Branded Food & Beverage (APAC BFB)</u> The APAC BFB business carries MNC's diverse portfolio of food and drinks for eating at home or on the go. It prioritizes products that are accessible, tasty, and uphold the well-being of consumers and the planet. The APAC BFB business comprises four major business segments: Noodles Lucky Me! produces the well-loved noodles that have been a staple to generations of Filipino households, establishing itself as the Philippines' no. 1 noodle brand. MNC's noodles come in various flavors and easy-preparation methods through our dry pouch, wet pouch, and cup variants.

	In late 2020, MNC installed the first noodle line with high-speed airflow (HSAF) technology to substantially reduce palm oil content, resulting in less fat and calories, while maintaining taste and consumer enjoyment. Biscuits MNC's biscuits category is home to popular crackers, sandwiches, cookies, and wafers through the SkyFlakes, Fita, M.Y. San Grahams, Nissin, and Bingo brands. Throughout the decades, these brands have built a legacy. Others (Beverages, Culinary Aids, and Baked Goods) Other products in the APAC BFB business include beverages, culinary aids, and baked goods. For beverages and culinary aids, MNC entered into marketing, sales, and distribution agreements with third-party brand owners whose products complement MNC's core brands. <u>Beverages:</u> Dutch Mill is best known for its yogurt drinks and cultured milk. Dutch Mill is a pasteurized yogurt drink with live lactobacillus, while Dutch Mill Delight is cultured milk made from non-fat milk. <u>Culinary Aids:</u> Mama Sita's is a household companion for individuals and families who cook their own dishes, with a variety of sauces (including the country's leading oyster sauce), meal mixes, and condiments. <u>Baked Goods:</u> MNC also carries baked goods and fresh bread products. Monde Mamon offers a bakeshop quality product that is made more convenient and affordable than bakeshop brands. In the fresh bread category, MNC launched Monde Fluffy Bread, Monde Milk Bread, and Monde Wheat Bread. Monde Fluffy, and Monde Milk Bread use largely high-quality flour from MNC's own flour mill. MNC also distributes Walter, a healthy bread product line offering bread that contains fiber and wheat and has low or no sugar. International The international business caters to other countries around the world through noodles and biscuit/baked goods brands Lucky Me!, Voiz, Sumo, and Monde. MNC continues to expand its reach through its portfolio of products. <u>Meat Alternative</u> Quorn Foods operates the Meat Alternative business. It includes the production, marketing, and distribution of meat alternative brands Quorn and Cauldron. Quorn is Quorn Foods' flagship brand. All Quorn products contain mycoprotein which has high fiber, high protein, low saturated fat, and

	zero cholesterol. Quorn products have good sustainability credentials requiring less land and water to produce than the meat equivalents. Mycoprotein is produced using over 85% green energy (since July 2021). Quorn-branded products satisfy a wide range of eating experiences, including food on-the-go, scratch cooking, convenience and meal centers, and are sold in a number of countries around the world. Cauldron-branded products are plant-based and sold in the U.K. There are three priority markets for the Meat Alternative business: <i>United Kingdom (UK)</i> Quorn Food's UK business includes Quorn's mycoprotein-based products and Cauldron's plant-based foods. It has established itself as the leading provider of meat alternatives and distributes through frozen and chilled retail channels as well as foodservice. <i>United States (US)</i> Quorn Foods is investing to grow its business in the US grocery and foodservice markets. The majority of the products are manufactured in the UK and shipped to the US. Some products are part-made in the UK and finished and packed in the US. <i>Food Service and Quick-Serve Restaurants (QSR)</i> Quorn Foods' food service and QSR business allows it to cater to and partner with third-party foodservice and QSR establishments, bringing Quorn Foods' products specifically developed for the foodservice channel or menu items that have been co-developed with the customer.
Reporting Period	January 1 to December 31, 2021
Highest Ranking Person responsible for this report	Marivic N. Cajucom-Uy Chief Sustainability Officer Monde Nissin Corporation

Materiality Process

MNC's Approach to Materiality

In order for MNC to improve the well-being of people and the planet as well as create sustainable food solutions for food security, MNC carried out the following steps to identify its material sustainability topics:

- 1. Understanding Global Sustainability Issues:** MNC mapped its overall aspiration against global environmental, socioeconomic, and governance issues to understand and scope out topics that were most material to MNC. These were validated based on impact, risk, and the position of MNC to address change.
- 2. Creating a Materiality Matrix:** After identifying, categorizing, and validating material global sustainability issues, these were placed on a materiality matrix to determine the extent of change MNC is capable of while factoring in the issues' impact on MNC's business gains and future success. With that, issues that fell on the "high" and "medium" scale of the matrix were then identified as the material sustainability topics of MNC.
- 3. Stakeholder Engagement and Concerns:** MNC also carried out a stakeholder engagement to seek stakeholder perspectives, which would help MNC in developing its sustainability strategy.
- 4. Material Topics Prioritization, Sustainability Framework Development, and Strategy Mapping:** MNC (1) developed a sustainability framework that captures its identified material topics in the economic, environmental, social, and governance areas; (2) did a strategy mapping where sustainability issues were grouped to form strategic areas of action; (3) established its priority sustainability strategies which would also inform MNC's management approach in terms of enhancing positive impacts and mitigating negative impacts. MNC also referred to the United Nations Sustainable Development Goals (UN SDGs) to ensure that MNC's priority goals are aligned and contribute to the achievement of relevant UN SDG targets.
- 5. Materiality Review and Approval:** MNC recognizes the importance of, and continuous engagement with, Board Members and Senior Management in the review, finalization, and approval processes of MNC's materiality determination and disclosures. MNC aims to regularly evaluate and assess its environmental and socioeconomic impacts, its management approach to these impacts, and its sustainability communication plan to better communicate its progress to stakeholders.

MNC'S SUSTAINABILITY FRAMEWORK THAT CAPTURES MNC's MATERIAL EESG TOPICS



ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

DISCLOSURE	MNC	Quorn Foods	Units
Direct economic value generated (net sales)	51,400,175,081	15,245,173,097	Php
Direct economic value distributed:			
a. Operating costs	7,144,070,711	3,807,412,315	Php
b. Employee wages and benefits	3,258,019,240	3,264,645,475	Php
c. Payments to suppliers, other operating costs	37,061,989,400	8,476,886,979	Php
d. Dividends given to stockholders and interest payments to loan providers	15,461,572,438	55,317,896	Php
e. Taxes given to government	707,566,668	128,684,440	Php
f. Investments to community (e.g., donations, CSR)	103,552,119	6,634,902	Php

Impacts, Risks, Opportunities, and Management Approach for Direct Economic Performance

MNC has been in the food business for over 40 years, providing Filipinos with great-tasting and convenient solutions for their meal and snacking needs. In the process, MNC has been impacting and influencing its communities, stakeholders, and the environment. Realizing its role and responsibility to society, MNC promotes the responsible growth of its business while continuously improving its products and operations for the welfare of the people and the planet, and considering the principles of sustainable development.

MNC aims to promote an equitable flow of value to its stakeholders and create opportunities for the domestic market. In 2021, approximately Php 51,400,175,081 of net sales or direct economic value was generated and later on distributed to MNC's key stakeholders. The biggest value distribution went to suppliers with 72.1% of the total economic value, which includes payments for capital expenditures (CAPEX), while 13.9% went to operating costs. Furthermore, 6.3% was disbursed for the wages and benefits of MNC's employees, while 0.2% was allocated for community investments, including the donation of goods and purchase of COVID-19 vaccines. As one of the top taxpayers in the country as cited by the Philippine Department of Finance (DOF) in 2019, MNC paid the government (by way of taxes) 1.4% of the economic value while 30.08% was distributed to stockholders and used to pay interest to loan providers.

MNC recognizes risks related to its economic performance; therefore, it is essential to have effective management approaches in place to prevent undesirable outcomes. The results of MNC's operations are affected by consumers' demand for its products and pricing. These products can be sensitive to movements in disposable incomes, changes in consumer preferences, changes in product prices, and competitive pressures. With that, MNC believes in and continues to maintain a balanced portfolio that has a high contribution of consumer staples.

The COVID-19 pandemic also gave rise to restricted mobility, which affected the consumption of biscuits, beverages, and packaged cakes. Consumer demand for MNC's products may change as a result of changes in usage occasions, such as more in-home and less out-of-home consumption. Disease outbreaks

may also cause higher unemployment which limits consumer spending power and affects the ability of production facilities to produce. To manage this, MNC increased its capacity in the high demand categories such as noodles and cooking aids while deprioritizing categories with lesser demand in the pandemic scenario. Management swiftly reacted to adjust work processes and installed the necessary health protocols and equipment to prioritize the health and safety of employees and ensure a safe work environment. In addition, MNC rolled out a broad-based vaccination program for its employees and their dependents, and staff of associated suppliers and agencies to contribute to the community efforts to curb the impacts of COVID-19.

Among the primary reasons for poverty and inequality in the Philippines are the various barriers against participating in the labor force or income-generating opportunities. Poverty or lack of access to capital are systemic issues that are both the cause and the effect of unequal access to decent work and economic growth. MNC promotes inclusive opportunities in local communities and contributes to the development of communities by expanding its distribution network and providing livelihood opportunities within its value chain for increased income. In 2021, MNC had a network of over 30 distributors in 47 provinces and districts. MNC also drives responsible growth in local communities through its Community Distribution Network (CDN). This program has been enabling micro-entrepreneurs, referred to as Brand Experts (BEs), to flourish in their own communities through selling select MNC products. As of December 31, 2021, MNC has more than 1,000 independent BEs in key cities in Luzon, the largest and most populous island in the Philippines. Initially targeted for stay-at-home mothers, CDN is expected to grow as the current BEs encourage other members of their households to participate in the program. Through this initiative, MNC will be able to expand and maximize both its distribution network and social impact.

Working with about 200,000 sari-sari stores nationwide, MNC has identified credit as the main constraint for sari-sari store owners in maximizing economic value. To help address this challenge, MNC has started working with financial institutions to provide credit facilities to its sari-sari store customers. Last September 2021, MNC signed a Memorandum of Agreement with government-owned Small Business Corporation (SB Corp) on the Sustaining Trade Access to Primary Food and Link to Enterprises (STAPLES) Program. MNC believes that its collaboration with SB Corp bridges the gap and provides its sari-sari store customers access to capital on less onerous terms. As of the latest update, MNC is working closely with SB Corp to simplify further the online application process and on-boarding requirements. It is also working with SB Corp towards improving the digital literacy of sari-sari store owners and plans to team up with multiple strategic collaborators to provide financial credit to sari-sari stores.

In 2021, MNC partnered with organizations such as GMA Kapuso Foundation, ABS-CBN Lingkod Kapamilya Foundation, and Rise Against Hunger, which are actively involved in community development in bringing aid to local areas stricken by natural calamities. It also recognizes the significance of building human resources in paving the way for growth and development of the nation, and continued its program of extending support to its employees' children through scholarship grants. In addition, in light of the COVID-19 pandemic, through a tripartite arrangement with the national government and vaccine manufacturers, MNC also procured and donated over 70,000 COVID-19 vaccines to the government.

MNC's principal strategies to continue delivering economic value to all its stakeholders are set out below:

- 1) Drive category growth and market share in branded consumer segments through continuing innovation and focusing on the eating experience and well-being of MNC's consumers.
- 2) Focus on revenue growth management through clear channel segmentation, reconsideration of price and pack balancing, channel pack differentiation, trade terms optimization, and return on investment-based promotional effectiveness.
- 3) Augment the end-to-end supply network capabilities of MNC towards a responsive, adaptive, and predictive ecosystem supporting growth amidst increased demand volatility and consumer sophistication.

For Quorn Foods, approximately Php15,245,173,097 of revenue was generated where 55.6% went into payments to suppliers while 25.0% went into operating costs. In addition, 21.4% of the economic value was spent on employee wages and benefits. The remaining 0.4% and 0.8% were used for interest payments and government tax fees, respectively.

Quorn Foods' strategy is designed to support the purpose of the business: "To provide Healthy Food for People and the Planet" and focuses on three key areas. First, to continue with business transformation including accelerating research and development (R&D) and new product development, energizing the Quorn brand, and building on key customer relationships across the retail, foodservice, and QSR channels. Second, to capture the next phase of growth across key markets by maintaining its category leadership in the UK, targeting the US as a high growth opportunity, and increasing Quorn Foods' penetration in the global QSR channel. Third, to continue to invest in positioning Quorn Foods to be a long-term winner in the addressable meat alternative market through capacity, capability, technological research, and investment in its brands.

In 2020, Quorn Foods defined its purpose — To Provide Healthy Food for People and the Planet — and its aspiration — 8 Billion Servings, Net Positive by 2030. Quorn Foods' interpretation of "net positive" is to put more into the world than it takes out. Its main goal is to use the business as a force to support healthy societies, have a positive impact on its employees, and protect and restore the natural resources around itself.

Procurement Practices

Proportion of spending on local suppliers

DISCLOSURE	MNC	Quorn Foods	UNITS
Percentage of procurement budget spent on local suppliers at key manufacturing facilities*	62	No available data	%

*Items procured through a local transaction with a local vendor, including key raw materials that come from a foreign source. Figure is based on purchases of raw materials and packaging materials.

Impacts, Risks, Opportunities, and Management Approach for Procurement Practices

MNC's Procurement approach seeks (i) that adequate materials are sourced at optimal value, and (ii) that loss elimination and sustainable solutions are pursued in collaboration with vendors. In 2021, 62% of MNC's procurement budget was spent on local suppliers at its key manufacturing facilities/locations. MNC's procurement practices have an impact on the cost of raw materials which could affect the prices of its products.

MNC has identified potential risks in procurement such as disruptions in the supply chain as a result of war, pandemic, and weather disturbances. These could strongly impact supply availability, the timing of delivery, and input costs. Changes in government trade policies and regulations can also affect tariffs and the cost of raw materials. There is likewise exposure to rising commodity prices given its need to import some raw materials for production. Furthermore, MNC recognizes the possibility of environmental, social, and governance risks within the supply chain. MNC is also actively searching for local suppliers to manage supply chain disruption-related risks, and to increase local sourcing. As part of its purchasing policy, MNC tries to limit importation of raw materials only to those not readily available in the Philippines or when there are concerns relating to the quality, supply, and/or price of local raw materials.

MNC constantly reviews its supply chain resiliency. MNC has practices in place to mitigate the risk of volatile prices caused by supply chain disruptions, such as the practice of "forward buying with lock-in prices" for key commodities like wheat, palm oil, and sugar.

Anti-Corruption

Training on Anti-corruption Policies and Procedures

DISCLOSURE	MNC	Quorn Foods	UNITS
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100	100	%

Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	14 ^a	100 ^e	%
Percentage of directors and management ^b that have received anti-corruption training	88	No available data ^c	%
Percentage of governance body ^d members to whom the organization's anti-corruption policies and procedures have been communicated to	100	100	%
Percentage of governance body ^d members that have received anti-corruption training	100	No available data ^c	%
Percentage of employees that have received anti-corruption training	4	No available data ^f	%

^a Prior to 2021, MNC has communicated its anti-corruption policies and procedures to more than 1,000 suppliers that it has transacted with in the last two years.

^b Directors and management refer to MNC, and Quorn Foods' executives/employees who are part of senior management.

^c Whereas this data is not tracked formally, anti-corruption training was rolled out to this group of employees in 2019.

^d Governance body refers to the Board of Directors.

^e Where suppliers have signed up to standard terms and conditions. There is a small number of one-time-use vendors who fall outside these.

^f No mechanism in place to generate records for 2021. However, Quorn Foods has established a Learning Management System (LMS) which will generate reports after the launch.

Incidents of Corruption

DISCLOSURE	MNC	Quorn Foods	UNITS
Number and nature of confirmed incidents of corruption	0	0	#
Number of incidents in which directors were removed or disciplined for corruption	0	0	#
Number of incidents in which employees were dismissed or disciplined for corruption	0	0	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	0	#
Public legal cases regarding corruption brought against the organization or its employees during the reporting period and the outcome of such cases	0	0	#

Impacts, Risks, Opportunities, and Management Approach for Anti-Corruption

Bribery and corruption prevent competition, limit innovation, and harm local communities. In committing acts of bribery, employees and business partners may be exposing themselves, and MNC, to criminal liability, substantial financial loss, and reputational harm. MNC is committed to acting in compliance with the anti-bribery laws in all countries in which they operate at all times. Bribery of public officials, in particular, is indeed a risk factor to MNC because of the severe consequences of specific anti-bribery and corruption laws around the world relating to government sector bribery. MNC is committed to complying with the highest standards of ethical business practices and conduct, and the requirements of all potentially applicable laws, rules, and regulations.

MNC's guiding principle is "[w]e are expected to do the right thing at all times." It expects all employees (and parties that MNC does business with) to conduct themselves with utmost integrity. MNC recognizes that market custom and acceptable practice vary across the countries in which they operate; they are fully committed to acting in compliance with all local laws. MNC is also committed to a zero-tolerance approach to bribery and corruption, including any form of unethical inducement or payment such as facilitation payments and "kick-backs." MNC's comprehensive set of anti-bribery and ethics policies include:

- Code of Conduct and Ethics
- Anti-Bribery and Corruption Policy
- Guidelines for Gifts, Entertainment, Hospitality and Sponsored Travel
- Whistleblowing Policy
- Conflicts of Interest Policy
- Guidelines for Engaging Business Partners
- Guidance for Corporate Transactions
- Guidelines for the Conduct of Internal Investigations
- Guidelines for Corporate Sponsorships, Charitable Donations and Political Contributions.

MNC has a public whistleblowing policy and portal/hotline that can be accessed by employees and all third parties 24/7 at: www.mondenissin.ethicspoint.com.

Risks with business enterprises across all jurisdictions are ever-present and inherent and thus cannot be entirely eliminated, but only mitigated. However, MNC considers the lack of documented incidents as proof that internal controls and policies as well as its governance and compliance culture are functioning effectively. MNC also uses tools for whistleblowing and has a feedback mechanism (NAVEX) which helps in bringing to management's awareness any suspected or potential corruption or bribery cases. In 2021, there have been no cases of bribery and corruption, and available records show no indication of such instances.

While MNC believes that it has established a comprehensive anti-bribery and corruption framework while having a strong track record in ethical business conduct, it has identified the following key opportunities to strengthen its application:

- 1) 100% deployment of dedicated anti-bribery and corruption training to all employees including rank and file.
- 2) Consistent communication of anti-bribery and corruption policies to all active suppliers.

MNC has acquired an online learning management system to efficiently deploy education in a pandemic-appropriate work-from-home and hybrid work set-up. An online certification course on Anti-Bribery and Corruption (ABC) is deployed at onboarding to ensure familiarity of staff with policies. New licenses have been acquired to increase the number of covered employees. Further, it has deployed an annual refresher and re-certification of compliance certification via the same tool. MNC also plans to implement a dedicated ABC training module as well for rank and file employees to increase the coverage to 100% of the employee population. Last, MNC aims to increase the coverage of supplier deployment by active notification to all active suppliers.

ENVIRONMENTAL

Resource Management

Energy consumption within the organization

DISCLOSURE	MNC					UNITS
	Laguna Plant	Cebu Plant	Davao Plant	Pampanga Plant	Total	

Renewable sources	1,382,071*	5,008,759**	N/A	N/A	6,390,830	kWh
Coal	36,965,753	N/A	7,848,514	8,555,630	53,369,897	kg
Bunker fuel	3,047,525	3,220,000	N/A	0	6,267,525	liters
Diesel	78,148	17,091	1,500	36,000	132,739	liters
LPG	1,660,820	367,657	N/A	N/A	2,028,477	kg
Gasoline	N/A	4,160	N/A	N/A	4,160	liters
Electricity	74,722,206	8,223,746	4,649,400	5,955,870	93,551,222	kWh

*MNC has invested in a 1.3MW solar project at MNC Laguna Plant.

** MNC has a biomass facility at MNC Cebu Plant which uses coconut shells to power its boilers.

DISCLOSURE	MFL	UNITS
Renewable sources (steam)	73,774	Metric tons
Renewable sources (electricity)	28,784	mWh
LPG	935,818	liters
Natural gas	40,821	mWh
Kerosene	0	Liters
Nitrogen	8,695	Metric tons
Carbon dioxide	3,522	Metric tons
Non-renewable Steam	8,197	Metric tons
Non-renewable Electricity	25,716	mWh

Reduction of energy consumption

DISCLOSURE	MFL	UNITS
Electricity	1,149	mWh
Steam	1,267	metric tons
LPG	268,852	liters
Natural gas	944	mWh
Kerosene	0	mWh
Nitrogen	340	metrics tons
Carbon dioxide	414	metric tons
TOTAL ENERGY REDUCTION*	5,228	mWh

**Energy where purchased in units other than mWh have been converted to calculate the total energy reduction mWh.*

Conversion factors are:

-Steam: 1 metric ton of steam = 0.795mWh

-LPG: 1 liter of LPG = 0.007mWh

-Nitrogen: 1 metric ton of nitrogen = 0.44mWh

-Carbon Dioxide: 1 metric ton of Carbon dioxide = 0.203mWh

MNC began measuring its baseline performance for environmental impacts in the third quarter of 2020. As a result, energy consumption data for a full year was only captured in 2021. Due to this limitation, reporting on the reduction of energy consumption in 2020 is unviable as it would not make an accurate and valid comparison. 2021 is considered as the baseline year for all of MNC's environmental metrics and MNC intends to report its progress on these metrics, especially on the reduction of energy consumption, in 2022.

Impacts, Risks, Opportunities, and Management Approach for Energy

MNC recognizes that environmental responsibility is an integral component of its business agenda, and accordingly strives to monitor and improve its environmental impacts across its operations. MNC consumes energy to sustain its day-to-day operations. Although energy use is critical in the production and distribution of MNC's products, it also contributes to MNC's greenhouse gas (GHG) emissions which impacts people and the planet.

In 2021, MNC developed a set of goals and commitments to reduce its environmental footprint including energy use. MNC's business has continued to grow, while its teams have developed smarter and more efficient ways to operate its supply chains. MNC adapts its systems, capability, and behavior/culture towards sustainability.

MNC is constantly looking for ways to improve the eco-efficiency of its facilities. To meet its goals on eco-efficiency, MNC has adopted a holistic and uniform approach across its manufacturing operations. The approach involves the following:

- 1) Enable all employees in the manufacturing sites to understand the business linkage with sustainability.
- 2) Understand the major key losses and sources of losses the site needs to eliminate to achieve the goals.
- 3) Understand the capabilities and the culture needed to achieve the goals and commitments.
- 4) Leverage and link the standardized work systems and tailor it to achieve the goals set per site.
- 5) Provide a visual review process on the key losses and identify actions to eliminate them.

MNC used two key tools in monitoring and improving its environmental footprint:

- 1) Loss analysis: identify and understand 100% of the losses within the organization.
- 2) Loss map: generate a map with losses pertaining to the various environmental impacts of the organization.

This approach enables its employees to identify the gaps and implement the necessary action programs. For example, most of MNC's manufacturing facilities have a heat recovery system which recycles steam condensate generated during production. MNC also aims to reduce its energy usage through improved boiler efficiencies. Other initiatives include the correction of steam leaks and use of metal gaskets to prevent recurrence of leaks, compressed air optimization, water chiller optimization, loss elimination for Air Handling Units (AHU), optimization of the noodle production process to minimize steam consumption, perimeter lights standardization, and improvement of data monitoring capabilities through periodic assessment of energy usage relative to production output. MNC's energy conservation efforts are focused on utilities and process optimization. MNC continues to update its processes to deliver optimum production through improving efficiency, updating technologies, and upskilling its workforce.

To align with global efforts on climate action, MNC is determined to play its part by setting annual energy reduction targets across its manufacturing operations. MNC aims to reduce its energy intensity through the adoption of technological innovations and efficient processes.

For MFL, energy management is an important aspect of cost control especially in the high inflation environment currently being experienced. It is also an important aspect of security of supply which is highly relevant to MFL's Belasis facility where energy is not supplied through the national network. Proper energy management also affects the reduction of greenhouse gas emissions. As part of MFL's sustainability agenda for which there is a dedicated team, energy consumption is closely monitored. The supply chain team also carries out energy reduction projects that make up part of its balanced agenda. As part of its regular reporting cycle, MFL measures its energy usage, spend, and GHG emissions.

Water consumption within the organization

DISCLOSURE	MNC					UNITS
	Laguna Plant	Cebu Plant	Davao Plant	Pampanga Plant	Total	
Water withdrawal	1,051,502	182,238	76,333	0	1,313,056	m3
Water consumption	1,051,502	182,238	76,333	110,050	1,423,106	m3
Water recycled & reused	599	0	0	0	599	m3

DISCLOSURE	MFL	UNITS
Total water usage	857,118	m3

Effluents

DISCLOSURE	MNC					UNITS
	Laguna Plant	Cebu Plant	Davao Plant	Pampanga Plant	Total	
Total volume of water discharges	169,723	16,246	11,339	9,876	206,585	m3
Percent of wastewater recycled	0.35	0	0	0	0.30	%

DISCLOSURE	MFL	UNITS
Total volume of water discharges	No available data	m3
Percent of wastewater recycled	No available data	%

Impacts, Risks, Opportunities, and Management Approach for Water and Effluents

On an operational level, MNC uses water for utilities and day-to-day operations. In 2021, MNC used 1,423,106 cubic meters of water for its production and auxiliary activities. Majority of water is used for the cleaning and sanitation of machines, space cooling, machine cooling, and steam generation. Although most of its manufacturing plants do not suffer from water shortage, MNC is taking measures to reduce its water consumption. The same loss elimination approach was implemented to improve the eco-efficiency of its facilities, particularly towards water use. It has implemented projects such as:

- 1) Putting electronic level sensor instead of mechanical float on its cooling towers to prevent malfunctions;
- 2) Reduction of backwashing time and rinsing time of water softener;
- 3) Standardization of machine cleaning and sanitation procedures;
- 4) Steam condensation recovery;
- 5) Rectification of leaks; and
- 6) Rainwater catchment systems in identified sites.

Water discharge is first processed in the wastewater treatment facility of each plant and later on discharged through the community drainage system. For the Laguna plant, water is discharged through the National Irrigation Administration (NIA) creek leading to Laguna Lake. It follows the standards set by the Laguna Lake Development Authority (LLDA) in order to prevent water pollution. For the Davao plant, water is discharged to the public drainage that leads to Davao Gulf, which is classified as Class "SB" or fishery water suitable for commercial propagation of shellfish and intended as spawning areas for milkfish and similar species. Effluents should be in conformity to the Department of Energy and Natural Resources' (DENR's) Administrative Order No. 2016-08, otherwise known as the Water Quality Guidelines, and subject to quarterly monitoring. For the Pampanga plant, water is discharged to the sewer system of Alvierra Industrial Park before going to the Pasig-Potrero River. Minimum standard for quality of effluent water is based on parameters and standards set by the DENR. For the Cebu Plant, water is discharged through the community drainage system and then to the Tipolo Creek in Mandaue City. In terms of contributing to clean water, the Cebu team has also partnered with DENR Environmental Management Bureau (EMB) for an Adopt-A-River project for the Butuanon River Watershed.

MNC aims to improve water use efficiency in all areas of production and has set annual reduction targets for water intensity. In the future, MNC intends to explore rain water harvesting and reverse osmosis (RO) reject recovery. MNC is looking into recycling its effluents from its wastewater treatment plant to further reduce its fresh water consumption.

MFL recognizes that water is a scarce resource and is proud that its products use less water to produce its protein when compared to the animal equivalent. The business obtains its water from national suppliers which is mainly used for production of its products at their manufacturing locations. Water is cleaned either at their own water treatment plants or by a third-party effluent treatment plant. MFL also measures effluent quality against consent limits that it is obliged to adhere to minimum standards for effluents set by regulators and controlled by formal discharge consents, which include standards for hourly and daily volume, temperature, potential of hydrogen (pH), total organic carbon (TOC), and chemical oxygen demand (COD). Where sites discharge to watercourse (i.e., river), these are issued and controlled by the Environment Agency. Where they discharge to the sewer, these are issued and controlled by the local sewage company. Water discharge in the UK is legally controlled and discharge consents are bespoke – written to control the quality of discharge from the specific facility and with consideration of the potential impact on the receiving water and its biodiversity. MFL measures its water usage and also undertakes periodic assessments of usage against animal proteins through its sustainability report data capture. It evaluates its management approach by comparing the amount of water used in production relative to output, against water used for animal protein.

Materials used by the organization

DISCLOSURE	MNC	MFL	UNITS
Materials used by weight or volume*			

● renewable	324,985,565	No available data	kg
● non-renewable	68,507,939	No available data	kg
Percentage of recycled input materials used to manufacture the organization's primary products and services	No available data	No available data	%

*Covers raw materials only.

Impacts, Risks, Opportunities, and Management Approach for Materials

MNC continues to innovate its end-to-end processes toward efficient use of limited resources. To optimize efficiency in its usage of materials during production, MNC has identified ways to improve its processes while lessening the total amount of oil content. For example, MNC has installed the first high-speed airflow (HSAF) technology in one of its noodle lines, which uses a non-frying process, significantly reducing oil usage. The plan is to transition other lines to HSAF, with the second machine for commissioning in 2022 to scale up the positive impact of reduced palm oil usage.

MNC also strives to reduce the amount of food loss in its value chain. It looks for ways to improve its food storage and handling throughout the whole production process. In addition, MNC continues to increase material yield in the supply chain via process control improvements.

Packaging materials are vital in protecting food from any external microbes or bacteria and in ensuring that the food retains its desired quality throughout its shelf life. However, MNC recognizes the impact of its usage of plastic packaging materials and has begun the implementation of design solutions to reduce its usage of packaging materials for some MNC products. Also, in 2021, more than 90% of MNC's plastic packaging were transitioned to recycle-ready materials.

The key raw materials used by MFL are glucose, egg albumen, whey, other textured proteins, natural flavors, seasonings, coatings, vegetables, minerals, and soy (for Cauldron only). Similar to MNC, the price and availability of these raw materials are subject to volatility due to a number of external factors. This is mitigated by purchasing raw materials in advance or sourcing alternative supplies. In addition to that, MFL also faces the risk of non-performance or mal-performance of contracts by suppliers which can delay supply and suspend production. Transportation, supply chain logistics, and infrastructure are important factors to consider as well, especially in light of restrictions caused by the COVID-19 pandemic.

Any of the aforementioned adverse events under MNC could materially and adversely affect MFL's business, financial condition, results of operations, and prospects as well. MFL's Procurement Department ensures continuity of supply by obtaining multiple sources for the critical ingredients, and a geographical spread of suppliers; it closely coordinates with the Demand and Supply Planning team to ensure that appropriate stock levels are maintained. Purchasing efficiencies also are secured by regularly benchmarking and tendering all materials.

Environmental Impact Management

Air Emissions

GHG

DISCLOSURE	MNC					UNITS
	Laguna Plant	Cebu Plant	Davao Plant	Pampanga Plant	Total	
Direct (Scope 1) GHG Emissions	81,794	10,672	14,360	15,746	122,572	Tonnes CO ₂ e

Energy indirect (Scope 2) GHG Emissions	53,217	5,857	3,625	4,242	66,941	Tonnes CO ₂ e
Emissions of ozone-depleting substances (ODS)	No available data	No available data	No available data	No available data	No available data	Tonnes

DISCLOSURE	MFL	UNITS
Direct and Energy Indirect (Scope 1 and Scope 2) GHG Emissions	20,051	Tonnes CO ₂ e
Emissions of ozone-depleting substances (ODS)	No available data	Tonnes

Total GHG avoidance from using renewable energy

DISCLOSURE	MNC					UNITS
	Laguna Plant	Cebu Plant	Davao Plant	Pampanga Plant	Total	
GHG Avoidance from using Solar Panels	984	N/A	N/A	N/A	984	Tonnes CO ₂ e
GHG Avoidance from using Coco shells	N/A	3,566	N/A	N/A	3,556	Tonnes CO ₂ e

DISCLOSURE	MFL	UNITS
Electricity	6,112	Metric tons
Steam	10,786	Metric tons

Air pollutants

For 2021, MNC has opted to exclude data on air pollutants as existing data are only based on the sampling measurement required by the DENR. MNC will further study on how it can regularly measure and monitor air pollutants in the near future.

Impacts, Risks, Opportunities, and Management Approach for Air Emissions

Managing emissions is important to MNC as greenhouse gases and other air pollutants generated from its operations can impact the environment and climate which can affect the availability of MNC's inputs or raw materials in the long run. There are also standards and regulations in relation to emissions that MNC is required to comply with to ensure that its manufacturing processes produce as few detrimental impacts on the environment as possible. Each plant has a Pollution Control and Safety Officer who monitors the emissions and its sources as well as updates permits and records of compliance.

MNC is looking for pathways to reduce its carbon footprint in its operations. Aside from optimizing energy use to reduce emissions, MNC has also invested in a 1.3MW solar project at its Laguna plant. MNC also has a biomass facility at the Cebu plant which uses coconut shells to power its boilers.

MNC intends to reduce the GHG intensity of its facilities by entering into a green energy purchasing agreement in 2022 in identified manufacturing sites. It is also exploring less carbon-intensive alternatives to complement its efforts to reduce GHG emissions. MNC aims to transition to a low-carbon economy and it has set an ambitious target to reduce the GHG intensity of its manufacturing operations by 50% in 2025.

MFL supplies products that provide a sustainable source of protein, and thus, emissions management is important for the business. This topic is managed and monitored by a dedicated sustainability team which also carries out regular sustainability reporting including data reporting and emissions management.

The processes from MFL's facilities produce air emissions that are within the relevant standards of specific environmental controls. Local environmental health officers are responsible for the enforcement of air quality standards and conduct visits to the factory. No concerns have been raised regarding emissions management. Using the year 2012 as a baseline, the carbon footprint per ton of product has been reduced by 87% in 2021. MFL's Methwold and Stokesley facilities operate on 100% renewable electricity, while the Belasis site has increased its use of renewables to over 70% of energy use (average for 2021). MFL continues to explore a variety of lower carbon options to continue to reduce its carbon footprint.

Solid and Hazardous Wastes

Solid Waste and Non-Hazardous Waste

DISCLOSURE	MNC					UNITS
	Laguna Plant	Cebu Plant	Davao Plant	Pampanga Plant	Total	
Waste Generated	19,842	3,557	3,577	3,937	32,490	Metric tons
Waste Disposed to landfill	1,038	441	539	1,377	3,479	Metric tons
Waste Recycled/ Diverted from landfill	18,805	3,116	3,038	2,561	29,011	Metric tons
% of Waste Recycled/ Diverted from Landfill	95	88	85	65	11	%
% of Waste Disposed to Landfill	5	12	15	35	89	%

DISCLOSURE	MFL	UNITS
Waste Generated	4,723	Metric tons
Waste Disposed to landfill	0	Metric tons
Waste Recycled/ Diverted from landfill	4,723	Metric tons
% of Waste Recycled/ Diverted from Landfill	0	%
% of Waste Disposed to Landfill	0	%

Hazardous Waste

DISCLOSURE	MNC					UNITS
	Laguna Plant	Cebu Plant	Davao Plant	Pampanga Plant	Total	
Total weight of hazardous waste generated	1,521	4	81	Unaccounted for*	1,564	Metric tons
Total weight of hazardous waste transported	1,521	3	81	0	1,563	Metric tons

*Hazardous waste for MNC Pampanga plant was unaccounted for in 2021 because of the delay in obtaining the plant's Hazardous Waste ID. Data for the retained sludge (which was no longer hazardous as the waste was treated) was carried over into the 2022 report to the DENR.

DISCLOSURE	MFL	UNITS
Total weight of hazardous waste generated	97.2	Metric tons
Total weight of hazardous waste transported	97.2	Metric tons

Impacts, Risks, Opportunities, and Management Approach for Solid and Hazardous Waste

MNC acknowledges that proper waste management is essential in preventing or mitigating negative impacts on the environment, as this topic is one of the primary issues associated with the food products industry. MNC is working on improving its waste management practices by aiming to take the measures and process improvements necessary to achieve zero waste to landfill from its manufacturing operations by 2025.

In 2021, 89% of MNC's solid and non-hazardous waste was recycled and diverted from landfill. MNC also strives to eliminate sources of waste through its waste mapping process. MNC's continued focus on loss elimination enables better process controls which allow reduction in scrap generation from online production and even trade returns.

MNC recognizes that unregulated waste can lead to potential contamination of land, water, and air and adverse effects on health. To prevent waste-related impacts, MNC continually seeks steps to reduce waste generated in its supply chain and operations through efficient manufacturing practices, sound preventive maintenance programs of machines/equipment, and engagement with suppliers for a low-waste supply network. For example, the Cebu plant is working with a plastic recycling facility to process its plastic waste and convert it into fluff fuel for use in cement plants, thereby minimizing the volume of plastics released to the environment.

MNC's role in waste generation and management does not stop in its production processes. It is also crucial for MNC to ensure the reduction of wastes going to landfill, whoever the consumer may be. While packaging is essential in delivering quality products to its customers, MNC is working towards minimizing its plastic packaging footprint. MNC has implemented design solutions to downsize its usage of packaging materials without compromising the quality of its products. These initiatives were implemented in the packaging materials of Nissin Breadstix, Nissin Eggnog, Monde Mamon Classic, and semi-finished goods garnish/seasoning packs. Further, more than 90% of MNC's plastic packaging in 2021 was transitioned to recycle-ready materials. MNC is also a member of the Philippine Alliance for Recycling and Materials Sustainability (PARMS), a non-profit dedicated to improving waste management. MNC is one of the signatories and partner companies of PARMS' pledge "Ambisyon 2030: Zero Waste to Nature."

Waste reduction is central to cost control and to the sustainability agenda of MFL. It has a dedicated sustainability team to ensure that a proper waste management system is in place to avoid waste-related impacts. The sustainability team evaluates its management approach for solid and hazardous waste by conducting monthly reviews, with factory waste being a standing agenda item for such reviews.

MFL utilizes a single contractor for the management of all waste, with the exception of effluents. It complies with the strict regulations and enforcement of waste management which exists in the UK, especially regarding compliance with legal requirements for all waste containment, transport, and disposal. For effluents from the factory processes, a treatment process takes place to ensure compliance with legal discharge standards prior to effluents entering the environment.

Environmental Compliance

Non-compliance with Environmental Laws and Regulations

DISCLOSURE	MNC					UNITS
	Laguna Plant	Cebu Plant	Davao Plant	Pampanga Plant	Total	
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	0	0	119,500	0	119,500	Php
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0	0	3	0	3	#
No. of cases resolved through dispute resolution mechanism	0	0	3	0	3	#

DISCLOSURE	MFL	UNITS
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	0	GBP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0	#

Impacts, Risks, Opportunities, and Management Approach for Environmental Compliance

MNC is committed to environmental compliance as required by statutes and regulations. Each plant has a Pollution and Safety Officer who monitors the plant's environmental compliance. MNC's Management is aware of the importance of compliance with environmental laws as implemented by national and local authorities.

Environmental laws, especially post-Brexit, continue to evolve in the UK and a formal process of horizon scanning is in place. This uses internal and external resources to feed into legal registers to ensure that

MFL is aware of any upcoming changes and new requirements. Compliance with environmental legislation is managed cross functionally across MFL, with the Supply Team responsible for operational compliance, the Packaging Team responsible for packaging and relevant reporting, the Finance Team responsible for disclosure requirements, and the Sustainability Team for oversight of changing legislation. Each production site has a Health, Safety, and Environment Manager who is responsible for checking compliance at a local level while MFL's Belasis and Stokesley manufacturing sites in particular operate ISO14001 certified Environmental Management Systems.

SOCIAL

Employee Management

Employee hiring and benefits

Employee data

DISCLOSURE	MNC	Quorn Foods	Units
Total number of regular employees*	2,004	957	#
a. Number of female regular employees	803	360	#
b. Number of male regular employees	1,201	597	#
Total number of probationary and project-based employees*	1,466	N/A	#
a. Number of female probationary & project-based employees	561	N/A	#
b. Number of male probationary & project-based employees	905	N/A	#
Total number of employees*	3,470	957	#
a. Number of female employees	1,364	360	#
b. Number of male employees	2,106	597	#
Attrition rate***	7****	23****	%
Ratio of lowest paid employee against minimum wage	N/A**	N/A**	ratio

*Employee count as of December 31, 2021

**All of MNC's and Quorn Foods' employees earn above minimum wage

***Attrition Rate Formula: (no. of resigned employees/average headcount *100

**** Attrition Rate Formula: (no. of resigned employees/headcount as of end of year)*100

Employee benefits

LIST OF BENEFITS	MNC	
	Y/N	% OF EMPLOYEES COVERED
SSS	YES	100% coverage for all employees
PhilHealth	YES	100% coverage for all employees
Pag-Ibig	YES	100% coverage for all employees
Parental Leaves	YES	100% coverage for qualified employees*
Vacation Leaves	YES	100% coverage for regular employees
Sick Leaves	YES	100% coverage for regular employees
Medical Benefits (aside from PhilHealth)	YES	100% coverage for all employees based on medical and hospitalization guidelines
Housing	YES	Availability of staff houses at certain sites.
Housing assistance (aside from Pag-Ibig)	YES	Provision of housing assistance to those who are on relocation assignment subject to guidelines.
Retirement Fund (aside from SSS)	YES	100% of qualified employees*
Further Education Support	YES	100% of regular employees
Company Stock Options	NO	

Telecommuting	YES	For relevant functions
Flexible Working Hours	YES	For relevant functions
Others: Above Minimum Wages	YES	100% of all employees
Others: Equitable Severance Pay	YES	100% of qualified employees*
Others: Flexible Benefit	YES	100% of all regular employees
Others: SSS Sickness Leave	YES	100% of all employees
Others: Access to Health & Wellness Programs	YES	100% of all employees

*Qualification: based on MNC's compensation and benefits guidelines

LIST OF BENEFITS	Quorn Foods	
	Y/N	% of employees covered
Medical coverage	YES	100*
Parental leave	YES	100
Above minimum wage	YES	100
Access to health and wellness programs	YES	100

*All employees have access to the basic medical coverage in their country of residence. On top of this, Quorn Foods provides private medical coverage to 15% of its employees.

For employee benefits, the percentage of employees covered per benefit was reported instead as the percentage of employees that availed by gender is currently not available.

Impacts, Risks, Opportunities, and Management Approach for Employee Management, Hiring, and Benefits

Manpower is one of the main resources needed for MNC to operate efficiently and effectively. Manpower is highly important to MNC as a lack of competent manpower directly affects production and commercial operations.

MNC collaborates with local employment offices such as the Public Employment Services Office, institutions such as Technical Education and Skills Development Authority, Meralco Foundation, and schools, for targeted recruitment of manpower with the skills and qualifications needed for MNC's operations. MNC has also reached out to nearby communities in its plant sites by giving preference to those residing closer to the plant to generate local employment. Aside from these sources, MNC has also leveraged employer branding agencies to attract talents. Although competition for talent remains high, MNC has made efforts to be competitive by reviewing its hiring practices, and the compensation and benefits it offers through industry benchmarking practices.

The key challenge during the height of the COVID-19 pandemic was ensuring sufficient manpower to keep the plants operating efficiently while ensuring the safety and well-being of onsite employees as they perform their duties. Onboarding processes were also streamlined and automated to make the entry for new joiners to MNC faster and smoother. MNC has also adopted flexible work arrangements for certain positions and provided support to employees to continue their assignments even when working from home. For hybrid and onsite workers, shuttle services and free meals were provided. Health and wellness programs were strengthened to support the employees' physical and mental well-being.

For Quorn Foods, attracting talent and ensuring staff retention is important to the growth and aspirations of the business. This particular topic is managed through a dedicated HR team.

Employee Training and Development

DISCLOSURE	MNC	Quorn Foods*	UNITS
Total training hours provided to regular employees	18,485.5*	No available data	Hours
a. Female employees	8,564	No available data	Hours
b. Male employees	9,921.5	No available data	Hours
Average training hours provided to regular employees	9.64	No available data	Hours/Employee
a. Female employees	11.16	No available data	Hours/Employee
b. Male employees	8.61	No available data	Hours/Employee

*Training hours do not include training conducted/recorded in the LMS.

**Quorn Foods carries out training but does not currently capture metrics for employee training and development. Quorn Foods aims to begin recording and measuring their training and development activities, following the implementation of a new HR system in 2022.

Impacts, Risks, Opportunities, and Management Approach for Training and Development

Constantly changing technology and business standards present a need for employees to remain competent, making employee training and development relevant to MNC. Through the provision of programs that can upgrade employees' skills, MNC endeavors for its employees to become more inspired, engaged, and productive in the workplace.

Those in charge of MNC's learning and people development function work together with the leaders of the different sites and departments in providing various growth opportunities for MNC's employees. In 2021, MNC has put in place a comprehensive learning and development program covering all employees to build skills and capabilities for the evolving requirements of its business and its stakeholders.

Going forward, the plan is to expand and scale learning opportunities through digital learning and the creation of learning communities. Flexible working arrangements gave rise to the opportunity of institutionalizing hybrid learning methodologies and, as such, MNC plans to leverage modern learning management systems and ensure that training materials and resources can be accessed easily whenever and wherever. MNC is also looking to tap the expertise of its leaders and subject matter experts by creating communities of learning. Trainers and coaches across all sites and departments will be trained and provided with opportunities to hone their skills by undergoing formal programs – from selection, training, structured application, to continuous education.

Training is essential for Quorn Foods to maintain technical or job specific knowledge across the workforce. Aside from job specific training, Quorn Foods also provides technical support and specific on-the-job training for relevant individuals. It also provides financial support for technical knowledge such as finance qualifications and transition assistance programs on a case-to-case basis as well. There are annual performance development reviews, which include identifying the development needs of the employees and creating programs to meet those needs.

Labor-Management Relations

DISCLOSURE	MNC	UNITS
% of permanent employees covered with Collective Bargaining Agreements (CBA)	41% of regular employees	%

Number of consultations conducted with employees concerning employee-related policies.	MNC conducted two consultation sessions with union members in 2021. Other venues were town hall meetings held nationwide and in select plant sites. MNC has around-the-clock clear communication channels, regular staff meetings, a whistle blowing policy and employee exit interviews.	#

At present, Quorn Foods does not have data available for the percentage of employees covered by a CBA as well as the number of consultations conducted with employees regarding its policies.

Impacts, Risks, Opportunities, and Management Approach for Labor-Management Relations

MNC puts utmost importance in ensuring a continued harmonious working relationship with its employees and thus seeks to provide the appropriate venues for employees to express concerns in order to create a peaceful and conducive work environment. In the event of significant operational changes, affected employees are notified prior to implementation and consulted as may be necessary. MNC has sought to have successful collective bargaining agreements (CBA) and negotiations through the years. In 2021, MNC managed to complete a CBA in a matter of hours which is a milestone for MNC. The Laguna plant, the largest manufacturing facility of MNC, has a rank-and-file labor union (Union).

Labor management relations also covers non-unionized members who are able to participate in inclusive employee engagement programs that deal with employee productivity, wellness, and health across all MNC sites. All employees are also invited to participate in town hall meetings and various training programs. The People and Culture (formerly Human Resource) Department is responsible for putting labor-management relations programs in place such as regular meetings with the Union.

Maintaining good labor-management relations is important to Quorn Foods as it enables them to avoid the risk of groups of employees withdrawing labor. Quorn Foods actively engages with employees and their representatives to maintain good working relations. Engagement surveys and “temperature checks” are carried out on a regular basis to check levels of engagement and help focus attention on areas that require management attention.

Diversity and Equal Opportunity

DISCLOSURE	MNC	Quorn Foods	UNITS
% of female workers in the workforce	40	38	%
% of male workers in the workforce	60	62	%
% of females in management positions	52	43	%
% of females on the Board	56	0	%
Number of employees from indigenous communities and/or vulnerable sectors*	Not being tracked at the moment but MNC employs 8 PWDs	No available data	#

*Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (Class D and E).

Impacts, Risks, Opportunities, and Management Approach for Diversity and Equal Opportunity

MNC fosters an inclusive work environment and culture which provides equal employment opportunity and respects every employee regardless of their gender, religion, disability, or race. In 2021, 52% of those in management positions in MNC were female. MNC was recognized by the Securities and Exchange Commission at its gender and diversity awarding titled “Recognizing the Role of Women in the Corporate World” for exemplifying gender inclusivity as a publicly-listed company with the most women directors (56%) in its board for 2021.

Diversity and equal opportunity is a topic that is aligned with MNC’s commitment to collaborate with

empathy. MNC respects every individual and provides every one with equal opportunities for career growth. This strategy is practiced during hiring, onboarding, ongoing employment, and disengagement/retirement periods. MNC ensures that all employees are given equal opportunities in terms of career options, benefits, rewards, and salaries. A whistleblowing policy and mechanism is in place to address even issues relating to diversity or equality. The hiring policy also ensures that MNC creates a pool of diverse talents for its operations. Additionally, town hall sessions are conducted with employees to collect any feedback or suggestions to further ensure equal opportunities for all.

Quorn Foods supports and encourages diversity and equal opportunity within the business. Management monitors statistics in this area. A regular review of human resources is conducted to ensure the effectiveness of their management approach for this topic.

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

DISCLOSURE	MNC								UNITS
	Laguna Plant	Cebu Plant	Davao Plant	Pampanga Plant	Batangas Plant	Brixton Office	Makati Office	Total	
Safe Man-Hours	5,579,922	1,955,372	564,931	465,460	574,340	337,920	5158,976	9,136,921	Hours
Number of work-related injuries	46	13	2	15	3	0	0	79	#
Number of work-related fatalities	0	0	0	0	0	0	0	0	#
Number of work-related ill-health	0	0	0	0	0	0	0	0	#
Number of safety drills	1	2	2	0	0	0	5	10	#
Total Recordable Incident Rate (TRIR)**	1.65	1.33	0.71	6.44	No available data*	0	0	1.77	%

*MNC Batangas plant only started its operation in October 2021 hence TRIR was recorded starting 2022.

**Total number of recordable injuries x 200,000 / Employee hours of exposure

DISCLOSURE	MFL	UNITS
Safe Man-Hours	No available data*	Hours
No. of work-related injuries	16	#
No. of work-related fatalities	0	#
No. of work-related ill-health	0	#
No. of safety drills	110	#

*MFL does not track safe/unsafe man-hours. Instead, it tracks total hours worked from which ratios can be calculated. Total man-hours for 2021 is 1,376,345.

Impacts, Risks, Opportunities, and Management Approach for Occupational Health and Safety

Ensuring the safety of its employees is a key priority for MNC. If occupational health and safety (OHS) is not properly managed, then MNC faces risks of an increase in work-related injuries, penalties and fines, and reputational damage. With that, MNC maintains a culture of safety by enforcing strict safety measures and protocols across all facilities. In 2021, MNC recorded zero work-related fatalities and ill-health. MNC has established safety drumbeats across its sites and facilities and has revamped its structure in order to cover all areas of health, safety, and environment. The drumbeat review covers key in-process safety measures which are visible up to the Chief Operations Officer level. MNC also executes Mandatory Eight-hour Safety and Health Training safety course approved by the Department of Labor and Employment (DOLE) Occupational Safety and Health Center.

MNC provides comprehensive health benefits for its employees and dependents which includes: free consultation with the nurses and company physician for both work and non-work related health concerns, health maintenance organization cards for regular employees to provide access to total healthcare services from accredited clinics, hospitals, and physicians, annual physical/medical check-up for all regular employees, and free mental health online consultations. MNC also promotes worker health by providing recreational facilities in-plant such as multipurpose court, gym, and swimming pool. In 2021, MNC also launched its “Better Me, Better Monde!” program which aims to promote health and wellness and improve the overall well-being of MNC employees.

A priority of MNC’s response to COVID-19 is the health and safety of its employees. MNC conducted a thorough review of safety protocols and implemented necessary safety measures. MNC also extended medical assistance, shuttle services, free vitamin supplements, free face masks, free rubbing alcohol, and free healthy meals in canteens. Daily support cash assistance was also given to employees who reported to work physically during the height of the pandemic. MNC also implemented a free vaccination program for its employees and their dependents. MNC also designed flexible working arrangements and provided tools to ensure work continuity for its employees while keeping them safe.

Pursuant to OHS legal requirements, MNC conducts monitoring, evaluation, and auditing of health and safety processes and protocols through its health and safety committees in its work locations.

MFL is committed to ensuring the safety of its workforce and has management positions at each of its three main manufacturing sites dedicated to this important area. Health and safety is endorsed at the highest level with the belief that members of staff should be as healthy at the end of their working day as they were at the start. MFL complies with all local laws relating to health and safety, and regular audits are undertaken. It has also adopted a mental well-being approach with all staff, and provides regular updates as well as external support in this area if required. By adopting this approach, the risks associated with non-compliance, which include temporary closure notices from statutory bodies and increased insurance premiums, are avoided.

Labor Laws and Human Rights

DISCLOSURE	MNC	Quorn Foods	UNITS
Number of legal actions or employee grievances involving forced or child labor	0	0	#

Template question: Do you have policies that explicitly disallow violations of labor laws and human rights (e.g., harassment, bullying) in the workplace?

TOPIC	MNC		Quorn Foods	
	Y/N	If Yes, cite reference in MNC policy	Y/N	If Yes, cite reference in Quorn Foods policy
Forced Labor	Y	CLAUSE #5: NO MODERN SLAVERY [MNC] will not engage in the exploitation or illegal hiring of undocumented or underage workers. [MNC] is committed to ensuring that its global supply chain adheres to this commitment. No forced, bonded, or involuntary labor will ever be used at any of the [MNC]'s facilities or operations.	N	Quorn Foods currently does not have policies that explicitly state these topics. However, these areas are covered by legislations which Quorn Foods complies with in countries where it operates.
Child Labor	Y		N	
Human Rights	Y	CLAUSE # 3: EQUAL OPPORTUNITY AND NON-DISCRIMINATION [MNC] is an equal opportunity employer that values integrity, merit, and competence in its employees. [MNC] will not tolerate discrimination, whether within or without [MNC]. [MNC] will provide equal opportunity for all in recruitment, career development, promotion, and compensation without regard to race, color, religion, gender, nationality, or geographical origin or roots, ancestry, age, disability, medical condition, pregnancy, gender expression, gender identity, sexual orientation, or any other characteristic protected by law. CLAUSE # 4: ANTI-HARASSMENT To provide an environment that is conducive to productivity and personal growth, [MNC] prohibits workplace harassment of any kind, whether the perpetrator or the victim is a co-worker, supervisor, agent, customer, guest, or supplier. [MNC] also prohibits and condemns any form of direct or indirect retaliation against anyone who has made a complaint or reported an issue or incident, whether relating to harassment occurring within the workplace or outside.	N	

Impacts, Risks, Opportunities, and Management Approach for Occupational Health and Safety

Human rights and ethical hiring practices affect MNC, its employees, as well as business partners and suppliers down the value chain. Therefore, these are directly addressed under MNC's Code of Conduct, which contains principles that support MNC's aspiration.

MNC is an equal opportunity employer that evaluates, hires, and promotes candidates on the basis of ability, achievements, experience, and performance. MNC does not tolerate discrimination and aims to provide equal opportunity to all without regard to race, color, religion, gender, nationality, or geographical origin or roots, ancestry, age, disability, medical condition, pregnancy, gender expression,

gender identity, sexual orientation, or any other characteristic protected by law. In the same manner, MNC provides opportunities for learning and training to all employees in order to promote their professional growth.

MNC also aims to provide an environment that is conducive to productivity and personal growth by prohibiting workplace harassment of any kind. It also prohibits and condemns any form of direct or indirect retaliation against anyone who has made a complaint or reported an issue or incident, whether relating to harassment occurring within the workplace or outside.

If MNC fails to comply with relevant human rights and labor laws, it risks incurring penalties and damaging its reputation. To manage these risks, MNC ensures that non-discrimination and human rights are upheld at the workplace in compliance with the Philippine Labor Code and related laws and regulations. This is done through monitoring, providing avenues for incident filing, and constant communication with employees regarding their rights.

As a company, MNC aims to provide decent work to all its employees and to nurture a safe workplace that upholds and protects each person's basic human rights and well-being.

Supply Chain Management

MNC

Do you have a supplier accreditation policy? **YES, however the supplier accreditation policy is currently not available for public consumption**

Do you consider the following sustainability topics when accrediting suppliers?

TOPIC	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	YES for selected industries	Please see explanation in the Management Approach section
Forced labor		
Child labor		
Human rights		
Bribery and corruption	YES	

Quorn Foods

Do you have a supplier accreditation policy? **Quorn Foods uses a Supplier Audit Questionnaire (SAQ) for all raw materials suppliers**

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	YES	As part of the SAQ, Quorn Foods requests evidence of: 1) Supplier Ethical Data Exchange (SEDEX)* membership; and 2) Supplier's environmental certification.
Forced labor	YES	Compliance with modern slavery and anti-trafficking laws is a contractual obligation for all suppliers, which they sign up to as part of Quorn Foods' standard terms and conditions.

Child labor	YES	As part of the SAQ, Quorn Foods requests from its suppliers a copy of the latter's ethical policy covering this topic. Quorn Foods also ensures that suppliers have British Retail Consortium or Global Food Safety Initiative (GFSI) accreditation, which covers these issues.
Human rights	YES	Compliance with modern slavery and anti-trafficking laws is a contractual obligation for all suppliers, which they sign up to as part of Quorn Foods' standard terms and conditions.
Bribery and corruption	YES	Compliance with Bribery Act (2010) and all associated issues with Bribery and Corruptions is a contractual obligation for all suppliers, which they sign up to as part of Quorn Foods' standard terms and conditions.

**SEDEX is a membership organization that provides one of the world's leading online platforms for companies to manage and improve working conditions in global supply chains.*

Impact, Risks, Opportunities, and Management Approach for Supply Chain Management

MNC's vendor accreditation process ensures that MNC only deals with legally established supplier companies. The process seeks to ascertain that supplier companies are reputable and will not expose MNC to various financial and non-financial risks. MNC indirectly considers relevant environmental and social topics when accrediting suppliers as it requires suppliers to submit regulatory documents required by the DOLE and the DENR. MNC also uses third-party providers to assess credit risk via the Dun & Bradstreet database. MNC also actively assesses third-party risk exposure to matters such as bribery and corruption, sanction violations, political exposure, and others via Refinitiv World-Check.

MNC's Procurement Department follows the guidelines specified in the latest version of "Engaging in Business Partners" & "Conflicts of Interest" policies of MNC. This includes performing due diligence on potential business partners. The Procurement Department also assesses the prospective business partner's anti-corruption risks as defined in the requirements of the Anti-Bribery and Corruption Policy of MNC.

MNC ensures that manpower providers like third-party logistics, security agencies, janitorial agencies, and merchandising agencies that are on MNC-owned or rented premises must abide by the standards of the DOLE. The manpower providers are also required to provide compliance documents prior to further negotiations.

MNC also sees to it that all vendors with service contracts that require vendors' employees to be at MNC's sites strictly follow labor laws, labor standards, and all department orders and requirements by the DOLE.

Poor supply chain management can disrupt MNC's business and expose MNC to risks such as the occurrence of illegal or unethical acts, environmental pollution, and labor disputes. As such, MNC intends to update its supplier accreditation policy and assessment process to include relevant environmental and social topics (e.g., environmental compliance, occupational health and safety, forced labor, child labor and human rights).

Relationship with Community

Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)*	Does the particular operation have impacts on Indigenous Peoples (IPs) (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)
MNC's Manufacturing Plants	Sta. Rosa, Laguna	N/A	N	None	<u>CARBON MANAGEMENT</u> -Efficient operation of air-pollution control device for boiler operations -Moving to low carbon alternatives for thermal energy
	Mandaue, Cebu	N/A	N	None	<u>RESOURCE-EFFICIENCY</u> -Improving eco-efficiency of all facilities and plants -Reengineering cooling systems and implementing energy reduction plans for equipment use -Water conservation and wastewater reduction plans
	Davao City	N/A	N	None	
	Porac, Pampanga	N/A	N	None	<u>WASTE MANAGEMENT</u> -Monthly testing of effluents -Improving waste management practices to minimize waste disposed to landfill <u>OTHERS</u> -Optimize scheduling of trucking to minimize congestion -Managing noise levels

MNC's CDN	Luzon	Base of the pyramid/ Class DE (unemployed Filipinos)	N	None	Recruitment, training, and development of small entrepreneurs (also known as independent BEs)
MNC's Distribution Network	Nationwide	Base of the pyramid/ Sari-Sari Stores	N	None	Provision of access to microfinance services for the empowerment of sari-sari store owners
Quorn Foods	UK	N/A	N/A	None	Adherence to legal framework on emissions and other environmental factors

**Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (Class D and E)*

For operations affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available:

Certificates	MNC	Quorn Foods	UNITS
FPIC process is still undergoing	N/A	N/A	#
CP secured	N/A	N/A	#

Impacts, Risks, Opportunities, and Management Approach to Local Communities

One of MNC's corporate pillars is to grow responsibly in the areas where it operates by sharing economic opportunities with local communities and supporting community development programs that create livelihoods. This creates impacts related to UN SDGs on decent work and economic growth, responsible production and consumption, and climate action. These impacts occur throughout the MNC value chain. However, its efforts focus on its direct supply chain and distribution network. Aside from ensuring compliance with any and all applicable regulations, MNC seeks opportunities to multiply its positive impact with stakeholders.

In line with one of its sustainability pillars, "Inclusivity for Communities and Individuals," MNC continues to strengthen its CDN by providing livelihood to its independent BEs and access to microfinance services to its sari-sari store customers. As mentioned, in September 2021, MNC signed a Memorandum of Agreement with SB Corp on the STAPLES Program, a loan facility for micro, small, and medium enterprises (MSMEs) which aims to assist MSMEs to replenish its working capital and fund other business purposes at less onerous interest rates. It will also help sustain food supply chains and maintain sufficiency and affordability. The CDN is responsible for developing alternative distribution platforms catering to end consumers. An integral part of this channel are the dealers that recruit, train, and develop small entrepreneurs who are also referred to as the independent BEs. As of December 31, 2021, MNC has 25 Dealers and more than 1,000 independent BEs in key cities in Luzon. By 2030, MNC aims to provide livelihood opportunities to 5,000 BEs and financial credit (through partners) to 25,000 sari-sari stores. The risks identified in relation to local communities include the risk of being unable to maintain and expand manufacturing operations, and the risk of disruption in the distribution system if factors affect the MSMEs and individual entrepreneurs that sell MNC products. MNC strives to conduct proper monitoring and evaluation processes in place to ensure the sustainability and success of the program.

Besides its CDN, MNC also donates products for calamity relief such as for communities affected by the Taal volcano unrest and typhoons In-Fa and Rai. As part of its ongoing support for the fight against COVID-19, MNC also donated over 70,000 COVID-19 vaccines to the government.

MNC practices an open-door policy which encourages direct engagement with concerned parties. Designated managers oversee providing on-the-ground support to local communities during challenging times. For local communities that wish to air their grievances, MNC adopts a direct and open communication policy with communities in each plant location, including maintaining an online hotline portal that follows the best practices for confidential reporting.

Quorn Foods recognizes the role it can play in helping local communities – especially those in less well-off areas. It has undertaken a number of initiatives including building its partnership with Liverpool FC by matching fans' donations to local food banks and supporting FoodCycle through the provision of food and volunteers.

Furthermore, Quorn Foods launched a special initiative in September 2021 to inspire creative filmmakers to come together and raise awareness of one of humanity's biggest challenges: the future of food. The Quorn Pioneers Film Fund was created in association with planetSHINE to kick-start an important conversation around the future of food. The three winning films were selected based on their unique approach to help solve the world's food crisis. By raising awareness on alternative solutions, Quorn Foods is bringing important conversations on the future of food to the forefront of people's minds.

Consumer Health and Safety

DISCLOSURE	MNC	Quorn Foods	UNITS
Number of substantiated complaints on product or service health and safety*	1	No available data**	#
Number of complaints addressed	1	No available data**	#

*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

** For Quorn Foods, while complaints are currently monitored, there is no mechanism to generate complaints related to consumer health and safety.

Impacts, Risks, Opportunities, and Management Approach for Consumer Health and Product Quality and Safety

The sale of consumer food products involves a number of reputational, regulatory, legal, and other risks in relation to food safety and quality. MNC's success is highly dependent on consumers' perception of the quality of its products and its business could be adversely affected by the actual or alleged contamination or deterioration of its products. These risks related to product quality and safety are managed through the implementation of Good Manufacturing Practices (GMP), which include personal hygiene and sanitization, equipment maintenance, production and process control, integrated pest control management and documents and records control.

The manufacturing plants in Laguna and Cebu are certified by Food Safety Management Systems (FSSC) 22000 which is recognized by the GFSI, and the Davao plant is ISO22000:2018-certified. The remaining manufacturing plants of MNC in the Philippines are gearing towards the same food safety certifications. The certifications of these globally-recognized food safety systems and management standards are regularly audited by third-party certifying bodies. Consistent with its goal to provide better food products to consumers, MNC has not had any mandatory regulatory product recall in the past ten years.

Consumer safety is a primary concern for MNC hence, MNC ensures that all products comply with mandatory regulations of the Philippine Food and Drug Administration. Regulatory requirements are followed for labeling, nutrient claims, and product registration. In addition to this, the Food Safety Management System (FSMS) covers Hazard Analysis Critical Control Point (HACCP), Food Fraud and Food

Defense Systems which includes raw material and packaging material screening, supplier management system, and training of all relevant employees on food safety and emergency preparedness and response. Operational prerequisite programs are implemented as well to address the unintentional contamination of the food production processes and sub-processes, while Vulnerability Assessment Critical Control Point and Threat Assessment Critical Control Point for food defense and food fraud are established, respectively. Food safety objectives and targets are incorporated in the FSMS review. MNC has also established product recall procedures, internal traceability drill, GMP audit, supplier audit, halal audit, certification audit, trade traceability audits (mock product recalls), and crisis management procedures.

As important contributors to the implementation of these controls, affected employees are trained, and the monitoring of control points are established and implemented. Quality and Food Safety Management System audits are conducted at defined intervals to assess the maintenance of the system. MNC's Regulatory Affairs Department oversees compliance to food regulations while consumer feedback is managed by Corporate Communications, Quality Assurance, and other concerned departments. In order to address grievances, mechanisms such as a consumer hotline number and platforms, and consumer feedback from different channels (e.g., social media, website, employees) are put in place. Feedback from these channels are linked to the above-mentioned Quality and Food Safety Management System.

MNC continues to develop built-in quality control principles in three dimensions:

- **Process and Product Standards** — process and product standards are clearly defined and MNC regularly reviews and validates these standards;
- **Quality Assurance and Control** — production teams perform quality control and quality assurance teams verify product quality with a drive toward total quality management; and
- **Continuous Improvement** — MNC's problem-solving teams are tasked to analyze customer feedback to improve product and process.

As a major player in the local food industry, MNC recognizes that it plays an integral role in providing nutritious and accessible food products for all. With over 90% household penetration cutting across all economic classes, its products' affordability and widespread presence allow MNC to participate in influencing consumer behavior towards healthy lifestyles and holistic well-being. MNC has taken various initiatives to pivot towards a healthier and better portfolio. This strategic priority is reflected in its product innovations. For example, products fortified with essential nutrients account for the majority revenue share of Lucky Me! noodles portfolio. In addition, its annual sodium reduction initiative which started in 2020 continued on in 2021. The latest proprietary innovation used by MNC is the HSAF technology. Through this technology, MNC is able to significantly reduce oil usage, resulting in less fat and calorie content per pack. The non-fried Lucky Me! noodle products were marketed in North Central Luzon and Greater Manila Area in 2021 using one noodle line. With plans to transition other lines to HSAF, the second machine is already up for commissioning in 2022 while the third line is already under study.

MNC's aspiration is to bring about food that is better for consumers. By constantly improving its products, MNC hopes it can have a direct impact on its consumers' well-being and create a sustainable advantage over the competition. MNC allocates time and budget for regular consumer insight studies, regular tracking of communication materials to understand consumer reception and impact, and regular trade visits. MNC uses the insights gained to improve the product formulations and design which are in compliance with food safety regulations. Several MNC departments such as Marketing, Consumer Insights, New Product Development, and Regulatory Affairs work together in overseeing these activities.

For Quorn Foods, food safety is paramount. The risks associated with failure in this area include reputational damage to its brands and its inherent knock-on effect to consumer reaction which could in turn lead to the financial viability of the business being affected. As such, Quorn Foods ensures, through its quality control processes, that the food it serves are safe to consume and complies with the standards required by the various national compliance bodies in the territories where the products are sold.

Marketing and Labeling

Disclosure	MNC	Quorn Foods	UNITS

No. of substantiated complaints on marketing and labeling*	0	No available data**	#
No. of complaints addressed	0	No available data**	#

*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

**For Quorn Foods, while complaints are currently monitored, there is no mechanism to generate complaints related to marketing and labeling.

Impacts, Risks, Opportunities, and Management Approach for Marketing and Labeling

Marketing and labeling is a vehicle for MNC to communicate to consumers and other stakeholders about its brands and products. It helps in increasing brand recognition and creating product differentiation. It also provides value and solutions for consumers. This topic creates awareness and provides relevant information (e.g., nutrition facts, highlighting beneficial nutrients, portion control, promoting a balanced diet, packaging material recyclability, best before dates) that help in consumer purchase decision-making and proper disposal of packaging. MNC aims to create an impact on consumer welfare through consumer education on dietary knowledge and other relevant information that will allow consumers to make informed decisions with regard to their food consumption. It also aims to promote positive environmental impacts related to the use and disposal of packaging materials.

Potential risks regarding this topic include consumer complaints on product labeling, misuse of logos, undeclared allergens, and unintended use or misuse of products when preparation instructions are not followed. As part of managing these potential risks, MNC complies with all labeling guidelines which are overseen by MNC's Marketing, New Product Development, and Regulatory Affairs functions. For consumer complaints, MNC has put in place mechanisms such as a consumer hotline number, and the ability to receive consumer feedback from different channels and platforms (e.g., through social media, MNC's website, or via employees).

At MNC, campaigns and advertisements aim to promote nutrition education, consumer well-being and healthy lifestyles. When marketing MNC's brands, MNC utilizes a holistic approach by promoting positive values such as, morals, health, family time, learning, and active play.

To complement MNC's efforts in enhancing its product portfolio, MNC launched consumer education initiatives to influence consumer behavior towards a healthier or more balanced diet and lifestyle. In 2021, Lucky Me! Instant Mami (LMIM) communicated the cooking suggestion to add nutritious, tasty, and accessible ingredients in its Breakfast Series advertising campaign. The campaign was launched in January 2021 with the LMIM with milk recipe which aired on television nationwide followed by the second recipe, LMIM with vegetables. MNC has also incorporated a front-of-pack source of protein seal on its Monde Mamon products and created a campaign to highlight the nutritional benefits to consumers.

MNC promotes positive social values through various initiatives. A project was implemented in partnership with Edukasyon.PH, the largest youth education platform in the Philippines, to serve bite-sized, fun, and educational content to help parents have the best learning and bonding moments with their children. Engaging and educational content through social media, videos, articles, online quests, and trade promos were developed to help mothers make online learning fun and light for them and their children, using Nissin biscuits as mothers' partner. MNC was able to receive positive feedback from mothers who also shared their own experiences participating in the project with their children. Besides this, MNC through its Lucky Me! brand was the proponent of "Kainang Pamilya Mahalaga," an advocacy that has been recognized by the Philippine government and celebrated annually in the country. It aims to encourage parents to have mealtimes with their family regularly and be involved in their lives one meal at a time.

Quorn Foods uses marketing and labeling to communicate to consumers about its brands and products in compliance with all relevant regulations in the markets in which its products are sold. Through marketing and labeling, Quorn Foods is able to tell its story related to sustainability and the health benefits of their products. Quorn Foods also uses several channels to communicate with its consumers including TV advertising, magazine advertising, social media platforms, trade marketing support, and consumer trials

and sampling. These are designed to reach as many potential consumers as possible to improve brand awareness and drive consumer penetration. To support its marketing initiatives, Quorn Foods uses in store promotional initiatives as well to encourage new consumers to buy their products.

Customer Privacy

DISCLOSURE	MNC	Quorn Foods	UNITS
No. of substantiated complaints on customer privacy*	0	0	#
No. of complaints addressed	0	0	#
No. of customers, users, and account holders whose information is used for secondary purposes	N/A	N/A	#

*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

Impacts, Risks, Opportunities, and Management Approach for Customer Privacy

MNC is subject to Republic Act No. 10173, or the Data Privacy Act, its implementing rules and regulations, and the issuances of the National Privacy Commission (Data Privacy Laws). Failure to comply with Data Privacy Laws could subject MNC to increased public scrutiny, in addition to being subject to proceedings or actions initiated by governmental entities, and loss of customer confidence. MNC is committed to complying with Data Privacy Laws and, in the course of its regular business, enters into a multitude of contractual relationships with various service-providers, suppliers, distributors, and the like, which relationships may involve the processing of Personal Information (PI, as defined under the Data Privacy Laws) or Sensitive Personal Information (SPI, as defined under the Data Privacy Laws). MNC only collects and processes PI and SPI in accordance with Data Privacy Laws.

MNC has made publicly available its General Data Privacy Policy which incorporates its data retention policy and data subject rights policy. The Data Protection Officer manages MNC's compliance with Data Privacy Law. Following a privacy by design perspective, all prospective contractual relationships involving the collection of PI and/or SPI are reviewed from a Data Privacy Law perspective. Where PI and/or SPI are proposed to be collected, MNC assesses the proportionality of the collection to ensure there is no over-collection of PI and/or SPI. Where PI and/or SPI collection is involved, data subjects' rights to data privacy are respected through securing informed consent from the affected data subject. In this connection, when third-party service providers would need to collect PI and/or SPI in the performance of their services, MNC requires such third-party service providers to execute data sharing agreements (as applicable), personal information collection statements, and to warrant its adherence to the Data Privacy Laws. MNC has put in place physical, electronic, and administrative procedures and safeguards designed to prevent unauthorized access, maintain data security, and to facilitate the correct usage of PI and SPI that MNC collects as allowed under the Data Privacy Laws. Furthermore, a collaborative tool for data processing systems and privacy impact assessment is in the works to embed a privacy by design perspective within MNC. MNC has a dedicated email address and cellphone number for data privacy related questions, complaints, and concerns. MNC has a robust whistleblowing policy in place, providing for a platform where employees, contract counterparties, and other stakeholders may raise data privacy related issues without fear of reprisal or retaliation.

MNC regularly monitors its data privacy hotlines and dedicated privacy email to evaluate whether it is successful in managing this topic. MNC seeks to embed a privacy by design perspective within MNC by establishing an end-to-end tool tasked by the Information Technology (IT) department to develop an inventory of MNC's data processing systems and to conduct privacy impact assessments regarding MNC's systems, processes, and projects that involve the collection of PI and SPI. MNC also strives to increase awareness on its data privacy policy among its employees. With that, MNC intends to leverage privacy by design through the identification of privacy point of contact for each priority department and the provision of extensive data privacy training for the privacy point of contact. MNC has started company-wide training on data privacy as well as the implementation of IT security policies for compliance by suppliers or vendors.

To protect customer data and privacy, Quorn Foods complies with local General Data Protection Regulations (GDPR) and enforces firewalls and data security systems. Quorn Foods does not conduct e-commerce directly with its consumers. Rather, it transacts with customers including retailers, wholesalers, and food service businesses. Maintaining customer privacy remains important to Quorn Foods as it takes all the necessary steps to keep data secure so as not to risk sharing commercially sensitive information. Consumer information relating to complaints is stored using secure systems with limited access governed by user log in controls.

Data Security

DISCLOSURE	MNC	Quorn Foods	UNITS
Number of data breaches, including leaks, thefts, and losses of data	0	0	#

Impact, Risks, Opportunities, and Management Approach for Data Security

Data is a valuable asset to MNC thus protective measures are put in place to prevent unauthorized access, corruption, and data loss. If MNC's IT systems are down, MNC's operations may be affected.

MNC takes data security seriously. To manage any potential breach, MNC's senior management are involved in the data security policy reviews, security measure definitions, creation, and approval while the information security personnel and relevant department personnel implement and execute the security controls. All security incidents are centrally logged through an IT Service Desk to which a security incident team responds promptly and centrally.

MNC engages third-party security consultants for security assessment and improvement services. It subscribes to regular security training and awareness programs and campaigns including against phishing to educate and raise security awareness among employees. In addition, MNC is regularly reviewing and updating its policies including those related to data security and IT. MNC's General Data Privacy Policy is available and accessible on its website which also includes the data retention policy and data subject rights policy that will aid stakeholders in case of any privacy concerns. A Security Incident Response Team Procedure is in place to alert and mobilize key personnel, including senior management, in the event of a serious security incident such as data breach.

MNC addresses the identified risks including phishing and malware by implementing updated policies, tools, processes, and user education. MNC implements multiple layers of protection to monitor data security risks including penetration and vulnerability tests. A privacy impact assessment involving the Data Protection Officer and the Data Privacy Team is also conducted to identify the potential risks throughout the data processing life cycles. For security incidents that are raised, MNC logs these centrally to address, analyze, and monitor the incident and to have visibility on the status of the incident.

MNC continues to explore opportunities that will enhance the inventory of all software and hardware assets in order for obsolescence risks to be managed with proper replacement and upgrades. This will allow assets to be updated with the latest software and security patches.

Data security is important to Quorn Foods as it prevents potential financial loss and reputational damage. Quorn Foods recognizes the risk that a data breach can cause to the operation of the business. Furthermore, there are risks related to intellectual property. To mitigate these risks, Quorn Foods maintains strong data defenses to detect and repel potential attacks. Training on responding to phishing attacks is provided to all staff. In support of this, data is backed up frequently with servers located in different geographical locations.

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Noodles, Biscuits, and Packaged Cakes (MNC products)	SDG 2: ZERO HUNGER MNC takes concerted action towards food security As a major player in the local food industry, MNC has an integral role in providing nutritious and accessible food products for all. With over 90% household penetration cutting across all economic classes, MNC products' affordability and widespread presence allow it to participate in influencing consumer behavior towards healthy lifestyles and holistic well-being.	Several scientific studies* have claimed that overconsumption of processed foods that may contain a high amount of saturated fats, sugar, salt, and calories can lead to increased exposure to health risks. *Source: https://www.who.int/news-room/fact-sheets/detail/healthy-diet 29 April 2020	MNC has started adopting the HSAF in its noodle production. This technology uses a non-frying process, significantly reducing oil usage, resulting in less fat and less calorie content per pack of noodles while maintaining parity product acceptability versus the fried version. MNC aims to continuously innovate to reduce the sugar, sodium, and fat content in its products. MNC refers to the World Health Organization's recommendations on healthy diets in improving its products. MNC is also enhancing the nutritional content of its products by infusing vitamins and minerals into its noodles, biscuits, and packaged cakes. FDA standards on fortification are used as a guide. When communicating its brand, MNC utilizes a holistic approach by promoting positive values such as morals, health, family time, and active play. It implements various campaigns that seek to promote nutrition education, consumer well-being, and healthy lifestyles. Through its packaging materials, MNC communicates necessary information and additional tips on its labels. This allows consumers to make informed decisions with regards to their food consumption.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Noodles, Biscuits, and Packaged Cakes (MNC products)	SDG 12: RESPONSIBLE CONSUMPTION & PRODUCTION SDG 13: CLIMATE ACTION -MNC aims to move towards a zero-waste, resource-efficient, and low-carbon value chain. MNC recognizes that environmental responsibility is an integral component of the business agenda as it monitors and mitigates environmental impacts across all operations. With ongoing initiatives and plans, MNC has begun its journey to achieve sustainable management and efficient use of natural resources.	Irresponsible resource consumption and business operations have contributed to alarming environmental impacts (e.g., pollution, climate change, etc.) that threaten human development and prosperity. MNC manufactures food products that make use of palm oil as one of the raw materials, which can further contribute to deforestation, biodiversity loss, and soil degradation. Other environmental challenges of MNC include waste generation especially due to the production of landfill-bound plastic packaging. The use of water and non-renewable sources for production can potentially lead to natural resource depletion and increased greenhouse gas emissions, respectively.	MNC monitors the environmental impacts of its manufacturing operations, and is looking to improve the eco-efficiency of its facilities, particularly towards energy and water use. MNC drives energy efficiency efforts by reengineering cooling systems and implementing energy conservation plans for equipment use, whenever possible. It is working towards more efficient usage of water in all areas of production and intends to further reduce wastewater discharge.
			MNC has started using the HSAF technology in noodle production which results in a reduction in MNC's use of palm oil.
			MNC looks for pathways to reduce its carbon footprint in all operations by identifying low-carbon alternatives for energy sourcing. It currently has a solar installation at its Laguna plant and a biomass facility at its Cebu plant.
			While packaging is essential in delivering quality products to customers, MNC is working towards minimizing its post-consumer waste impact by developing sustainable packaging solutions. MNC is also implementing design solutions to reduce its usage of packaging materials without compromising the quality of its products. MNC is also working on improving its waste management practices by taking on necessary measures and process improvements in order to minimize its waste to landfill.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Noodles, Biscuits, and Packaged Cakes (MNC products)	SDG 8: DECENT WORK AND ECONOMIC GROWTH -MNC aims to scale up inclusive growth in local communities. MNC promotes inclusive opportunities in local communities. MNC contributes to the development of its communities by expanding its distribution network, and providing livelihood opportunities and access to micro-financing services within its value chain for increased income.	N/A	N/A

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Noodles, Biscuits, and Packaged Cakes (MNC products)	SDG 8: DECENT WORK AND ECONOMIC GROWTH -MNC aims to foster inclusive and better workplace practices. Recognizing the value that each of its employees provides, MNC fosters an inclusive workplace environment that upholds decent work standards, provides social safeguards, and promotes talent development. Diversity and equal opportunity principles are observed as applicable during hiring, onboarding, ongoing employment, and	N/A	N/A

	disengagement/retirement. A whistleblowing policy and mechanism is also in place to address issues including those relating to diversity or equality. MNC provides the appropriate venues for employees to express concerns in order to create a peaceful and conducive work environment. It also provides employees with above minimum wage and flexible benefits. MNC provides access to learning, and skills and capability development opportunities for all employees. It also promotes a culture of continuous learning with a growth mindset, collaboration with empathy and care with action.		

Key Products & Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Meat Alternatives (Quorn Foods products)	SDG 2: ZERO HUNGER - Reduction of food waste and repurpose where possible - Nutrition strategy and management system - Supplier screening to access policies for employees SDG 3: HEALTH & WELL-BEING - Incentivize colleagues to participate in wellness activities - Extend healthcare	The Quorn brand is recognized and marketed as a sustainable source of protein. Failure to progress with the SDGs could have a negative impact on the Brand and hence the business.	Quorn Foods has commissioned a report to measure progress against all SDGs. Those considered a priority achieve the greatest focus and score reasonably well. These inform the business's action plans surrounding SDG improvement. Action plans are in progress to improve the performance rating of all SDGs. Furthermore, Cauldron branded products are now Carbon Neutral since January 2022.

	benefits - Meet emission targets SDG 13: CLIMATE ACTION - Increase capital allocation for environmental protection - Reduce emissions through energy reduction - Track and manage transport (goods and people) costs and environmental impact SDG 12: RESPONSIBLE CONSUMPTION & PRODUCTION - Increase percentage of sustainably sourced materials and energy - Comprehensive supplier code of conduct SDG 8: DECENT WORK AND ECONOMIC GROWTH - Offer career and life skills training - Provide living wage and promote gender equality - Favor SME and local suppliers where practical OTHER SDGs - Continue to monitor progress against other SDGs to improve performance		