ANNEX D

CONSOLIDATED FINANCIAL STATEMENTS

CENTURY PACIFIC FOOD INC.

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of CENTURY PACIFIC FOOD INC. and SUBSIDIARIES (the "Group") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as at and for the years ended December 31, 2021 and 2020, in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Group's financial reporting process.

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

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

Signature: Christopher T. Po
Chairman of the Board

Signature: Teodoro Alexander Po
Chief Executive Officer

Signature: Richard Kristoffer S. Manapat
Chief Financial Officer

Signed this APR 1 1 2022 day of ____, 2022.

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SERIES OF 2022

ATTY. JOSHUA P. LAPUZ
Notary Public for Makati City
Appointment #M-019 until 12/31/2023
PTR No. 8852510 - Jan. 3, 2022 Makati City
Roll No. 45790, IBP Lifetime #04897/7-3-03
MCLE No. VI-0016565/ Jan. 14 2019
G/F Fedman Suites, 199 Salcedo Street
Legaspi Village, Makati City

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C S 2 0 1 3 2 0 7 7 8

Company Name

CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES

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

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

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

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
32	6/30	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
MANUEL Z. GONZALES	manuel.gonzales@mvgslaw.com	8687-1195	0918-843-8888

Contact Person's Address

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

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the 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

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
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INDEPENDENT AUDITOR'S REPORT

The Board of Directors and the Stockholders
Century Pacific Food, Inc. and Subsidiaries
(A Subsidiary of Century Pacific Group, Inc.)
7th floor, Centerpoint Building, Julia Vargas St., Ortigas Center
Pasig City, Metro Manila

Opinion

We have audited the consolidated financial statements of Century Pacific Food, Inc (CNPF) and Subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year-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 Company as at December 31, 2021 and its consolidated financial performance and its consolidated cash flows for the year-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 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 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. In addition to the matters described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report. 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.

Impairment assessment of goodwill and trademarks

Under PFRSs, the Group is required to annually test the amount of goodwill and trademarks with indefinite useful lives for impairment. As of December 31, 2021, the Group's goodwill attributable to the acquisition of Century Pacific Agricultural Ventures, Inc. (CPAVI) amounted to ₱2,938.3 million and trademarks with indefinite useful lives amounted to ₱516.9 million, 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 forecasted long-term revenue growth rate, operating expenses, gross margin and discount rate.

The Group's disclosures about goodwill and trademarks are included in Note 12 to the consolidated financial statements.

Audit Response

We involved our internal specialist in evaluating the methodologies and the assumptions used in determining the value-in-use of the cash generating unit related to its CPAVI coco business. We compared the key assumptions used, such as revenue growth rate, operating expenses and gross margin against the historical performance of the CGU, and other relevant external data, taking into consideration the impact associated with coronavirus pandemic. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amounts of goodwill and trademarks such as forecasted long-term revenue growth rate, operating expenses, gross margin and discount rate.

Accounting for the acquisition of Pacific Meat Corporation, Inc. (PMCI)

On April 1, 2021, CNPF acquired 100% ownership of PMCI for a total consideration of ₱24.0 million. As permitted by PFRS 3, *Business Combinations*, the Group determined the purchase price allocation (PPA) on a provisional basis. This transaction is a key audit matter as the amounts involved are material to the consolidated financial statements. In addition, management judgment was required to determine that the acquisition has met the requirements of a business. The transaction also involves significant judgments and estimates such as the identification and determination of the fair values of the assets and liabilities acquired, key inputs, such as revenue growth and discount rates related to the valuation of the trademark and the allocation of the purchase price to these assets and liabilities.

The Group disclosed the details of the acquisition of the business in Note 38 to the consolidated financial statements.

Audit Response

We obtained and reviewed the related documents, including any arrangements entered into in connection with the transaction. We reviewed management's analysis and assessment of the transaction. We reviewed the provisional purchase price allocation prepared by the Group. We also involved our internal specialists in reviewing the valuation methodology and key inputs, such as revenue growth and discount rates related to the valuation of the trademark. We compared the revenue growth to the historical performance of PMCI and industry data. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the disclosures in the notes to the consolidated financial statements.

Other Matter

The consolidated financial statements of the Group as at December 31, 2020 and for the years ended December 31, 2020 and 2019 were audited by another auditor who expressed an unmodified opinion on those statements on April 14, 2021.

Other Information

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended December 31, 2021, but does not include the consolidated financial statements and our auditor's report thereon which we obtained prior to the date of the Auditor's Report, and the SEC Form 20 - IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2021, which 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 will not express any form of assurance conclusion thereon.

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

The engagement partner on the audit resulting in this independent auditor's report is Maria Pilar B. Hernandez.

SYCIP GORRES VELAYO & CO.

Maria Pilar B. Hernandez

Maria Pilar B. Hernandez
Partner
CPA Certificate No. 105007
Tax Identification No. 214-318-972
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 105007-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. 08-001998-116-2022, January 20, 2022, valid until January 19, 2025
PTR No. 8853500, January 3, 2022, Makati City

April 11, 2022

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021
(With Comparative Figures as at December 31, 2020)

		December 31	
	Notes	**2021**	2020
ASSETS			
Current Assets			
Cash and cash equivalents	8	**₱1,728,308,358**	₱1,229,381,273
Trade and other receivables	9	**7,905,701,602**	6,913,305,061
Due from related parties	27	**119,485,746**	280,788,885
Inventories	10	**14,112,400,431**	12,972,572,720
Biological assets	14	**–**	65,726,630
Other current assets	11	**2,619,774,907**	2,511,700,094
Total Current Assets		**26,485,671,044**	23,973,474,663
Noncurrent Assets			
Property, plant and equipment	15	**8,574,285,847**	7,290,756,893
Intangible assets and royalties	12	**3,850,025,258**	3,448,276,612
Right-of-use assets	13	**1,298,679,221**	678,300,084
Deferred tax assets – net	34	**540,950,655**	752,107,229
Other noncurrent assets	16	**130,020,844**	133,450,145
Total Noncurrent Assets		**14,393,961,825**	12,302,890,963
TOTAL ASSETS		**₱40,879,632,869**	₱36,276,365,626

LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	18	**₱9,104,641,236**	₱9,670,565,636
Short-term loans payable	17	**2,800,000,000**	1,949,466,680
Current portion of borrowings	17	**9,764,285**	1,584,000,000
Income tax payable		**89,626,028**	194,877,487
Due to related parties	27	**84,941,137**	75,894,675
Current portion of lease liabilities	32	**247,628,625**	271,207,134
Total Current Liabilities		**12,336,601,311**	13,746,011,612
Noncurrent Liabilities			
Borrowings - net of current portion	17	**1,982,127,068**	-
Retirement benefit obligation	19	**508,776,526**	618,902,329
Lease liabilities - net of noncurrent portion	32	**1,164,210,050**	465,842,247
Deferred tax liability	34	**-**	9,398,845
Total Noncurrent Liabilities		**3,655,113,644**	1,094,143,421
Total Liabilities		**15,991,714,955**	14,840,155,033
Equity			
Share capital		**3,542,258,595**	3,542,258,595
Share premium	20	**4,936,859,146**	4,936,859,146
Share-based compensation reserve	20	**8,211,398**	8,211,398
Other reserves	28	**30,628,942**	30,628,942
Currency translation adjustment		**23,886,813**	23,818,317
Retained earnings	20,29	**16,346,073,020**	12,894,434,195
Total Equity		**24,887,917,914**	21,436,210,593
TOTAL LIABILITIES AND EQUITY		**₱40,879,632,869**	₱36,276,365,626

See accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021
(With Comparative Figures for the Years Ended December 31, 2020 and 2019)

		Years Ended December 31		
	Notes	**2021**	2020	2019
REVENUE FROM CONTRACTS WITH CUSTOMERS	21	**₱54,710,155,254**	₱48,301,741,084	₱40,560,362,956
COST OF GOODS SOLD	22	**41,958,358,259**	36,374,034,421	30,836,294,070
GROSS POFIT		**12,751,796,995**	11,927,706,663	9,724,068,886
OPERATING EXPENSES	24	**(7,064,201,886)**	(6,350,811,842)	(5,332,626,089)
FINANCE COSTS	17,32	**(296,882,673)**	(261,151,374)	(369,427,817)
OTHER INCOME	23	**557,776,763**	615,688,399	536,291,593
OTHER EXPENSES	25	**(380,575,165)**	(803,600,697)	(519,677,568)
INCOME BEFORE INCOME TAX		**5,567,914,034**	5,127,831,149	4,038,629,005
PROVISION FOR INCOME TAX	33	**894,897,620**	1,248,387,296	890,031,995
NET INCOME		**4,673,016,414**	3,879,443,853	3,148,597,010
OTHER COMPREHENSIVE INCOME (LOSS) NOT TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS				
Remeasurement gain (loss) on pension – net of tax	19	**53,835,505**	(320,715,746)	(64,171,850)
Translation adjustments		**68,496**	(1,622,167)	(17,072,597)
OTHER COMPREHENSIVE INCOME (LOSS)		**53,904,001**	(322,337,913)	(81,244,447)
TOTAL COMPREHENSIVE INCOME		**₱4,726,920,415**	₱3,557,105,940	₱3,067,352,563
Basic and Diluted Earnings Per Share	30	**₱1.3192**	₱1.0952	₱0.8889

See accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2021
(With Comparative Figures as at December 31, 2020 and 2019)

	Share Capital (Note 20)	**Share Premium** (Note 20)	**Share-based Compensation Reserve** (Note 28)	**Other Reserves**	**Currency Translation Adjustment**	**Unappropriated Retained** (Note 29)	**Appropriated Retained Earnings** (Note 20)	**Total**
Balances at December 31, 2018	₱3,542,258,595	₱4,936,859,146	₱8,211,398	₱30,628,942	₱42,513,081	₱6,564,800,569	₱1,599,300,000	₱16,724,571,731
Profit for the year	–	–	–	–	–	3,148,597,010	–	3,148,597,010
Other comprehensive income:	–	–	–	–	–	–	–	
Currency translation adjustment	–	–	–	–	(17,072,597)	–	–	(17,072,597)
Remeasurement of retirement benefit obligation - net of tax	–	–	–	–	–	(64,171,850)	–	(64,171,850)
Total Comprehensive Income	–	–	–	–	(17,072,597)	3,084,425,160	–	3,067,352,563
Cash dividends	–	–	–	–	–	(637,606,547)	–	(637,606,547)
Appropriation of retained earnings	–	–	–	–	–	240,784,514	(240,784,514)	–
Balance, December 31, 2019	**3,542,258,595**	**4,936,859,146**	**8,211,398**	**30,628,942**	**25,440,484**	**9,252,403,696**	**1,358,515,486**	**19,154,317,747**
Profit for the year	–	–	–	–	–	3,879,443,853	–	3,879,443,853
Other comprehensive income:								
Currency translation adjustment	–	–	–	–	(1,622,167)	–	–	(1,622,167)
Remeasurement of retirement benefit obligation - net of tax	–	–	–	–	–	(320,715,746)	–	(320,715,746)
Total Comprehensive Income	–	–	–	–	(1,622,167)	3,558,728,107	–	3,557,105,940
Cash dividends	–	–	–	–	–	(1,275,213,094)	–	(1,275,213,094)
Appropriation of retained earnings	–	–	–	–	–	(2,253,635,800)	2,253,635,800	–
Balance, December 31, 2020	**3,542,258,595**	**4,936,859,146**	**8,211,398**	**30,628,942**	**23,818,317**	**9,282,282,909**	**3,612,151,286**	**21,436,210,593**
Profit for the year	–	–	–	–	–	4,673,016,414	–	4,673,016,414
Other comprehensive income:								
Currency translation adjustment	–	–	–	–	68,496		–	68,496
Remeasurement of retirement benefit obligation - net of tax	–	–	–	–		53,835,505	–	53,835,505
Total Comprehensive Income	–	–	–	–	68,496	4,726,851,919	–	4,726,920,415
Cash dividends	–	–	–	–	–	(1,275,213,094)	–	(1,275,213,094)
Appropriation of retained earnings	–	–	–	–	–	580,551,579	(580,551,579)	–
Balance, December 31, 2021	**₱3,542,258,595**	**₱4,936,859,146**	**₱8,211,398**	**₱30,628,942**	**₱23,886,813**	**₱13,314,473,313**	**₱3,031,599,707**	**₱24,887,917,914**

See accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
(With Comparative Figures for the Years Ended December 31, 2020 and 2019)

		Years Ended December 31		
	Note	**2021**	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**₱5,567,914,034**	₱5,127,831,149	₱4,038,629,005
Adjustments for:				
Depreciation and amortization	12,13,15	**1,271,558,587**	1,106,149,015	932,365,731
Loss on decline in value of inventories	10	**220,130,994**	391,036,678	185,817,650
Finance costs	17,32	**296,882,673**	261,151,374	369,427,817
Retirement benefit expense	19	**142,139,375**	70,397,959	38,685,892
Reversal of allowance for inventory	10	**(126,276,220)**	(373,327,170)	(192,375,933)
Gain from sale of scrap – net	23	**(79,394,940)**	(107,664,525)	(15,150,463)
Reversal of accruals	18	**(107,629,495)**	(107,184,824)	(125,718,029)
Unrealized foreign exchange loss (gain) – net		**(43,227,178)**	41,100,997	(31,083,986)
Gain on bargain purchase	38	**(41,071,822)**	–	–
Loss on impairment of input VAT	11	**31,047,893**	9,316,412	5,538,547
Reversal of allowance for expected credit losses	9	**(21,522,800)**	(3,446,268)	(48,887,970)
Interest income	23	**(6,347,815)**	(35,206,519)	(8,082,061)
Loss (gain) on disposal of property, plant and equipment – net	15	**(4,166,459)**	(2,503,626)	31,630,206
Provision for expected credit losses	9	**–**	9,270,257	5,794,328
Provisions on inventory obsolescence	10	**–**	83,254,371	72,394,430
Impairment loss on trademark		**–**	34,700,000	–
Operating cash flows before working capital changes		**7,100,036,827**	6,504,875,280	5,258,985,164
Decrease (Increase) in:				
Trade and other receivables		**(761,871,850)**	(605,209,508)	119,292,471
Due from related parties		**181,188,954**	(19,199,975)	(138,741,763)
Inventories		**(845,465,502)**	(2,524,528,199)	(176,845,510)
Biological assets		**65,726,630**	(32,346,274)	9,473,395
Other current assets		**(100,364,196)**	335,800,702	(347,649,729)
Other non-current assets		**3,687,727**	(43,657,035)	2,683,773
Increase (Decrease) in:				
Trade and other payables		**(608,579,869)**	2,955,682,590	(23,410,693)
Due to related parties		**(1,151,548,802)**	88,515,508	9,125,107
Exchange differences on translating operating assets and liabilities		**-**	-	(17,072,597)
Cash generated from operations		**3,882,809,919**	6,659,933,089	4,695,839,618
Contribution to the retirement fund	19	**(177,559,032)**	(48,612,624)	(48,612,624)
Income tax paid		**(834,178,324)**	(1,468,959,658)	(974,189,582)
Interest received		**6,347,815**	35,136,003	7,731,582
Net cash from operating activities		**2,877,420,378**	5,177,496,810	3,680,768,994
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Property, plant and equipment	15	**(2,139,292,490)**	(1,736,384,126)	(1,774,163,199)
Subsidiary (net of cash acquired)		**247,032,463**	–	–
Proceeds from sale of property, plant and equipment		**4,166,460**	2,503,626	4,250,055
Net cash used in investing activities		**(1,888,093,567)**	(1,733,880,500)	(1,769,913,144)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings and short-term loans payable	17	**7,791,891,353**	5,551,000,000	4,986,000,000
Repayments of borrowings and short-term loans payable	17	**(6,533,466,680)**	(7,537,541,907)	(5,778,491,413)
Dividends paid	29	**(1,275,213,094)**	(1,275,213,094)	(637,606,547)
Finance costs paid		**(149,285,666)**	(264,635,783)	(363,634,829)
Payment of lease liabilities	32	**(324,325,639)**	(295,688,307)	(185,753,933)
Net cash used in financing activities		**(490,399,726)**	(3,822,079,091)	(1,979,486,722)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**498,927,085**	(378,462,781)	(68,630,872)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**1,229,381,273**	1,607,844,054	1,676,474,926
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 8)		**₱1,728,308,358**	₱1,229,381,273	₱1,607,844,054

See accompanying Notes to Consolidated Financial Statements.

1. GENERAL INFORMATION

Corporate Information

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

The Parent Company's shares of stocks were listed in the Philippines Stock Exchange (PSE) on May 6, 2014 through initial public offering (IPO) and listing of 229.65 million shares in the PSE at a total value of P3.5 billion, as discussed in Note 20.

The Parent Company is a 68.72% and 68.71%-owned subsidiary of Century Pacific Group, Inc. (CPGI) the ultimate parent, as at December 31, 2021 and 2020, respectively. CPGI is a corporation registered with SEC and is domiciled in the Philippines.

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

Approval and Authorization for Issuance of Consolidated Financial Statements

The consolidated financial statements were approved and authorized for issue by the Board of Directors on April 11, 2022.

2. FINANCIAL REPORTING FRAMEWORK AND BASIS OF PREPARATION AND PRESENTATION

Statement of Compliance

The consolidated financial statements of the Parent Company and its subsidiaries (the "Group") have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis of Preparation and Presentation

The consolidated financial statements have been prepared on the historical cost basis, unless otherwise stated. The consolidated financial statements are presented in Philippine peso, the Group's functional currency.

3. COMPOSITION OF THE GROUP

Details of the Parent Company's subsidiaries as at December 31, 2021 and 2020 are as follows:

	Ownership Interest	
Name of Subsidiary	**2021**	2020
General Tuna Corporation (GTC)	**100%**	100%
Snow Mountain Dairy Corporation (SMDC)	**100%**	100%
Allforward Warehousing Inc. (AWI)	**100%**	100%
Century Pacific Agricultural Ventures, Inc. (CPAVI)	**100%**	100%
Century Pacific Seacrest Inc. (CPSI)	**100%**	100%
Centennial Global Corporation (CGC)	**100%**	100%
Century Pacific Food Packaging Ventures, Inc. (CPFPVI)	**100%**	100%
General Odyssey Inc (GOI)	**100%**	100%

Name of Subsidiary	Ownership Interest **2021**	2020
Millenium General Power Corporation	**100%**	100%
The Pacific Meat Inc	**100%**	-
Century International (China) Co. Ltd. (CIC)	**100%**	100%
Century (Shanghai) Trading Co. Ltd. (CST)	**100%**	100%
Cindena Resources Limited (CRL)	**100%**	100%
Century Pacific North America Enterprise Inc. (CPNA)	**100%**	100%

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

GTC

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

The significant information on the audited statements of financial position of GTC as at December 31, 2021 and 2020 and the results of its operations in 2021, 2020 and 2019 as translated to the Group's presentation currency, are as follows:

	2021	2020
Financial Position		
Current assets	**₱3,630,912,402**	₱4,315,675,831
Non-current assets	**1,388,725,651**	1,265,275,471
Total Assets	**5,019,638,053**	5,580,951,302
Current liabilities	**2,315,033,347**	2,760,934,265
Non-current liabilities	**65,914,281**	97,152,491
Total Liabilities	**2,380,947,628**	2,858,086,756
Equity	**₱2,638,690,425**	₱2,722,864,546

	2021	2020	2019
Results of Operations			
Revenue	**₱7,815,247,676**	₱6,007,349,439	₱6,393,918,056
Cost and expenses	**7,415,547,400**	5,865,074,075	5,968,133,955
Profit for the year	**₱399,700,276**	₱142,275,364	₱425,784,101

SMDC

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

The significant information on the audited statements of financial position of SMDC as at December 31, 2021 and 2020 and the results of its operations in 2021, 2020 and 2019 are as follows:

	2021	2020
Financial Position		
Current assets	**₱530,176,493**	₱2,042,747,471
Non-current assets	**600,991,637**	652,236,210
Total Assets	**1,131,168,130**	2,694,983,681
Current liabilities	**172,608,389**	505,108,396
Non-current liabilities	**40,343,429**	49,980,675
Total Liabilities	**212,951,818**	555,089,071
Equity	**₱918,216,312**	₱2,139,894,610

	2021	2020	2019
Results of Operations			
Revenue	**₱120,567,899**	₱9,898,001,543	₱8,725,013,878
Cost and expenses	**142,246,197**	9,357,992,454	8,508,463,882
Profit (loss) for the year	**(₱21,678,298)**	₱540,009,089	₱216,549,996

AWI

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

Significant financial information on the audited statements of financial position of AWI as at December 31, 2021 and 2020 and the results of its operations in 2021, 2020 and 2019 are as follows:

	2021	2020
Financial Position		
Current assets	**₱185,009,310**	₱128,239,608
Non-current assets	**581,589,009**	559,208,676
Total Assets	**766,598,319**	687,448,284
Current liabilities	**77,960,874**	18,081,486
Non-current liabilities	**16,928,795**	16,626,603
Total Liabilities	**94,889,669**	34,708,089
Equity	**₱671,708,650**	₱652,740,195

	2021	2020	2019
Results of Operations			
Revenue	**₱185,110,345**	₱196,083,925	₱195,253,134
Cost and expenses	**98,141,890**	109,613,467	81,524,716
Profit for the year	**₱86,968,455**	₱86,470,458	₱113,728,418

CPAVI

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

Significant information on the audited statements of financial position of CPAVI as at December 31, 2021 and 2020 and the results of its operations in 2021, 2020 and 2019 are as follows:

	2021	2020
Financial Position		
Current assets	**₱1,957,098,530**	₱1,706,298,146
Non-current assets	**2,748,329,040**	2,147,422,899
Total Assets	**4,705,427,570**	3,853,721,045
Current liabilities	**1,394,056,640**	516,740,257
Non-current liabilities	**38,899,257**	48,992,378
Total Liabilities	**1,432,955,897**	565,732,635
Equity	**₱3,272,471,673**	₱3,287,988,410

	2021	2020	2019
Results of Operations			
Revenue	**₱4,968,089,823**	₱3,616,037,666	₱3,003,799,935
Cost and expenses	**4,491,144,021**	3,321,063,136	2,531,668,005
Profit for the year	**₱476,945,802**	₱294,974,530	₱472,131,930

CPSI

CPSI was incorporated in the Philippines and was registered with the SEC on November 13, 2015. CPSI is engaged in the business of developing and designing, acquiring, selling, transferring, exchanging, managing, licensing, franchising and generally in exercising all rights, powers and privileges of ownership or granting any right or privilege of ownership or any interest to label marks, devices, brands, trademark rights and all other forms of intellectual property, including the right to receive, collect and dispose of any and all payments, dividends, interests and income derived therefrom.

The significant information on the audited statements of financial position of CPSI as at December 31, 2021 and 2020 and the results of its operations in 2021, 2020 and 2019 are as follows:

	2021	2020
Financial Position		
Current assets	**₱367,337,710**	₱110,932,793
Non-current assets	**116,774,788**	111,474,788
Total Assets	**484,112,498**	222,407,581
Total Liabilities	**402,001,638**	124,672,701
Equity	**P82,110,860**	P97,734,880

	2021	2020	2019
Results of Operations			
Revenue	**₱1,784,409,073**	₱1,392,036,077	₱1,096,328,236
Cost and expenses	**272,468,413**	272,129,985	216,327,886
Profit for the year	**₱1,511,940,660**	₱1,119,906,092	₱880,000,350

CGC

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

The significant information on the unaudited statements of financial position of CGC as at December 31, 2021 and 2020 are as follows:

	2021	2020
Financial Position		
Total assets	**₱50,004,438**	₱50,004,438
Equity	**₱50,004,438**	₱50,004,438

CGC has no operations and has no revenue and expenses recognized or incurred in 2021, 2020 and 2019.

CPFPVI

CPFPVI was incorporated in the Philippines and registered with Philippine SEC on June 29, 2016. CPFPVI is engaged in the business of manufacturing, processing, buying, selling, importing, exporting and dealing in all kinds of packaging products. Its registered place of business is located at Purok Lansong, Barangay Calumpang, General Santos City.

The significant information on the audited statements of financial position of CPFPVI as at December 31, 2021 and 2020, and the results of its operations in 2021, 2020 and 2019 are as follows:

	2021	2020
Financial Position		
Current assets	**₱1,638,019,395**	₱1,405,686,988
Non-current assets	**936,534,919**	802,117,723
Total Assets	**2,574,554,314**	2,207,804,711
Current liabilities	**1,532,763,298**	620,069,260
Non-current liabilities	**-**	2,563,384
Total liabilities	**1,532,763,298**	622,632,644
Equity	**₱1,041,791,016**	₱1,585,172,067

	2021	2020	2019
Results of Operations			
Revenue	**₱2,561,985,633**	₱2,211,214,721	₱1,444,549,922
Cost and expenses	**2,005,305,310**	1,673,235,122	1,150,079,587
Profit for the year	**₱556,680,323**	₱537,979,599	₱294,470,335

GOI

GOI was incorporated in the Philippines and was registered with SEC on July 27, 2020. GOI is engaged in the business to buy and sell, process, can, pack, manufacture, market, produce, distribute, import and export, and deal in all kinds of feeds.

The significant information on the audited statements of financial position of GOI as at December 31, 2021 and 2020 and the results of its operations for years ended December 31, 2021 and 2020 are as follows:

	2021	2020
Financial Position		
Current assets	**₱29,154,231**	₱1,000,000
Non-current assets	**1,950,832**	37,562
Total assets	**31,105,063**	1,037,562
Current liabilities	**47,402,975**	125,207
Equity (Capital deficiency)	**(₱16,297,912)**	₱912,355

	2021	2020
Results of Operations		
Revenue	**P9,819,612**	P-
Cost and expenses	**27,029,878**	87,645
Loss for the year	**(₱17,210,266)**	(₱87,645)

MGPC

Millenium General Power Corp formerly Century Pacific Solar Inc. was incorporated in the Philippines and was registered with SEC on August 10, 2020. CP Solar is engaged in the business of exploration, development, and utilization of renewable energy sources, including the generation and distribution of power.

The significant information on the audited statements of financial position of CP Solar as at December 31, 2021 and 2020 and the results of its operations for the years ended December 31, 2021 and 2020 are as follows:

	2021	2020
Financial Position		
Current assets	**₱113,832,041**	₱2,012,021
Non-current assets	**154,665,006**	246,535
Total assets	**268,497,047**	2,258,556
Current liabilities	**267,039,485**	439,732
Equity	**P1,457,562**	P1,818,824

	2021	2020
Results of Operations		
Revenue	**₱69,693,513**	₱–
Cost and expenses	**70,054,776**	181,175
Loss for the year	**(₱361,263)**	(₱181,175)

PMCI

On April 1, 2021, the Parent Company and CPGI entered into a share purchase agreement (the "Agreement"), wherein CPGI, the Seller, has agreed to sell, assign and convey to CPFI, the buyer, all its rights, title and interest in and to the common shares of PMCI for a total consideration of P24 million.

PMCI was incorporated in the Philippines and was registered on December 9, 1997 to engage in, operate, conduct and maintain the business of manufacturing, importing, exporting, buying, selling or otherwise dealing in at wholesale and retail, all kinds of food and foods products, fruits, vegetables and other goods of same nature, and any all equipment, materials, and supplies used or employed in, or related to the manufacture of such finished product.

The significant information on the audited statement of financial position of PMCI as at December 31, 2021 and the results of its operations for the period from April 1, 2021 to December 31, 2021 are as follows:

	Amount
Financial Position	
Current assets	₱957,393,408
Noncurrent assets	544,336,859
Total assets	1,501,730,267
Current liabilities	1,495,894,084
Noncurrent liabilities	9,500,602
Total liabilities	1,505,394,686

Capital deficiency	(₱3,664,419)

	Amount
Results of Operations	
Revenue	₱994,287,454
Cost and expenses	(1,013,311,188)
Loss for the year	(₱19,023,734)

CIC

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

The significant information on the audited statements of financial position of CIC as at December 31, 2021 and 2020, and the results of its operations in 2021, 2020 and 2019, as translated to the Group's presentation currency are as follows:

	2021	2020
Financial Position		
Current assets	**₱101,356,502**	₱121,854,056
Non-current assets	**932,936**	623,603
Total Assets	**102,289,438**	122,477,659
Total Liabilities	**189,495,060**	168,399,493
Capital deficiency	**(₱87,205,622)**	(₱45,921,834)

	2021	2020	2019
Results of Operations			
Revenue	**₱195,342,843**	₱223,272,368	₱219,351,897
Cost and expenses	**231,828,542**	219,534,165	212,650,224
Profit (loss) for the year	**(₱36,485,699)**	₱3,738,203	₱6,701,673

CST

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

The significant information on the audited statements of financial position of CST as at December 31, 2021 and 2020, and the results of its operations in 2021, 2020 and 2019, as translated to the Group's presentation currency are as follows:

	2021	2020
Financial Position		
Current assets	**₱32,795,077**	₱35,770,934
Total Liabilities	**674,376**	693,294
Equity	**₱32,120,701**	₱35,077,640

	2021	2020	2019
Results of Operations			
Revenue	**₱1,695,716**	₱–	₱11,190,545
Cost and expenses	**7,175,458**	6,969,778	61,607,663
Loss for the year	**(₱5,479,742)**	(₱6,969,778)	(₱50,417,118)

CRL

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

The significant information on the unaudited statements of financial position of CRL as at December 31, 2021 and 2020 are as follows:

	2021	2020
Financial Position		
Total Noncurrent Asset	**₱100**	₱100
Equity	**₱100**	₱100

CPNA

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

The significant information on the unaudited statements of financial position of CPNA as at December 31, 2021 and 2020 and the results of its operations in 2021, 2020 and 2019, as translated are as follows:

	2021	2020
Financial Position		
Current assets	**₱442,102,090**	₱401,080,534
Non-current assets	**5,522,686**	6,727,204
Total assets	**447,624,776**	407,807,738
Total liabilities	**382,090,605**	362,947,525
Equity	**₱65,534,171**	₱44,860,213

	2021	2020	2019
Results of Operations			
Revenue	**₱325,645,204**	₱304,084,639	₱202,394,126
Cost and expenses	**307,315,029**	280,657,728	202,216,992
Profit for the year	**₱18,330,175**	₱23,426,911	₱177,134

4. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

New Standards, Interpretations and Amendments Issued and Effective for December 31, 2021 year-end

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 an impact on the consolidated financial statements of the Group.

- 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 it meets all of the following criteria:

  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
  - There is no substantive change to other terms and conditions of the lease.

  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.

  The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted.

  The Group adopted the amendment beginning April 1, 2021.

- 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

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.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

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

- *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*

    - Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*

    - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

- Amendments to PAS 8, *Definition of Accounting Estimates*

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

Effective beginning on or after January 1, 2024

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

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

Deferred effectivity

Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

5. SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES

Basis of Consolidation

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

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

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

- the size of the Parent Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Parent Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Parent Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

Changes in the Parent Company's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries.

Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Parent Company.

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

Business Combination

Acquisition method

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

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

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

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

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

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

If the initial accounting for business combination can be determined only provisionally by the end of the period by which the combination is effected because the fair values to be assigned to the acquiree's identifiable assets and liabilities can be determined only provisionally, the Group accounts for the combination using provisional values. Adjustments to those provisional values as a result of completing the initial accounting shall be made within twelve (12) months from the acquisition date.

The carrying amount of an identifiable asset, liability or contingent liability that is recognized as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date. Goodwill or any gain recognized shall be adjusted from the acquisition date by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted.

Goodwill

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

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

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

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

Pooling of interest method

Common control business combinations which do not have commercial substances are accounted for using the "pooling of interests method".

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

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

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statements 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 normal operating cycle
- It is held primarily for the purpose of trading
- It is expected to be realized within twelve (12) months after the reporting period, or
- It is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve (12) months after the reporting period.

All other assets are classified as noncurrent.

Deferred tax assets are classified as noncurrent assets.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve (12) months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve (12) months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred tax liabilities are classified as noncurrent liabilities.

Fair Value of Measurement

The Group discloses the fair values of financial instruments measured at amortized cost.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

"Day 1" Difference

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference.

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, and subsequently measured at amortized cost, FVOCI, and FVPL.

  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 significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or which the Group has applied the practical expedient are measured at transaction price determined under PFRS 15.

  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 SPPI on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

  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.

  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.

  The Group has no financial assets at FVOCI with or with no recycling of cumulative gains and losses (debt and equity instruments) and financial assets at FVPL as at December 31, 2021 and 2020.

- *Subsequent measurement.* For purposes of subsequent measurement, financial assets are classified in four categories: financial assets at amortized cost (debt instruments), financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments), financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments), and FVPL.

  Financial assets at amortized cost (debt instruments) is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

  - The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
  - The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

  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 the consolidated statements of comprehensive income when the asset is derecognized, modified or impaired.

  This category includes cash and cash equivalents, trade and other receivables, due from related parties, security deposits and deposits on utilities as at December 31, 2021 and 2020.

  The Group has no financial assets at FVOCI with or with no recycling of cumulative gains and losses (debt and equity instruments) and financial assets at FVPL as at December 31, 2021 and 2020.

- *Impairment.* The Group recognizes an allowance for ECLs for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

  ECLs are recognized in two stages, as follows:

  a. 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 12 months (a 12-month ECL).
  b. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

  For 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 its historical credit loss experience, adjusted for forward-looking factors specific to debtors and the economic environment.

  The Group considers a financial asset in default when contractual payments are over 120 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual cash flows in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For cash and cash equivalents, due from related parties, security deposits and deposits on utilities, the Group recognizes a loss allowance based on either 12-month ECLs or Lifetime ECLs, depending on whether there has been a significant increase in credit risk on the financial instrument since initial recognition. The changes in the loss allowance balance are recognized in profit or loss as an impairment gain or loss. The Group has leveraged on available market data for cash in banks to calculate the ECL.

- *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 rights to receive cash flows from the asset have expired; or

  - The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

  When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

  Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

b. Financial Liabilities

- *Initial Recognition and Measurement.* Financial liabilities are classified at initial recognition as financial liabilities at FVPL, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

  All financial liabilities are recognized initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

  The Group's financial liabilities as at December 31, 2021 and 2020 are categorized under loans and borrowings. This category includes the Group's trade and other payables, borrowings, due to related parties and lease liabilities.

  The Group has no financial liabilities at FVPL or derivative liabilities designated as hedging instruments as at December 31, 2021 and 2020.

- *Subsequent Measurement.* After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method.

Gains and losses are recognized in the consolidated statements of comprehensive income when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs such as debt issues costs that are an integral part of the EIR. The EIR amortization is included in interest expense in the consolidated statements of comprehensive income.

- *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 the consolidated statements of comprehensive income.

Classification of Financial Instruments Between Liability and Equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument, as a whole, the amount separately determined as the fair value of the liability component on the date of issue.

Offsetting of Financial Instruments

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

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the date of acquisition and that are subject to an insignificant risk of change in value.

Inventories

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

Raw materials	Moving average
Work-in-process	Weighted average
Finished goods	Weighted average

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

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

Provision for inventory losses is established for slow moving, obsolete, defective and damaged inventories based on physical inspection and management evaluation. Inventories and its related provision for impairment are written off when the Group has determined that the related inventory is already obsolete and damaged.

Write-offs represent the release of previously recorded provision from the allowance account and credited to the related inventory account following the disposal of the inventories. Destruction of the obsolete and damaged inventories is made in the presence of regulatory agencies.

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

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

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

Prepayments

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

Advances to Suppliers

Advances to suppliers represent advance payments made to suppliers for the purchase of raw materials. These are reclassified to inventories upon purchase.

Biological Assets

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

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

Biological assets are recognized as expense when consumed.

Property, Plant and Equipment

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

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

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

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

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

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

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

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

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

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

Leasehold improvements which include the land improvements, buildings and building improvements are depreciated over shorter of the lease term and estimated useful lives of the assets, whichever is shorter.

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

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

Intangible Assets

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

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

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

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

Impairment of Long-lived Nonfinancial Assets

At the end of each reporting period, the Group assesses whether there is any indication that any of its tangible and intangible assets may have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. When reasonable and consistent basis of allocation can be identified, assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

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

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

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

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

A reversal of an impairment loss is recognized as income in profit or loss.

Provisions

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

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

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

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

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

Contingencies

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

Share-based Payments

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

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

At end of each reporting period, the Group revises its estimate of the number of equity instruments expected to be exercised. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve. The valuation of the share based compensation reserve is determined by the number of share options exercised multiplied by the intrinsic value which is the difference between fair value of the shares at grant date and the exercise price.

That cost is recognized in employee benefits expense, together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

Employee Benefits

Short-term benefits

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

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

Post-employment benefits

Defined benefit plan

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

Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Retirement benefit costs are categorized as follows:

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

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

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

Share capital

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

Share premium

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

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

Currency translation adjustment

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

Retained earnings

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

Dividends on Capital Stock

Cash dividends on common shares are recognized as liability and deducted from retained earnings upon declaration by the BOD.

Stock dividends on common shares are measured based on the total par value of declared stock dividend. Stock dividends are deducted from retained earnings when the BOD's declaration is ratified by the shareholders.

The Group may declare dividends only out of its unrestricted retained earnings.

Other Components of Equity. Other components of equity comprise items of income and expense, including reclassification adjustments and actuarial gains and losses on pensions and translation adjustments on foreign operations that are not recognized in net income in the consolidated statement of comprehensive income as required or permitted by other PFRS.

Revenue from Contracts from Customers

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

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

<u>Sale of goods</u>

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

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

Transaction price

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

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

Variable consideration

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

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

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

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

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

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

<u>Service income</u>

Service income is recognized over time in which the services are rendered. The service income pertains to the management fees.

<u>Other income</u>

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

Revenue outside the scope of PFRS 15

Interest income

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

Dividend income

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

Cost and Expense Recognition

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

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

Leases

The Group as lessee

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.

Right-of-use assets. The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and 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 right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term between 5 to 20 years.

Right-of-use assets are subject to impairment. Refer to the accounting policies in section impairment of non-financial 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 of machinery and equipment (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 (i.e., below P250,000). 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.

Foreign Currency

<u>Foreign currency transactions</u>

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

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

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

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

<u>Foreign operations</u>

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

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

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

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

Translation to foreign currency

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

Related Party Transactions

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

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

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

Taxation

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

Current tax

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

AWI registered its Cold Storage Facilities (Panda 1 and 2) with Board of Investments (BOI) for Income Tax Holiday (ITH) provided under Article 39(a) of Executive Order No. 226, otherwise known as the Omnibus Investments Code of 1987, as amended by R.A 7918. AWI operations under Panda 1 and 2 are entitled for ITH up to February 28, 2020 and June 30, 2023, respectively. Other income that arises outside from the registered activities of the AWI and local services in excess of 30% is subject to the statutory rate of 30%.

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

Deferred tax

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

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

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

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

Current and deferred tax for the year

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

Value-added Tax (VAT)

Revenues, expenses and assets are recognized net of the amount of sales tax except:

- where the tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

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.

Deferred Input VAT

In accordance with the Revenue Regulations No. 16-2005, input VAT on purchases or imports of the Group of capital goods (depreciable assets for income tax purposes) with an aggregate acquisition cost (exclusive of input VAT) in each of the calendar months exceeding ₱1.0 million are claimed as credit against output VAT over 60 months or the estimated useful lives of capital goods whichever is shorter.

Where the aggregate acquisition cost (exclusive of VAT) of the existing or finished depreciable capital goods purchased or imported during any calendar month does not exceed ₱1.0 million, the total input VAT will be allowable as credit against output VAT in the month of acquisition.

Earnings per Share

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

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

Events after the Reporting Period

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

Segment Reporting

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

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

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

- its assets are 10% or more of the combined assets of all operating segments.

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

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

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

Financial information on segment reporting is presented in Note 7.

6. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical Judgments in Applying Accounting Policies

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

<u>Acquisition of investments qualified as a business combination</u>

In applying the requirements of PFRS 3, *Business Combinations*, an entity or an asset being acquired has to be assessed whether it constitutes a business. The assessment requires identification of inputs and processes applied to these inputs to generate outputs or economic benefits. As discussed in Note 38, the acquisition of PMCI was considered a business since it has commercial substance and was accounted for as a business combination.

The fair values of the identifiable net assets acquired related to the PMCI amounted to ₱65.1 million. The acquisition of PMCI resulted in the recognition of bargain purchase option amounting to ₱41.1 million (see Notes 23 and 38).

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

Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency of the Group has been determined to be Philippine Peso.

The Philippine Peso is the currency of the primary economic environment in which the Group operates. It is the currency of that mainly influences the Group in determining the costs and the selling price of its inventories. It is the currency in which the Group measures its performance and reports its results.

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

Determination of Lease Term of Contracts with Renewal option – Group as a Lessee

The Group has lease contracts that includes extension option. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. 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.

The Group included the renewal period as part of the lease term for leases of land and buildings. The Group typically exercises its option to renew for these leases because of significant improvements on the leased assets and these assets including the underlying assets are critical to the business of the Group. As such, there will be a significant negative effect on production if a replacement asset is not readily available. The Group has determined that the lease term of these lease contracts ranges from 10 to 20 years.

Estimates and Assumptions

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates 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 control of the Group. Such changes are reflected in the assumptions when they occur.

Recoverability of Goodwill and Trademarks with Indefinite Life. The Group performs recoverability testing annually or more frequently when there are indications of impairment for goodwill and trademarks with indefinite lives. Goodwill acquired through business combination has been allocated to one CGU which is also the operating entity acquired through business combination and to which the goodwill relates. Recoverability testing requires an estimation of the value in use or fair value less cost of disposal of the CGU to which goodwill and trademarks with indefinite life are allocated. Estimating the recoverable amount of the CGU involves significant assumptions about the future results of the business such as long-term revenue growth rate, operating expenses, gross margin and discount rate which were applied to cash flow forecasts. In addition, the assumptions are also subjected to a higher level of estimation uncertainty due to the current economic conditions which have been impacted by the COVID-19 pandemic. The cash flow forecasts were based on financial budgets approved by the BOD covering a five-year period.

The impairment on goodwill and trademark is determined by comparing: (a) the carrying amount of the cash-generating unit; and (b) the present value of the annual projected cash flows for five years and the present value of the terminal value computed under the discounted cash flow method.

The key assumptions used in the impairment test of goodwill and trademarks with indefinite life are as follows:

1. Gross Revenue

On the average, gross revenue of the CGU over the next five years were projected to grow in line with the economy or with nominal Gross Domestic Product. This assumes that the market share of the subsidiaries in their respective industries will be flat on the assumption that the industries also grow at par with the economy. Historically, the business growth had a direct correlation with economic growth. A 1% perpetuity growth rate was assumed at the end of the five-year forecast period.

2. Operating Expenses

On the average, operating expenses were projected to increase in relation to revenue growth.

3. Gross Margins

Increased efficiencies over the next five years are expected to result in margin improvements.

4. Discount Rate

The discount rate used to arrive at the present value of future cash flows was the Group's Weighted Average Cost of Capital (WACC). WACC was based on the appropriate weights of debt and equity, which were multiplied with the assumed costs of debt and equity. The discount rates applied to the cash flow projections range from 9.7% to 12.7% in 2021 and 2020.

The carrying amount of goodwill and trademarks with indefinite life are as follows:

	Notes	**2021**	2020
Goodwill	12	**₱2,915,325,199**	₱2,915,325,199
Trademarks	12	**490,039,366**	66,774,880
		₱3,405,364,565	₱2,982,100,079

The recoverable amount of the CGUs to which the goodwill and trademarks with indefinite lives are allocated is greater than its carrying amount. No impairment loss was recognized on goodwill and trademarks for the years ended December 31, 2021 and 2019.

In 2020, impairment loss on the Group's trademark amounting to P34,700,000 was recognized since its value in use is lesser than the recorded amount of the trademark.

Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liability. 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 or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

As at December 31, 2021 and 2020, the Group's lease liabilities amounted to ₱1,411,838,675 and ₱737,049,381, respectively (see Note 32).

Determination of Fair Value of Financial Instruments

Where the fair value of financial assets and liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The fair values of financial assets and liabilities are disclosed in Note 35.

Impairment of Financial Assets at Amortized Costs

The Group applied the following judgements and estimates that significantly affect the computation of ECL under PFRS 9.

Definition of Default and Credit-Impaired Financial Assets. Upon adoption of PFRS 9, the Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- *Quantitative Criteria*. The borrower is more than 120 days past due on its contractual payments, which is consistent with the Group's definition of default.

- *Qualitative Criteria*. The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

  a. The borrower is experiencing financial difficulty or is insolvent;
  b. The borrower is in breach of financial covenant(s);
  c. Concessions have been granted by the Group, for economic or contractual reasons relating to the borrower's financial difficulty; or
  d. It is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

  The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes, unless otherwise stated. The default definition has been applied consistently to model the probability of default, loss given default and expected actual default throughout the Group's ECL calculation.

- *General Approach for Cash and cash equivalents, other receivables, due from related parties, security deposits and deposits on utilities.* Under the general approach, at each reporting date, the Group recognizes a loss allowance based on either 12-month ECLs or Lifetime ECLs, depending on whether there has been a significant increase in credit risk on the financial instrument since initial recognition. The changes in the loss allowance balance are recognized in profit or loss as an impairment gain or loss. The Group has leveraged on available market data for cash in banks to calculate the ECL.

- *Simplified Approach for Trade Receivables.* The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due. 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. At every financial reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

- *Grouping of instruments for losses measured on collective basis.* For ECL provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous. The characteristic used to determine groupings is based on the type of customer.

- *Macro-economic Forecasts and Forward-looking Information*. Macro-economic forecasts are determined by evaluating a range of possible outcomes and using reasonable and supportable information that is available without undue cost and effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

  The Group takes into consideration using different macro-economic variables to ensure linear relationship between internal rates and outside factors. Regression analysis was used to objectively determine which variables to use.

  Predicted relationship between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 3 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

Other than the considerations on the impact of COVID-19 on macroeconomic factors used as inputs to the ECL calculation, there have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Total trade receivables recognized in the Group's consolidated statements of financial position amounted to ₱7,905,701,602 and ₱6,913,305,061 as at December 31, 2021 and 2020, respectively, which is net of the related allowance for expected credit losses amounting to ₱18,581,661 and ₱33,558,388 as at December 31, 2021 and 2020, respectively, as shown in Note 9. No provision for ECL was recognized in 2021 while in 2020 and 2019, provision for ECL amounted ₱9,270,257 and ₱5,794,328, respectively. Recovery of allowance for ECL amounted to ₱14,976,727 in 2021 (see Note 9).

No provision for ECL was recognized in 2021, 2020 and 2019 on cash and cash equivalents, due from related parties, security deposits and deposits on utilities.

The carrying value of the Group's financial assets are as follows:

	Notes	**2021**	2020
Cash and cash equivalents	8	**₱1,728,308,358**	₱1,229,381,273
Due from related parties	27	**119,485,746**	280,788,885
Security deposits	16	**71,438,731**	87,345,066
Deposits on utilities	16	**8,346,166**	5,211,224
		₱1,927,579,001	₱1,602,726,448

Evaluation of Net Realizable Value of Inventories. The Group writes down the cost of inventories whenever net realizable value of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes in prices level or other causes such as the impact of COVID-19 pandemic. The lower of cost and net realizable value of inventories is reviewed at each reporting date. Inventory items identified to be obsolete and unusable are also written off and charged as expense in net income in the consolidated statement of comprehensive income.

Provision for inventory obsolescence in 2021, 2020 and 2019 amounted to ₱220,130,994, ₱391,036,678 and ₱185,817,650, respectively. The carrying values of inventories amounted to ₱14,112,400,431 and ₱12,972,572,720, net of allowance for inventory obsolescence of ₱377,997,039 and ₱284,142,265 as at December 31, 2021 and 2020, respectively (see Note 10).

Estimation of Useful Lives of Long-Lived Nonfinancial Assets. The useful lives of long-lived nonfinancial assets are estimated based on the economic lives of the assets and on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of the long-lived nonfinancial assets are reviewed at reporting date and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the long-lived nonfinancial assets. It is possible, however, that future financial performance could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

There are no changes in the estimation of useful lives of property, plant and equipment, intangible assets with definite useful life and right-of-use assets in 2021 and 2020. The carrying values of these assets are as follows:

		2021	2020
Property, plant and equipment	**15**	**₱8,574,285,847**	₱7,290,756,893
Intangible assets with definite useful life	**12**	**444,660,693**	466,176,533
Right-of-use assets	**13**	**1,298,679,221**	678,300,084
		₱10,317,625,761	₱8,435,233,510

Determination of Impairment of Nonfinancial Assets. Impairment review is performed when certain impairment indicators are present. Management considered the impact of COVID-19 in its impairment assessment on the Group's property, plant and equipment, intangible assets with definite useful life, right-of-use assets and input VAT.

Determining the value in use of the nonfinancial assets, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect the consolidated financial statements.

The carrying values of the Group's nonfinancial assets are as follows:

		2021	2020
Property, plant and equipment	15	**₱8,574,285,847**	₱7,290,756,893
Intangible assets with definite useful life	12	**444,660,693**	P466,176,533
Right-of-use assets	13	**1,298,679,221**	678,300,084
Input VAT	11	**369,455,345**	329,590,317
		₱10,687,081,106	₱8,764,823,827

Based on the assessment of management, except for input VAT, the Group's nonfinancial assets do not have any indication of impairment as at December 31, 2021 and 2020. No impairment loss was recognized in 2021, 2020 and 2019.

Moreover, impairment loss on input VAT amounting to ₱31,047,893, ₱9,316,412 and ₱5,538,547 were recognized in 2021, 2020 and 2019, respectively, as disclosed in Note 11.

Determination of Pension Costs. The cost of defined benefit pension plans and present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of 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 date. Retirement benefit obligation amounted to ₱508,776,526 and ₱618,902,329 as at December 31, 2021 and 2020, respectively (see Note 19).

The discount rate is derived by discounting all expected benefit payments using interest rates of government bonds that correspond to the timing of benefit payments, after which, a single discount rate is computed considering the aggregate amount of all discounted values.

The mortality rate is based on publicly available mortality tables in the Philippines and is modified accordingly with estimates of mortality improvements. Future salary and pension increases are based on expected future inflation rates in the Philippines.

Further details about the assumptions used are provided in Note 19.

Recoverability of Deferred Tax Assets. The Group performs an annual evaluation of the realizability of deferred tax assets in determining the portion of deferred tax assets which should be recognized. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences is based on the forecasted taxable income of the following period. This forecast is based on the Group's past results and future expectations on revenue and expenses. The effect of COVID-19 pandemic on the macroeconomic factors are also used in developing the assumptions. The Group computes for deferred tax using the 25% and 30% corporate tax rate in 2021 and 2020, respectively.

Deferred tax assets recognized amounted to ₱571,329,813 and ₱752,107,229 as at December 31, 2021 and 2020, respectively (see Note 34).

Purchase Price Allocation in Business Combinations. The Group accounts for the acquired business using the acquisition method which requires extensive use of accounting judgments and estimates to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities and contingent liabilities, if any, at the acquisition date. Any difference in the purchase price and the fair values of the net assets acquired is recorded as either goodwill, a separate account in the consolidated statement of financial position (or subsumed in the investment for acquisition of an associate), or gain on bargain purchase in profit or loss. Thus, the numerous judgments made in estimating the fair value to be assigned to the acquiree's assets and liabilities can materially affect the Group's financial position and performance. The Group applied provisional accounting in the determination of the purchase price allocation.

Total consideration for the acquisition amounted to ₱24,000,000 and the fair values of the identifiable net assets acquired from PMCI amounted to ₱65,071,822. The Group's acquisition resulted in the recognition of bargain purchase option amounting to ₱41,071,822 (see Note 38).

7. SEGMENT INFORMATION

Business segments

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

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

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

Canned and processed fish	2.	Tuna
	4.	Sardines
	6.	Other seafood-based products
Canned and frozen meat	8.	Corned beef
	10.	Meatloaf
	12.	Other meat-based products
Milk	14.	Canned milk
	16.	Powdered milk
	18.	Other dairy products
Tuna export	20.	Private label canned, pouched and frozen tuna
	22.	Other tuna products
Coco water	24.	Coconut beverages
	26.	Coconut oil
	28.	Coconut shells
	30.	Other coconut products
Packaging	32.	Packaging products
	34.	Shared services
Corporate		Warehousing

The segments' results of operations of the reportable segments in 2021, 2020 and 2019 are as follows:

	Segment Revenue	Segment Profit Before Tax
2021		
Canned and processed fish	**₱16,550,746,889**	**₱989,674,081**
Canned and frozen meat	**15,819,756,290**	**1,596,396,115**
Milk	**10,655,423,578**	**(195,032,621)**
Tuna export	**7,815,247,676**	**456,849,411**
Coco water	**5,061,477,665**	**522,454,817**
Packaging	**2,561,985,633**	**644,899,484**
Corporate	**2,613,036,207**	**4,568,507,588**
Segment total	**61,077,673,938**	**8,583,748,875**
Eliminations	**(6,367,518,684)**	**(3,015,834,841)**
	₱54,710,155,254	**₱5,567,914,034**
2020		
Canned and Processed Fish	₱15,935,223,188	₱838,377,406
Canned Meat	12,383,595,068	1,549,909,501
Milk	10,548,290,713	308,406,055
Tuna Export	6,007,349,439	248,249,295
Coco Water	3,704,633,600	338,313,104
Packaging	2,211,214,721	662,020,085
Corporate	12,017,090,258	2,260,715,806
Segment total	62,807,396,987	6,205,991,252
Eliminations	(14,505,655,903)	(1,078,160,103)
	₱48,301,741,084	₱5,127,831,149

2019		
Canned and processed fish	₱12,408,081,553	₱679,694,886
Canned meat	9,712,536,529	713,128,541
Milk	9,140,400,873	339,667,029
Tuna export	6,393,918,051	606,898,449
Coco water	3,092,758,690	480,406,148
Packaging	1,444,549,922	374,809,249
Corporate	10,453,402,210	2,078,534,131
Segment total	52,645,647,828	5,273,138,433
Eliminations	(12,085,284,872)	(1,234,509,428)
	₱40,560,362,956	₱4,038,629,005

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

The segment assets and liabilities as at December 31, 2021 and 2020 are as follows:

	2021		2020	
	Assets	**Liabilities**	Assets	Liabilities
Canned and processed Fish	**₱5,048,615,688**	**₱2,660,756,353**	₱8,098,476,229	₱2,926,208,852
Canned and frozen meat	**5,426,966,633**	**4,190,239,239**	4,957,919,512	3,090,820,687
Milk	**5,605,441,476**	**2,722,756,131**	9,774,875,950	4,947,957,317
Tuna export	**5,019,638,053**	**2,380,947,628**	5,580,951,302	2,858,086,756
Coco water	**4,712,898,154**	**1,461,817,578**	3,921,750,774	618,105,962
Packaging	**2,574,554,315**	**1,532,763,298**	2,207,804,711	622,632,644
Corporate	**23,025,690,301**	**9,207,026,667**	11,580,875,162	5,370,008,788
Segment total	**51,413,804,620**	**24,156,306,894**	46,122,653,640	20,433,821,006
Eliminations	**(10,534,171,751)**	**(8,164,591,939)**	(9,846,288,014)	(5,593,665,973)
	₱40,879,632,869	**₱15,991,714,955**	₱36,276,365,626	₱14,840,155,033

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

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

	2021			
	Additions to Property, Plant, and Equipment	**Depreciation and Amortization**	**Interest Income**	**Finance Costs**
2021				
Canned and processed fish	**₱457,903,103**	**₱215,403,466**	**₱135,366**	**₱7,506,963**
Packaging	**166,161,000**	**57,281,930**	**46,434**	**6,271,561**
Canned and frozen meat	**348,450,436**	**217,998,493**	**676,613**	**46,839,896**
Milk	**53,062,657**	**126,317,307**	**87,914**	**18,402,241**
Tuna export	**319,414,401**	**246,958,966**	**697,925**	**27,217,218**
Coco water	**761,391,370**	**263,509,312**	**246,128**	**20,971,792**
Corporate	**196,160,968**	**144,089,113**	**4,457,435**	**169,672,902**
	₱2,302,543,935	**₱1,271,558,587**	**₱6,347,815**	**₱296,882,573**

		2020		
Canned and processed fish	₱763,410,756	₱144,789,997	₱120,786	₱3,497,508
Packaging	2,277,424	56,662,694	95,404	340,966
Canned meat	75,219,858	187,904,259	59,266	10,699,028
Milk	162,283,921	105,625,292	256,105	42,036,672
Tuna export	447,873,678	194,515,141	1,757,672	24,133,190
Coco water	198,206,867	255,086,619	304,302	4,846,176
Corporate	87,111,622	161,565,013	32,612,984	175,597,834
	₱1,736,384,126	₱1,106,149,015	₱35,206,519	₱261,151,374
		2019		
Canned and processed fish	₱498,517,833	₱99,218,297	₱142,294	₱723,706
Packaging	223,292,178	48,560,395	65,738	375,338
Canned meat	119,462,001	165,301,202	64,556	9,469,571
Milk	239,628,836	62,239,000	213,431	45,287,647
Tuna export	308,516,334	146,137,279	900,580	25,964,423
Coco water	190,499,834	252,155,358	946,006	6,187,068
Corporate	194,246,183	158,754,200	5,749,456	281,420,064
	₱1,774,163,199	₱932,365,731	₱8,082,061	₱369,427,817

Geographical Information

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

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

	Revenue from external customers For the year ended December 31			Noncurrent assets December 31	
	2021	2020	2019	**2021**	2020
Philippines	**₱54,187,471,491**	₱47,774,384,077	₱40,127,426,388	**₱14,387,506,103**	₱12,295,540,155
USA	**325,645,204**	304,084,639	202,394,126	**5,522,786**	6,727,204
China	**197,038,559**	223,272,368	230,542,442	**932,936**	623,604
	₱54,710,155,254	₱48,301,741,084	₱40,560,362,956	**₱14,393,961,825**	₱12,302,890,963

8. CASH AND CASH EQUIVALENTS

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

	2021	2020
Cash on hand	**₱239,772,151**	₱27,242,934
Cash in banks	**1,161,654,396**	1,054,018,005
Cash equivalents	**326,881,811**	148,120,334
	₱1,728,308,358	₱1,229,381,273

Cash on hand includes petty cash fund and undeposited collections.

Cash in banks earned average interest rate ranging from 0.10% to 0.125% and from 0.10% to 0.35% and per annum in 2021 and 2020, respectively, and is unrestricted and immediately available for use in the current operations of the Group.

Cash equivalents represent short-term fund placements and investments in unit-trust funds (UITFs) with local banks. Short-term fund placements will mature in three months or less from the date of acquisition with annual interest rates ranging from 1.32% to 2.25% in 2021 and from 1.01% to 5.0% in 2020. These placements are from excess cash and can be withdrawn anytime.

Interest income earned from bank deposits and placements amounted to ₱6,110,073, ₱33,939,292 and ₱6,781,847, in 2021, 2020 and 2019 respectively, as disclosed in Note 23.

9. TRADE AND OTHER RECEIVABLES

The Group's trade and other receivables consist of:

	2021	2020
Trade receivables from third parties	**₱7,376,001,134**	₱6,243,691,205
Allowance for expected credit losses	**(18,581,661)**	(33,558,388)
Allowance for sales return	**(8,566,867)**	(15,112,940)
	7,348,852,606	6,195,019,877
Advances to officers and employees	**50,926,519**	49,196,728
Others	**505,922,477**	669,088,456
	₱7,905,701,602	₱6,913,305,061

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

Advances to officers and employees are non-interest bearing and are liquidated within one month. Advances to officers include salary loans which earned average interest rate of 8% per annum. Interest income earned from salary loans amounted to ₱1,376,753 in 2021, ₱1,267,227 in 2020 and ₱1,386,641 in 2019 as disclosed in Note 23.

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

Movements in the allowance for expected credit losses and allowance for sales returns as at December 31 are as follows:

	Notes	**Expected Credit Losses**	**Allowance for Sales Return**	**2021**
Balance, January		**₱33,558,388**	**₱15,112,940**	**₱48,671,328**
Reversal		**(14,976,727)**	**(6,546,073)**	**(21,522,800)**
Balance, December		**₱18,581,661**	**₱8,566,867**	**₱27,148,528**
				2020
Balance, January		₱24,288,131	₱18,559,208	₱42,847,339
Expected Credit Loss	24	9,270,257	–	9,270,257
Reversal		–	(3,446,268)	(3,446,268)
Balance, December		₱33,558,388	₱15,112,940	₱48,671,328

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

10. INVENTORIES

Details of the Group's inventories are as follows:

	2021	2020
Finished goods	**₱6,312,035,712**	₱6,338,087,442
Work in process	**183,294,145**	162,276,236
Raw materials	**7,325,777,774**	6,334,841,746
Spare parts and supplies	**669,289,839**	421,509,561
	14,490,397,470	13,256,714,985
Allowance for obsolescence	**(377,997,039)**	(284,142,265)
	₱14,112,400,431	₱12,972,572,720

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

Cost of inventories recognized in the consolidated statements of comprehensive income in 2021, 2020 and 2019 amounted to ₱41,958,358,259, ₱36,374,034,421 and ₱30,836,294,070 respectively.

Allowance for inventory obsolescence relates to 100% provision of inventories that are no longer resaleable. Movements in the allowance for obsolescence of inventories are as follows:

	Notes	2021	2020	2019
Balance, January 1		**₱284,142,265**	₱183,178,386	₱117,342,239
Provision on slow moving inventories	22, 24	**–**	83,254,371	72,394,430
Provision on write-down	25	**220,130,994**	391,036,678	185,817,650
Reversal		**(126,276,220)**	(373,327,170)	(192,375,933)
Balance, December 31		**₱377,997,039**	₱284,142,265	₱183,178,386

11. OTHER CURRENT ASSETS

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

	2021	2020
Input value-added tax (VAT)	**₱384,290,330**	₱336,577,746
Prepaid taxes	**249,390,397**	79,198,545
Prepaid insurance	**10,670,666**	9,557,430
Prepaid rent	**6,451,772**	3,438,969
Advances to suppliers	**1,903,333,201**	2,027,207,275
Others	**80,473,526**	62,707,558
	2,634,609,892	2,518,687,523
Allowance for VAT claims	**(14,834,985)**	(6,987,429)
	₱2,619,774,907	₱2,511,700,094

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

The Group recognized provision for impairment on input VAT amounting to

₱31,047,893, P9,316,412 and P5,538,547 in 2021, 2020 and 2019, respectively, as disclosed in Note 25.

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

Movement in the allowance for VAT claims are as follows:

	Note	2021	2020	2019
Balance, January 1		**₱6,987,429**	₱12,003,841	₱6,465,294
Provision	25	**31,047,893**	9,316,412	5,538,547
Write off		**(23,200,337)**	(14,332,824)	–
Balance, December 31		**₱14,834,985**	₱6,987,429	₱12,003,841

Advances to suppliers pertain to advance payments for the purchase of raw materials are generally applied against future billings within next year.

In 2021, the management reassessed the proper presentation of certain accounts. As a result, advance payments made to suppliers amounting to ₱2,027,207,275 as at December 31, 2020 were reclassified from trade and other receivables and inventories accounts to prepaid and other current assets account to align with the 2021 presentation.

12. INTANGIBLE ASSETS AND ROYALTIES

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

	2021	2020
Goodwill	**₱2,915,325,199**	₱2,915,325,199
Licensing agreement	**444,660,693**	466,176,533
Trademarks	**490,039,366**	66,774,880
	₱3,850,025,258	₱3,448,276,612

Goodwill

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

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

	2021	2020
CPAVI	**₱2,915,325,199**	₱2,915,325,199

In 2018, the Group assessed that the goodwill arising from the acquisition of CIC and CST was fully impaired. It was determined that the carrying amount of the CGU exceeded its recoverable amount considering the value in use of the CGU. Based on management's assessment, the projected revenue growth in the coming years is not sufficient to sustain its operations in the future. Accordingly, an impairment loss equal to the amount recognized as goodwill amounting to ₱36,957,396 was recognized in 2018.

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

The Group performs an impairment review on goodwill annually.

The structure of the impairment review is at CGU level.

Licensing Agreement

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

Trademark licensing agreement

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

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

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

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

In 2021, the remaining useful life of the intangible asset acquired is 20.33 years.

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

	Note	
Cost		
Balance, January 1, 2020		₱537,896,000
Addition		–
Balance, December 31, 2021 and 2020		537,896,000
Accumulated Depreciation		
Balance, January 1, 2020		50,203,627
Amortization	24	21,515,840
Balance, December 31, 2020		71,719,467
Amortization	24	21,515,840
Balance, December 31, 2021		93,235,307
Carrying Amount, December 31, 2021		**₱444,660,693**
Carrying Amount, December 31, 2020		₱466,176,533

As at December 31, 2021, 2020 and 2019, royalty fee expense to ConAgra amounted to ₱21,430,068, ₱21,639,909 and ₱18,044,879, as disclosed in Note 24.

Management believes that there are no impairment indicators on its intangible assets in 2021 and 2020.

Trademarks

In July 2008, the Group purchased Kaffe de Oro and Home Pride trademarks amounting to ₱40,000,000 from General Milling Corporation (GMC) owned and registered with the Intellectual Property Office.

In 2016, the Group acquired the "KAMAYAN" trademark from Concentrated Foodline Corporation for a total purchase price of USD1,307,700 or ₱61,474,888. The deed of assignment for the said trademark was dated August 17, 2016 and the purchase price was paid in full in the same year.

In April 2021, the Group acquired the "Swift" trademark as a result of the acquisition of PMCI (see Note 3).

The Group has recognized nil, ₱34,700,000 and nil impairment loss on trademarks in 2021, 2020 and 2019 respectively as disclosed in Note 25.

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

Royalties

The Group has royalty agreement with All Market Singapore Inc., with royalty fee of ₱7,630,540, ₱8,530,041 and ₱10,099,129 in 2021, 2020 and 2019, respectively. Furthermore, the Group has also trademark licensing agreement with Shakey's Pizza Asia Ventures, Inc., with royalty fees of ₱1,476,848 in 2021, as disclosed in Note 24.

13. RIGHT OF USE ASSETS

Movements in the carrying amounts of the Group's Right of Use Assets are as follows:

	Warehouse	Office Space	Equipment	Plant	Total
Cost					
Balance January 1, 2020	₱603,941,010	₱45,989,964	₱225,368,570	₱146,112,024	₱1,021,411,568
Additions	103,155,224	3,286,325	72,787,024	50,483,138	229,711,711
Termination	(6,306,881)	(1,059,134)	(15,795,176)	(19,125,784)	(42,286,975)
Balance, December 31, 2020	700,789,353	48,217,155	282,360,418	177,469,378	1,208,836,304
Additions	470,578,869	23,291,723	224,562,149	139,900,732	858,333,473
Termination	(129,788,074)	-	(84,606,878)	(9,487,642)	(223,882,594)
Balance, December 31, 2021	**1,041,580,148**	**71,508,878**	**422,315,689**	**307,882,468**	**1,843,287,183**
Accumulated Depreciation					
Balance January 1, 2020	127,695,488	8,659,987	133,155,203	46,462,997	315,973,675
Depreciation	160,642,466	9,883,980	51,046,997	35,216,835	256,790,278
Termination	(6,306,881)	(1,059,134)	(29,039,299)	(5,822,419)	(42,227,733)
Balance December 31, 2020	282,031,073	17,484,833	155,162,901	75,857,413	530,536,220
Depreciation	140,923,980	10,205,708	58,579,763	25,484,774	235,194,225
Termination	(129,245,989)	-	(82,338,783)	(9,537,711)	(221,122,483)
Balance, December 31, 2021	**293,709,064**	**27,690,541**	**131,403,881**	**91,804,476**	**544,607,962**
Carrying Amount December 31, 2021	**₱747,871,084**	**₱43,818,337**	**₱290,911,747**	**₱216,078,053**	**₱1,298,679,221**
Carrying Amount December 31, 2020	₱418,758,280	₱30,732,322	₱127,197,517	₱101,611,965	₱678,300,084

The management believes that there are no impairment indicators on its right-of-use assets as at December 31, 2021 and 2020.

Amounts recognized in profit or loss

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

	2021	2020
Cost of goods sold	**₱ 147,389,023**	₱150,770,805
Operating expenses	**78,474,137**	98,609,155
Other expenses	**9,331,065**	7,410,318
Total Amortization of Right of Use Assets	**₱235,194,225**	₱256,790,278

14. BIOLOGICAL ASSETS

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

	2021	2020
Balance, January 1	**₱65,726,630**	₱33,380,356
Purchased fingerlings	**44,736,192**	147,706,093
Consumed feeds	**(150,000)**	33,629,983
Direct labor	**(1,802,394)**	375,429
Overhead	**(2,041,504)**	3,137,020
Total cost	**106,468,924**	218,228,881
Decreases due to harvest	**(106,468,924)**	(152,502,251)
Balance, December 31	**₱–**	₱65,726,630

15. PROPERTY, PLANT AND EQUIPMENT

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

	Land Improvements	Building and Building Improvement	Plant Machinery and Equipment	Office Furniture, Fixtures and Equipment	Laboratory, Tools and Equipment	Transportation and Delivery Equipment	Construction in Progress	Total
Cost								
Balance, January 1, 2020	₱56,892,461	₱2,741,600,682	₱5,783,416,262	₱70,526,749	₱507,290,795	₱129,110,569	₱684,082,953	₱9,972,920,471
Additions	452,008	26,727,570	295,066,903	5,735,656	44,285,575	4,347,038	1,359,769,376	1,736,384,126
Reclassifications	960,000	530,166,188	1,016,368,240	3,400,471	12,022,099	621,541	(1,563,538,539)	–
Disposals	(158,464)	(1,612,481)	(29,643,690)	(58,903)	(366,578)	(3,393,929)	(17,613,612)	(52,847,657)
Balance, December 31, 2020	58,146,005	3,296,881,959	7,065,207,715	79,603,973	563,231,891	130,685,219	462,700,178	11,656,456,940
Additions	–	59,366,992	678,234,714	7,812,179	62,622,764	43,359,981	1,451,147,305	2,302,543,935
Reclassifications	–	387,279,600	846,919,816	7,858,967	12,569,835	80,977	(1,254,709,195)	–
Disposals		(13,600,881)	(33,842,935)	(711,950)	(10,195,053)	(7,722,443)	–	(66,073,262)
Balance, December 31, 2021	**58,146,005**	**3,729,927,670**	**8,556,519,310**	**94,563,169**	**628,229,437**	**166,403,734**	**659,138,288**	**13,892,927,613**
Accumulated Depreciation and Impairment Losses								
Balance, January 1, 2020	48,424,825	738,848,379	2,303,300,345	53,104,008	342,851,919	71,847,652	–	3,558,377,128
Depreciation	1,932,437	164,145,225	567,749,634	8,844,397	65,465,755	19,705,448	–	827,842,896
Reclassification	–	–	635,160	-	(635,160)	–	–	-
Disposal	(144,495)	(1,474,964)	(14,812,731)	(15,722)	(624753)	(3,447,312)	–	(20,519,977)
Balance, December 31, 2020	50,212,767	901,518,640	2,856,872,408	61,932,683	407,057,761	88,105,788	–	4,365,700,047
Depreciation	1,997,706	196,519,391	714,357,336	11,381,748	69,853,858	20,738,483	–	1,014,848,522
Reclassifications	–	16,781,394	(17,001,257)	-	219,863	–	–	-
Disposal	–	(13,374,028)	(31,228,007)	(661,511)	(9,258,480)	(7,384,777)	–	(61,906,803)
Balance, December 31, 2021	**52,210,473**	**1,101,445,397**	**3,523,000,480**	**72,652,920**	**467,873,002**	**101,459,494**	**–**	**5,318,641,766**
Carrying Amounts As at December 31, 2021	**₱5,935,532**	**₱2,628,482,273**	**₱5,033,518,830**	**₱21,910,249**	**₱160,356,435**	**₱64,944,240**	**₱659,138,288**	**₱8,574,285,847**
Carrying Amounts As at December 31, 2020	₱7,933,238	₱2,395,363,319	₱4,208,335,307	₱17,671,290	₱156,174,130	₱42,579,431	₱462,700,178	₱7,290,756,893

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

	Notes	2021	2020	2019
Cost of goods sold	22	**₱927,408,467**	₱770,227,299	₱638,174,865
Operating expenses	24	**60,061,937**	57,608,710	62,924,774
Reimbursable expenses		**27,378,118**	6,887	17,653
		₱1,014,848,522	₱827,842,896	₱701,117,292

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

The Group recognized gain on sale of certain equipment amounting to P4,166,459, P2,503,626, and loss of P31,630,206 in 2021, 2020 and 2019, respectively, as disclosed in Note 23.

Management believes that there are no impairment indicators on its property, plant and equipment as at December 31, 2020 and 2021.

16. OTHER NON-CURRENT ASSETS

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

	Note	2021	2020
Security deposits	32	**₱71,438,731**	₱87,345,066
Deposits for containers		**32,352,573**	35,743,734
Deposits on utilities		**8,346,166**	5,211,224
Others		**17,883,374**	5,150,120
		₱130,020,844	₱133,450,144

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

Deposits for containers pertain to deposits for borrowed containers from shipping lines. the delivery of goods/raw materials.

Others pertain to claims from suppliers not yet settled as at December 31, 2021 and 2020.

17. SHORT-TERM LOANS PAYABLE AND BORROWINGS

This account consists of the following:

	2021	2020
Short-term loans payable	**₱2,800,000,000**	₱1,949,466,680
Long-term		
Current portion	**9,764,285**	1,584,000,000
Noncurrent portion	**1,982,127,068**	-
	₱4,791,891,353	₱3,533,466,680

The Group acquired several short-term loans amounting to ₱5,800,000,000 and ₱3,880,000 as at December 31, 2021 and 2020, respectively, with interest ranging from 1.95% to 3.0% annum in 2021 and 3.125% to 7.0% per annum in 2020.

Interest expense pertaining to short-term loans amounting to ₱65,018,125, ₱93,325,579 and ₱159,735,963 was recognized in 2021, 2020 and 2019 respectively.

<u>Long-term facility</u>

CNPF has entered into a ₱2.0-billion, ten-year term loan facility with Banco de Oro (BDO) in April 2021. The proceeds were used to refinance the existing long-term borrowings.

The carrying value of this long-term borrowing as at December 31, 2021 is as follows:

	Amount
Principal	₱2,000,000,000
Less unamortized debt issue costs	8,108,647
	1,991,891,353
Less current portion of loan payable	9,764,285
Noncurrent portion	₱1,982,127,068

Shown below are the details of this long-term borrowing:

	Loan 1	Loan 2
Principal	₱1,000.0 million	₱1,000.0 million
Date	April 5, 2021	May 5, 2021
Interest rate	a. Fixed pricing for the initial five-year period ("5Y initial interest rate"): The higher of (i) 5-year BVAL on the relevant interest settling date plus a spread of 0.80% p.a. and (ii) 3.90% p.a. b. Subject to the repricing at the end of the 5th year, at the higher of (i) 5Y interest rate; and (ii) 5-year BVAL rate at the repricing date plus a spread of 0.80% p.a.	a. Fixed pricing for the initial five-year period ("5Y initial interest rate"): 4.04% p.a. b. Subject to the repricing at the end of the 5th year, at the higher of (i) 5Y interest rate; and (ii) 5-year BVAL at the repricing date plus a spread of 0.80% p.a.
Prepayment penalty	The Borrower may, subject to the penalty of 3% for Peso Borrowing and 1% for Foreign Borrowing, prepay the Term Loan in part or full together with accrued interest thereof to prepayment date.	
Principal payment	Semi-annual	Semi-annual

Management has assessed that the interest rate floor on the loans is an embedded derivative which is not for bifurcation since the market rate approximates the floor rate at the transaction date. On the other hand, the prepayment option was assessed as closely related to the loan and thus, was not bifurcated.

Until termination of the Facility and payment in full of the Loan and all other amounts due hereunder, the Group is required to comply with certain covenants, unless the Lender shall otherwise give its prior consent in writing. These include preservation of rights, privileges and franchises, maintenance of adequate books, accounts and records, compliance of all laws, statutes, rules and regulations and promptly provide written notice to the bank of any dispute or unresolved case.

In addition, the Group must not make changes in the character of its business, in its ownership or control or capital stock, not permit any indebtedness to be secured by any lien, not declare dividends upon occurrence of and Event of Default, not sell, lease or transfer substantially all of its assets with any other person, not extend loan to any corporation owned by the Borrower or to any of its directors, not act as guarantor or surety and will not undertake any capital expenditure outside ordinary course of business.

The Group is also required to maintain a maximum of Debt-to-Equity ratio which shall be at 3:1 and minimum Debt Service Coverage (DSC) ratio of 1.05x. DSC of the Group in 2021 is 23.26x.

As at December 31, 2021 and 2020, the Group is in compliance with the aforementioned covenants.

In 2020, the Parent Company has long term loans amounting to ₱1,150,000,000 with interest rate of 4.52% and P500,000,000 with interest rate of 4.47% which matured and paid on May 5, 2021 and April 21, 2021, respectively.

Interest expense pertaining to long-term loans amounting to ₱88,322,978, ₱122,319,631 and ₱165,742,439 were recognized in 2021, 2020 and 2019, respectively.

Total finance costs incurred on these loans amounted to ₱153,341,103, ₱215,645,210 and ₱325,478,402 in 2021, 2020 and 2019, respectively, as presented in the consolidated statements of comprehensive income.

Total accrued interest on these loans amounted to P18,952,943 and P14,897,506 as at December 31, 2021 and 2020, respectively, as part of accrued expenses, as disclosed in Note 18.

18. TRADE AND OTHER PAYABLES

The Group's trade and other payables consist of:

	2021	2020
Trade payables to third parties	**₱3,934,653,873**	₱4,375,180,898
Accrued expenses	**4,674,999,725**	4,851,881,944
Withholding taxes payable	**202,318,588**	235,126,519
Non-trade payables	**240,154,473**	193,732,982
Others	**52,514,577**	14,643,293
	₱9,104,641,236	₱9,670,565,636

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

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

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

Details of accrued expenses are shown below:

		2021	2020
Product-related cost		**2,130,438,524**	₱2,980,123,845
Advertising and promotion		**2,095,657,177**	1,426,031,754
Professional fees		**265,557,558**	287,276,511
Employee benefits		**88,881,437**	72,019,929
Rent		**35,483,892**	45,278,337
Interest	17	**18,952,943**	14,897,506
Utilities		**4,971,792**	6,967,336
Others		**35,056,402**	19,286,726
		₱4,674,999,725	₱4,851,881,944

Others pertain to accruals for insurance expenses.

19. RETIREMENT BENEFIT OBLIGATION

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

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

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

As at December 31, 2021, 2020 and 2019, the Group's retirement fund has investments in various shares of stocks under the stewardship of a reputable bank. All of the Fund's investing decisions are made by the Board of Trustees which is composed of certain officers of the Group. The power to exercise the voting rights rests with the Board of Trustees.

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

Investment risk

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

Interest rate risk

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

Longevity risk

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

Salary risk

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

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation were carried out by an independent actuary for the year ended December 31, 2021.

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

The principal assumptions used for the purpose of the actuarial valuation as at December 31, 2021, 2020 and 2019 were as follows:

	2021	2020	2019

	Discount Rate	**Expected Rate of Salary Increase**	Discount Rate	Expected Rate of Salary Increase	Discount Rate	Expected Rate of Salary Increase
CPFI	**3.95%**	**6.00%**	5.24%	4.00%	7.52%	4.00%
GTC	**3.95%**	**6.00%**	5.24%	4.00%	7.52%	4.00%
SMDC	**-**	**-**	5.24%	4.00%	7.52%	4.00%
CPAVI	**3.95%**	**6.00%**	5.24%	4.00%	7.52%	4.00%
PMCI	-	**-**	-	-	-	-

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

The discount rate and expected rate of salary increase as at December 31, 2021 are as follows:

	Discount Rate	Expected Rate of Salary Increase
CPFI	5.06%	6.00%
GTC	5.09%	6.00%
SMDC	-	-
CPAVI	5.08%	6.00%
PMCI	5.09%	6.00%

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

	2021	2020	2019
Service costs:			
Current service cost	**₱120,557,846**	₱62,800,854	₱34,308,653
Net interest expense	**21,581,529**	7,287,037	4,377,239
Components of defined benefit costs recognized in profit or loss	**142,139,375**	70,087,891	38,685,892
Remeasurement on the net defined benefit asset:			
(Gain)/Loss on plan assets (excluding amounts included in net interest expense)	**42,346,379**	15,795,087	(20,695,314)
Effect of asset ceiling	**–**	6,148,440	(64,632)
Actuarial (gains) losses:			
from changes in financial assumption	**(147,661,400)**	305,713,517	100,112,888
from changes in experience adjustment	**9,895,495**	109,744,993	12,321,121
Components of defined benefit costs recognized in other comprehensive income	**(95,419,526)**	437,402,037	91,674,063
	₱46,719,849	₱507,489,928	₱130,359,955

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

	2021	2020
Present value of retirement benefit obligation	**₱976,188,800**	₱947,256,761
Fair value of plan assets	**(467,412,274)**	(334,502,872)
Effect of the asset ceiling – SMDC	**–**	6,148,440
Retirement benefit obligation	**₱508,776,526**	₱618,902,329

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

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

	2021	2020
Balance, January 1	**₱947,256,761**	₱452,006,056
PMCI acquisition	**20,370,554**	–
Current service cost	**120,557,846**	62,800,854
Interest cost	**40,741,357**	23,685,117
Benefits paid	**(14,971,813)**	(6,693,776)
Remeasurement loss / (gain):		
from changes in financial assumption	**(147,661,400)**	305,713,517
from changes in experience adjustment	**9,895,495**	109,744,993
Balance, December 31	**₱976,188,800**	₱947,256,761

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

	2021	2020
Balance, January 1	**₱334,502,872**	₱291,981,031
Increase due to PMCI acquisition	**5,090,987**	–
Contributions paid into the plan	**177,559,032**	48,612,624
Interest income	**7,190,145**	16,398,080
Benefits paid	**(14,971,813)**	(6,693,776)
Return on plan assets (excluding amounts included in net interest expense/income)	**(41,958,949)**	(15,795,087)
Balance, December 31	**₱467,412,274**	₱334,502,872

The following is the composition of plan assets as at the December 31, 2021 and 2020:

	2021	2020
Cash and cash equivalents	**₱2,943,618**	₱6,455,905
Debt instruments - government bonds	**334,824,908**	216,389,908
Debt instruments - other bonds	**9,251,372**	7,827,367
Unit investment trust funds	**108,913,879**	82,321,157
Others (market gains or losses, accrued receivables, etc.)	**11,478,497**	21,508,535
	₱467,412,274	₱334,502,872

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

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

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

Actual return on plan assets as at December 31, 2021 and 2020 are as follows:

	2021	2020
Interest income	**₱7,190,145**	₱16,398,080
Remeasurement loss	**(41,958,949)**	(15,795,087)
Actual return	**(₱34,768,804)**	₱602,993

Movements in the OCI relating to retirement obligation for 2021, 2020 and 2019 are as follows:

	2021	2020	2019
Accumulated OCI, beginning	**₱593,363,150**	₱155,960,213	₱64,286,150
Actuarial losses on DBO	**(137,765,905)**	415,458,510	112,434,009
Remeasurement losses on plan assets	**41,958,949**	15,795,987	(20,695,314)
Effect of asset ceiling	**–**	6,148,440	(64,632)
	(95,806,956)	437,402,937	91,674,063
Accumulated OCI, end	**₱497,556,194**	₱593,363,150	₱155,960,213

Amounts of OCI, net of tax recognized in the consolidated statements of comprehensive income for 2021, 2020 and 2019 are computed below:

	2021	2020	2019
Actuarial (gain) / losses on DBO	**(₱137,765,905)**	₱415,458,510	₱112,434,009
Remeasurement losses on plan assets	**41,958,949**	15,795,087	(20,695,314)
Effect of asset ceiling	**–**	6,148,440	(64,632)
	(95,806,956)	437,402,037	91,674,063
Effect of CREATE law	**23,399,092**	–	–
Deferred tax	**18,572,359**	(116,686,291)	(27,502,213)
OCI, net of tax	**₱53,835,505**	₱320,715,746	₱64,171,850

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

Details on the expected contribution to the defined benefit pension plan in 2022 and the weighted average duration of the defined benefit obligation at the end of the reporting period of the Group are as follows:

	Expected contribution	**Duration of the plan (in years)**
CPFI	**₱142,384,368**	**11.2**
PMCI	**5,712,336**	**18**
GTC	**16,171,860**	**15.1**
CPAVI	**13,290,468**	**19**

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as at December 31, 2021 and 2020:

	Impact on post-employment defined benefit obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
2021			
CPFI			
Discount rate	+/- 1%	**(₱84,803,159)**	**₱101,402,687**
Salary increase rate	+/- 1%	**99,393,660**	**(84,847,517)**
PMCI			
Discount rate	+/- 1%	**(1,856,335)**	**2,349,378**
Salary increase rate	+/- 1%	**2,302,280**	**(1,857,752)**
(Forward)			
GTC			
Discount rate	+/- 1%	**(₱11,279,819)**	**₱13,767,854**
Salary increase rate	+/- 1%	**13,496,674**	**(11,288,591)**
CPAVI			
Discount rate	+/- 1%	**(8,445,650)**	**10,764,141**
Salary increase rate	+/- 1%	**10,546,604**	**(8,451,350)**
2020			
CPFI			
Discount rate	+/- 1%	(₱92,393,487)	₱111,933,094
Salary increase rate	+/- 1%	108,428,294	(91,552,406)
SMDC			
Discount rate	+/- 1%	(16,314)	22,978
Salary increase rate	+/- 1%	22,206	(16,176)
GTC			
Discount rate	+/- 1%	(12,326,400)	15,177,686
Salary increase rate	+/- 1%	14,698,859	(12,215,139)
CPAVI			
Discount rate	+/- 1%	(8,226,839)	10,591,838
Salary increase rate	+/- 1%	10,250,663	(8,154,247)

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

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

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

20. SHARE CAPITAL

	2021		2020	
	Number of Shares	**Amount**	Number of Shares	Amount
Authorized:				
At P1 par value	**6,000,000,000**	**₱6,000,000,000**	6,000,000,000	₱6,000,000,000
Issued, fully-paid and outstanding:				
Balance, January 1	**3,542,258,595**	**₱3,542,258,595**	3,542,258,595	₱3,542,258,595
Issuance	–	–	–	–
Balance, December 31	**3,542,258,595**	**₱3,542,258,595**	3,542,258,595	₱3,542,258,595

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

Share premium as at December 31, 2021 and 2020 amounted to ₱4,936,859,146 and ₱4,936,859,146, respectively, which pertains to the excess proceeds from issuance of share capital over the par value, net of issuance cost.

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

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

On December 17, 2021, the BOD authorized to appropriate retained earnings for capital expenditures, which is expected to be completed in 2022, specifically for the construction of a new tuna plant, corporate projects, and other projects in connection with the canned meat, sardines, and mixed business of the Parent Company and its subsidiaries. Appropriations as at December 31, 2021 and 2020 are as follows:

	2021	2020
CPFI	**₱1,700,000,000**	₱1,074,460,909
CPAVI	**285,762,849**	725,807,409
CPFPVI	**266,813,500**	712,356,109
GTC	**479,023,358**	643,661,859
SMDC	**–**	400,000,000
AWI	**300,000,000**	55,865,000
Balance, December 31	**₱3,031,599,707**	₱3,612,151,286

Appropriations in 2020 was reversed upon completion of the project in 2021.

21. NET SALES

	2021	2020	2019
Sales	**₱61,593,444,681**	₱54,962,504,209	₱45,976,906,330
Sales discount	**(3,532,113,523)**	(3,150,546,558)	(2,736,739,619)
Variable considerations	**(1,362,905,020)**	(1,144,916,550)	(785,179,059)
Considerations payable to a customer	**(1,988,270,884)**	(2,365,300,017)	(1,894,624,696)
	₱54,710,155,254	₱48,301,741,084	₱40,560,362,956

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

	2021	2020	2019
Variable Considerations:			
Sales returns	**₱740,198,406**	₱538,232,250	₱418,546,344
Contractual trade terms	**409,709,929**	425,849,701	251,665,398
Price adjustments	**121,086,657**	60,530,573	12,638,731
Prompt payment discount	**91,910,028**	120,304,026	102,328,586
	₱1,362,905,020	₱1,144,916,550	₱785,179,059

Considerations Payable to a Customer:			
Trade promotions	**₱1,735,434,869**	₱2,120,921,527	₱1,660,455,343
Display allowance	**122,906,442**	88,470,922	84,698,257
Distribution program	**59,170,603**	46,987,541	62,032,552
Other trade promotions	**70,758,970**	108,920,027	87,438,544
	₱1,988,270,884	₱2,365,300,017	₱1,894,624,696

22. COST OF GOODS SOLD

The Group's cost of goods sold consists of:

	Note	2021	2020	2019
Raw materials used		**₱35,095,974,527**	₱34,940,027,618	₱26,675,416,000
Direct labor		**1,828,041,256**	2,078,533,942	1,450,063,783
Factory overhead				
Depreciation		**1,074,797,490**	920,998,104	762,349,367
Supplies		**1,070,027,368**	978,687,602	872,009,889
Outside manpower services		**697,640,273**	528,396,099	368,289,172
Utilities		**535,815,072**	504,252,162	438,458,920
Compensation		**465,360,335**	413,783,823	317,643,660
Rental and storage fee		**411,520,725**	321,690,086	276,511,700
Repairs and maintenance		**115,506,372**	88,418,402	104,088,008
Toll packing fees		**92,326,997**	57,354,697	66,328,231
Insurance		**91,435,125**	88,693,141	34,585,770
Freight trucking		**31,979,216**	26,305,725	12,116,891
Professional fees		**26,480,866**	34,051,318	34,252,163
Travel		**23,086,055**	34,200,981	31,631,976
Taxes and licenses		**13,574,333**	11,655,051	7,879,660
Miscellaneous		**196,659,635**	13,276,907	22,326,823
Provisions for slow moving inventories	10	**–**	74,267,890	9,737,244
Total manufacturing cost		**41,770,225,645**	41,114,593,548	31,483,689,257
Changes in finished goods and work in-process		**188,132,614**	(4,740,559,127)	(647,395,187)
		₱41,958,358,259	₱36,374,034,421	₱30,836,294,070

23. OTHER INCOME

The Group's other income consists of:

	Notes	2021	2020	2019
Reversal of allowance for inventory obsolescence	10	**₱126,276,220**	₱236,896,318	₱192,375,933
Foreign currency gain -net		**118,867,076**	–	–
Co-packing fee		**27,960,019**	24,779,436	62,682,715
Gain from sale of scrap		**79,394,940**	107,664,525	15,150,463
Reversal of accruals		**107,629,495**	107,184,824	125,718,029
Gain on bargain purchase	38	**41,071,822**	–	–
Service income	27	**14,827,894**	43,433,358	57,645,388
Interest income	7,8 ,9	**6,347,815**	35,206,519	8,082,061
Gain on sale of property, plant and equipment	15	**4,166,459**	2,773,474	2,980,501
Shared services fee	27	**4,119,686**	13,800,000	14,200,000
Reversal of impairment loss	6	–	–	5,184,818
Others		**27,115,337**	43,949,945	52,271,685
		₱557,776,763	₱615,688,399	₱536,291,593

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

24. OPERATING EXPENSES

The Group's operating expenses consist of:

	Notes	2021	2020	2019
Advertising and trade promotion		**₱2,073,734,006**	₱1,918,652,901	₱1,610,234,923
Freight and handling		**1,970,418,570**	1,685,152,882	1,427,537,717
Salaries and employee benefits	26	**1,623,403,959**	1,422,494,782	993,298,422
Taxes and licenses		**228,223,739**	139,911,379	148,879,518
Legal and professional fees		**213,065,207**	181,958,235	145,454,938
Outside services		**166,568,705**	149,216,711	163,631,296
Travel and entertainment		**129,021,492**	110,237,103	179,539,042
Rent	32	**122,411,520**	105,042,504	98,877,716
Repairs and maintenance		**121,466,767**	110,952,789	101,856,212
Depreciation and amortization	12,13, 15	**196,761,097**	177,733,705	166,915,584
Supplies		**66,171,978**	64,300,244	66,135,483
Royalties	12	**30,537,456**	30,169,950	28,144,008
Utilities		**28,356,286**	89,805,547	53,595,287
Fees and dues		**38,490,203**	10,956,722	-
Insurance		**21,593,081**	16,979,298	18,931,345
Expected credit losses	9	–	9,270,257	5,794,328
Provisions for slow moving inventories	10	–	8,986,481	62,657,186
Others		**33,977,820**	118,990,352	61,143,084
		₱7,064,201,886	₱6,350,811,842	₱5,332,626,089

25. OTHER EXPENSES

The Group's other expenses consist of:

	Notes	2021	2020	2019
Loss on inventory write-down	10	**₱220,130,994**	₱391,036,678	₱185,817,650
Provision on impairment of input tax	11	**31,047,893**	9,316,412	5,538,547
Reimbursables		**29,183,078**	52,837,945	58,387,557
Documentary stamp tax		**24,002,187**	30,784,527	20,783,462
Penalties and other taxes		**18,065,268**	50,531,194	14,758,875
Bank charges		**8,605,373**	5,835,534	4,225,504
Input tax for government sales		**7,936,764**	10,441,225	26,287,790
Foreign currency loss - net		**-**	174,174,228	131,988,441
Loss on impairment of trademark	12	**-**	34,700,000	-
Loss on disposal of property, plant and equipment	15	**-**	269,848	34,610,707
Others		**41,603,608**	43,673,106	37,279,035
		₱380,575,165	₱803,600,697	₱519,677,568

26. EMPLOYEE BENEFITS

Aggregate employee benefits expense comprised of:

	Notes	2021	2020	2019
Cost of goods sold:				
Short-term benefits		**₱443,415,447**	₱393,977,584	₱308,896,697
Post-employment benefits	19	**21,944,888**	19,806,239	8,746,963
		465,360,335	413,783,823	317,643,660
Operating expenses:				
Short-term benefits		**₱1,503,209,482**	₱1,372,213,130	₱963,359,513
Post-employment benefits	19	**120,194,477**	50,281,652	29,938,929
	24	**1,623,403,959**	1,422,494,782	993,298,442
		₱2,088,764,294	₱1,836,278,605	₱1,310,942,102

27. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These include: (a) enterprises or individuals owning, directly or indirectly through one or more intermediaries, control, or are controlled by, or under common control with, the Group; (b) associates; and (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual.

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

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

Outstanding balances at year-end are unsecured and settlement occurs in cash throughout the financial year. There have been no guarantees provided or received for any related party receivables or payables. Provision for impairment of trade receivables from related parties amounted to nil in 2021 and 2020. The assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

The summary of the Group's transactions and outstanding balances with related parties as at and for the years ended December 31, 2021 and 2020 are as follows:

		Amount of Transactions During the Year			Outstanding Receivable (Payable)	
Related Party Category	**Notes**	**2021**	2020	2019	**2021**	2020
Ultimate Parent Company						
Interest		**₱1,250,000**	₱–	₱–	**₱–**	₱–
Service fee	c	**160,416**	107,746	–	**47,379**	–
Sale of fixed assets	f	–	–	–	–	–
Cost reimbursements	c	**18,015,364**	–	585,955	**(19,816,900)**	10,066,123
Rental expense	e	**68,954,185**	68,106,971	45,145,379	**(23,161,004)**	(33,735,104)
Dividends	29	**803,304,000**	803,304,000	438,092,637		
Miscellaneous deposit	h	–	–	–	**18,324,508**	10,148,520
Cash advance	g	**300,000,000**	–	–	–	–
Fellow Subsidiaries						
Shared services fee	d	**4,119,686**	13,800,000	14,200,000	–	–
Sale of inventories	a	**245,506,197**	341,424,585	305,193,172	**93,977,223**	259,725,092
Purchase of inventories	b	**32,623,226**	80,036,909	125,958,838	**(20,060,772)**	(42,159,571)
Service fee	c	**14,667,478**	43,325,612	57,059,433	**6,287,486**	–
Cost reimbursements	c	**67,850,087**	27,205,209	29,886,276	**(21,612,599)**	–
Rental expense	e	**3,250,787**	3,133,623	3,095,988	**(289,862)**	–
Miscellaneous deposit	h	–	–	–	**849,150**	849,150
Sale of property, plant and equipment	f	**5,255,487**	774,719	19,976	–	–
Due from Related Parties					**₱119,485,746**	₱280,788,885
Due to Related Parties					**(₱84,941,137)**	(₱75,894,675)

Terms and conditions of transactions with related parties

Outstanding balances at year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. As at December 31, 2021 and 2020, no related party has recognized any impairment losses of receivables relating to amounts advanced to another related party. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

a. The Parent Company enters into sale transactions with its ultimate parent company and fellow subsidiaries for the distribution of products to certain areas where Management deems it necessary to establish customers.

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

c. The Parent Company shares cost with its related parties relating to repairs and maintenance, supplies, fees and dues, utilities and other operating expenses. Service income from related parties amounted to ₱14,827,894, ₱43,433,358 and ₱57,059,433 in 2021, 2020 and 2019, respectively, as disclosed in Note 23. Shared cost reimbursement from related parties amounted to ₱85,865,452, ₱27,205,209 and ₱30,472,231 in 2021, 2020 and 2019, respectively.

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

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

   Shared services fee amounted to ₱4,119,686, ₱13,800,000 and ₱14,200,000 in 2021, 2020 and 2019, respectively, which is included in other income account in the consolidated statements of comprehensive income shown in Note 23.

e. The Group entered into sale of property, plant and equipment in 2021 to RSPO for ₱172,000, MLDC for ₱5,052,533 and PMCI for ₱30,594 and in 2020 to PMCI for ₱774,719 and PPHI for ₱19,976 in 2019. All property, plant and equipment are sold at carrying value.

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

g. In 2021 and 2020, the Group has a lease agreement with CPGI and RRC for the use of land, warehouses and office space as a lessee (see Notes 13 and 32).

Total amount of receivables to the Ultimate Parent and Fellow Subsidiaries as at December 31, 2021 and 2020 amounted to ₱119,485,746 and ₱280,788,885 respectively. Total amount of intercompany payables to Ultimate Parent and Fellow Subsidiaries as at December 31, 2021 and 2020 amounted to ₱84,941,137 and ₱75,894,675, respectively.

Remuneration of Key Management Personnel

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

	2021	2020	2019
Short-term employee benefits	**₱719,414,468**	₱851,844,534	₱522,809,016
Post-employment benefit	**17,433,729**	26,293,802	15,972,818
	₱736,848,197	₱878,138,336	₱538,781,834

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

The Group has provided share-based payments to its key management employees for the years ended December 31, 2021 and 2020, as disclosed in Note 28.

28. SHARE-BASED PAYMENTS

Employee Stock Purchase Plan (ESPP)

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

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

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

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

As at December 31, 2021 and 2020, the aggregate number of shares that may be granted to any single individual during the term of the ESPP in the form of stock purchase plans shall be determined in the following capping of shares as follows:

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

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

	2021	2020

	Number of share options	**Weighted Average exercise price in PHP**	Number of share options	Weighted Average exercise price in PHP
Outstanding at beginning and end of year	**4,213,145**	**14.41**	4,213,145	14.41
Exercisable at the end of the year	**4,213,145**		4,213,145	

Of the total shares available under the ESPP, employees subscribed to 1,229,700 shares at ₱14.10 per share, 400,000 at ₱16.54 per share, 1,059,200 shares at ₱14.82 per share and 1,367,200 shares at ₱13.75 per share for a total of ₱17,338,770, ₱6,616,000, ₱15,694,380 and ₱18,779,000 in 2017, 2016, 2015 and 2014. There were no share options offered for purchase or subscription from the management in 2021, 2020, and 2019. Accordingly, the share options have no expiry if the employee is eligible and will exercise the right to purchase or subscribe specified number of shares at a specified option price once offer is available.

29. DIVIDENDS

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

Year	Date of Declaration	Date of Record	Date of Payment	Dividends Per Share	Total Dividends
2021	**April 6, 2021**	**April 12, 2021**	**May 6, 2021**	**₱0.36**	**₱1,275,213,094**
2020	June 30, 2020	July 30, 2020	August 14, 2020	₱0.36	₱1,275,213,094
2019	July 1, 2019	July 31, 2019	August 16, 2019	₱0.18	₱637,606,547

Of the total cash dividend declared, the dividends paid to CPGI and public in 2021 and 2020 amounted to ₱803,304,000 and P471,909,094 respectively.

30. EARNINGS PER SHARE

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

	2021	2020	2019
Profit for the year	**₱4,673,016,414**	₱3,879,443,853	₱3,148,597,010
Weighted average number of common shares	**3,542,258,595**	3,542,258,595	3,542,258,595
Basic and diluted earnings per share	**P1.3192**	P1.0952	P0.8890

As at December 31, 2021, 2020, and 2019, the Parent Company has no potential dilutive shares, accordingly, basic earnings per share of ₱1.32, ₱1.10 and ₱0.89 in 2021, 2020, and 2019, respectively, are the same as diluted earnings per share.

31. COMMITMENTS AND CONTINGENCIES

Credit Facilities

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

The credit facilities extended to the Group as at December 31, 2013 included a surety provision where loans obtained by the Group and its related parties, CPGI and PMCI, are covered by cross-corporate guarantees. As at December 31, 2021, the total credit line facility amounted to P10,551,000,000 of which P4,800,000,000 is already used, as disclosed in Note 17.

Capital Commitments

As at December 31, 2021 and 2020, the Group has construction-in progress relating to its ongoing civil works and installation of new machinery and equipment as part of the plant expansion and upgrade of the Group. ....The construction is expected to be completed in 2021 and has remaining estimated costs to complete as follows:

	2021	2020
CPAVI	**₱484,718,428**	₱484,718,428
CPFI	**290,895,082**	415,190,615
GTC	**298,071,275**	287,134,010
	₱1,073,684,785	₱1,187,043,053

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

Acquisition of LIGO Brand

On December 17, 2021, the Board of Directors of the Group approved and authorized to purchase and acquire the operational assets of A. TUNG CHINGCO MANUFACTURING COPRORATION, DRAGON LAND HOLDINGS CORP., GOLD STAR SEAFOODS, GREGORY G. TUNG, JR., CATHERINE TUNG LI, and other related parties (collectively "ATCMC Group"). The Group will purchase the assets and intellectual property related to the manufacturing of 'Ligo's' product lineup, which is composed of shelf-stable marine products, from the Tung family. With the planned acquisition, the Group expects synergies in selling and distribution, supply chain, and marketing.

Others

As at April 11, 2022, there are legal claims against the Group which have not yet been resolved. In the opinion of management and the Group's outside legal counsel, the ultimate resolution of these claims will not have a material effect on the Group's financial position and financial performance.

32. LEASE AGREEMENTS

The Group as a Lessee

The Group leased land, building, warehouses, office spaces, plant and equipment with an average lease term of 1 to 10 years. The Group has options to purchase the equipment for a nominal amount at the end of the lease terms.

Rental expenses charged to cost of goods sold under factory overhead and operating expenses in relation to short-term and low value leases are recognized as follows:

	2021	2020	2019
Cost of goods sold – rental expense	**₱172,920,475**	₱321,690,086	₱268,267,060
Operating expenses – rental expense	**122,411,520**	105,042,504	98,877,716
Other expenses – rental expense	**12,072,389**	2,810,543	2,833,201
Total Rental Expense	**₱307,404,384**	₱429,543,133	₱369,977,977

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

	2021	2020
Within one year	**₱382,939,799**	₱382,939,799
More than 1 year to 2 years	**387,118,841**	387,118,841
More than 2 years to 3 years	**346,672,949**	184,071,688
More than 3 years to 4 years	**331,746,901**	167,738,763
More than 4 years to 5 years	**367,526,808**	201,842,999
More than 5 years	**1,371,753,418**	668,650,068

Presented in the consolidated statements of financial position as:

	2021	2020
Current	**₱247,628,625**	₱271,207,134
Non-current	**1,164,210,050**	465,842,247
	₱1,411,838,675	₱737,049,381

The rollforward analysis of lease liabilities follows:

	2021	2020
Balance at beginning of year	**₱737,049,381**	₱753,185,184
Additions	**855,573,363**	234,046,340
Interest expense	**143,541,570**	45,506,164
Payments	**(324,325,639)**	(295,688,307)
Balance at end of year	**₱1,411,838,675**	₱737,049,381

Interest rates underlying all obligations are fixed at respective contract dates ranging from 3.16% to 7.32% and 5.35% to 7.29% in 2021 and 2020, respectively. Total finance cost for these leases was included as part of finance costs presented in the consolidated statements of comprehensive income.

As at December 31, 2021 and 2020, total security deposits recognized in the consolidated statements of financial position as part of non-current assets amounted to ₱71,438,731 and ₱87,345,066, respectively, as disclosed in Note 16.

33. INCOME TAXES

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

	Note	2021	2020	2019
Current tax expense		**₱745,476,750**	₱1,515,088,355	₱1,002,756,220
Deferred tax benefit	34	**149,420,870**	(266,701,059)	(112,724,225)
		₱894,897,620	₱1,248,387,296	₱890,031,995

The reconciliation of the provision for income tax computed by applying the statutory tax rate with the provision for income tax as shown in the consolidated statements of comprehensive income follows:

	2021	2020	2019
Accounting profit	**₱5,567,914,034**	₱5,127,831,156	₱4,038,629,005
Tax on pretax income at statutory tax rate	**₱1,391,978,509**	₱1,538,349,347	₱1,211,588,702
Adjustment for income subjected to lower and higher income tax rate	–	–	(1,088,802)
Tax effects of:			
Income under income tax holiday	**(254,421,316)**	(77,803,837)	(27,962,843)
Effects of using OSD instead of itemized deductions	**(235,080,123)**	(235,108,756)	(157,952,993)
Income subject to lower tax rates	**(226,263,007)**	–	–
Adjustment on the effect of CREATE	**(11,968,920)**	–	–
Effects of previously unrecognized deferred tax asset	**43,193,910**	(111,316)	(10,964,392)
Non-deductible expenses	**192,848,077**	39,319,548	939,809
Nontaxable income	**(4,445,209)**	(5,371)	(965,298)
Interest income subject to final tax	**(944,301)**	(10,193,718)	(2,065,913)
Income exempted from income tax	–	(6,058,601)	(121,496,275)
	₱894,897,620	₱1,248,387,296	₱890,031,995

34. DEFERRED TAXES

Net deferred tax assets as at December 31, 2021 and 2020 comprise the following:

	2021	2020
Deferred tax assets	**₱566,545,242**	₱752,107,229
Deferred tax liabilities	**(25,594,587)**	(9,398,845)
	₱540,950,655	₱742,708,384

Deferred Tax Assets

The components of the Group's net deferred tax assets (liabilities) are as follows:

	2021	2020
Deferred tax assets:		
Provisions of expenses	**₱309,599,097**	₱452,515,488
Post-employment benefit obligation	**142,539,882**	156,052,258
Allowance for write-down of inventory	**74,464,209**	72,010,737
Lease liabilities - net	**26,215,951**	12,738,272
MCIT	**5,602,786**	–
Allowance for doubtful accounts	**4,673,429**	16,734,361
NOLCO	**1,820,567**	115,206
Allowance for impairment	**₱1,629,321**	₱12,270,246
Unrealized foreign currency loss	**–**	29,670,661
	566,545,242	752,107,229
Deferred tax liabilities:		
Gain in change in FV	**(17,041,918)**	–

	2021	2020
Unrealized foreign exchange gain	**(6,525,507)**	(9,398,845)
Debt issuance cost	**(2,027,162)**	–
	(25,594,587)	(9,398,845)
	₱540,950,655	₱742,708,384

NOLCO that can be applied against future taxable income is as follows:

Year Incurred	Expiration	Amount	Applied in Previous Year/s	Expired	Applied in Current Year	Unapplied
2020	2025	₱310,584	₱–	₱–	₱–	₱310,584
2020	2025	150,248	–	–	–	150,248
2021	2026	6,954,944	–	–	–	6,954,944
		₱7,415,776	₱–	₱–	₱–	₱7,415,776

The MCIT that can be applied against future RCIT is as follows:

Year Incurred	Expiration	Amount	Applied in Previous Year/s	Expired	Applied in Current Year	Unapplied
2021	2024	₱2,288,495	₱–	₱–	₱–	₱2,288,495
2021	2024	329,902	–	–	–	329,902
2020	2023	1,093,964	–	–	–	1,093,964
2019	2022	1,890,425	–	–	–	1,890,425
		₱5,602,786	₱–	₱–	₱–	₱5,602,786

35. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in force or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

	2021		2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Liability for which fair value is disclosed-				
Borrowings	**₱4,791,891,353**	**₱4,670,417,509**	₱3,533,466,680	₱3,533,466,680

The fair value of borrowings was obtained by discounting the instrument's expected cash flows using prevailing market rates ranging from 1.91% to 5.92% as at December 31, 2021. Fair value category is Level 2, significant observable inputs.

There have been no transfers between Level 1 and Level 2 during the period.

The carrying values of the Group's financial assets and other liabilities as at December 31, 2021 and 2020 and borrowings as at December 31, 2020 approximate their fair values due to the short-term nature of the financial instruments.

36. FINANCIAL RISK MANAGEMENT

Financial Risk Management Objectives and Policies

The Group's activities expose it to a variety of financial risks: market risk (which include foreign currency exchange risk and interest rates risk), credit risk and liquidity risk. The Group's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Group. The policies for managing specific risks are summarized below:

Market risk

Market risk happens when the changes in market prices, such as foreign exchange rates and interest rates will affect the Group's profit or the value of its holdings of financial instruments. The objective and management of this risk are discussed below.

Foreign currency exchange risk

Foreign currency exchange risk arises when an investment's value changes due to movements in currency exchange rate. Foreign exchange risk also arises from future commercial transactions and recognized assets and liabilities that are denominated in a currency that is not the Group's functional currency.

The Group undertakes certain transactions denominated in US Dollar (USD) and Chinese Yuan (CNY), hence, exposures to exchange rate fluctuations arise with respect to transactions denominated in such currency. Significant fluctuation in the exchange rates could significantly affect the Group's financial position.

The net carrying amounts of the Group's foreign currency denominated monetary assets and financial liabilities at the end of each reporting period are as follows:

	2021	2020
Cash and cash equivalents	**₱510,223,950**	₱213,324,440
Trade and other receivables	**2,168,568,350**	2,124,814,306
Trade and other payables	**(259,176,990)**	(446,103,390)
	₱2,419,615,310	₱1,892,035,356

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

	2021		2020	
	USD	**CNY**	USD	CNY
Cash and cash equivalents	**456,720,716**	**53,503,235**	162,249,308	51,075,132
Trade and other receivables	**2,132,754,887**	**35,813,463**	2,089,072,715	35,741,591
Trade and other payables	**(240,849,684)**	**(18,327,306)**	(276,958,119)	(169,145,271)
	2,348,625,919	**70,989,392**	1,974,363,904	(82,328,548)

The following table demonstrates the sensitivity to a reasonably possible change, based on prior year percentage change in exchange rates in Philippine peso (PHP) rate to USD with all other variables held constant, of the Group's income before income tax (due to changes in the fair value of financial assets and liabilities).

	Change in currency	Effect on income/equity
December 31, 2021		
Philippine Peso	+/-5.65%	**₱**132,697,364
December 31, 2020		
Philippine Peso	+/-5.65%	₱106,899,998

The following table details the Group's sensitivity to a 5.65% and 5.65% increase and decrease in the functional currency of the Group against the US Dollar. The sensitivity rate used in reporting foreign currency risk internally to key management personnel is 5.65% and 5.65% and it represents Management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for a 5.65% and 5.65% change in foreign currency rate.

The sensitivity analysis includes all of the Group's foreign currency denominated monetary assets and liabilities. A positive number below indicates an increase in profit when the functional currency of the Group strengthens 5.65% and 5.65% against the relevant currency.

For a 5.65% and 5.65% decline of the functional currency of the Group against the relevant currency, there would be an equal and opposite impact on the profit as shown below:

	2021 Effect in profit and loss	2020 Effect in profit and loss
Cash and cash equivalents	**(₱28,827,653)**	(₱12,052,831)
Trade and other receivables	**(122,524,112)**	(120,052,008)
Trade and other payables	**14,643,500**	25,204,842
	₱136,708,265	₱106,899,997

Further, the Management assessed that the sensitivity analysis is not a representative of the currency exchange risk.

Interest rate risk

Interest rate risk refers to the possibility that the value of a financial instrument will fluctuate due to change in the market interest rates.

Presently, the Group's short-term and long-term bank loans are market-determined, with the long-term loan interest rates based on BVAL plus a certain mark-up. The sensitivity to a reasonably possible change in interest rates with all other variables held constant of the Group's profit before tax for the years ended December 31, 2021 and 2020 follows:

Change in Interest Rates (in Basis Points)	**2021**	2020
300bp rise	**(₱143,756,740)**	(₱106,004,000)
225bp rise	**(119,797,283)**	(88,336,667)
300bp fall	**143,756,740**	106,004,000
225bp fall	**119,797,283**	88,336,667

1 basis point is equivalent to 0.01%.

There is no other impact on the Group's equity other than those affecting the profit or loss.

Credit risk

Credit risk refers to the possibility that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is confirmed to independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Group trades only with recognized, credit worthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The Group does not grant credit terms without the specific approval of the credit departments.

Trade receivables consist of a large number of customers, spread across geographical areas. The remaining financial assets does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets. There is no concentration of credit risk to any other counterparty at any time during the year.

The table below shows the Group's maximum exposure to credit risk:

	2021	2020
Cash in banks and cash equivalents	**₱1,728,308,358**	₱1,229,381,273
Trade receivables	**7,348,852,606**	6,195,019,877
Due from related parties	**119,485,746**	280,788,885
Security deposits	**71,438,731**	87,345,066
Deposits on utilities	**8,346,166**	5,211,224
	₱9,276,431,607	₱6,797,746,325

In order to minimize credit risk, the Group has tasked its credit management committee to develop and maintain the Group's credit risk grading to categorize exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the credit management committee uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. The aging analysis of financial assets are as follows:

2021			**Days past due**				
	Current	**<30 days**	**30-60 days**	**61-90 days**	**90-120 days**	**>121 days**	**Total**
Expected credit loss rate	**0.00%**	**0.00%**	**0.00%**	**0.01%**	**0.01%**	**9.83%**	
Estimated total gross carrying at default	**₱4,791,194,312**	**₱1,492,313,217**	**₱583,908,587**	**₱213,735,551**	**₱79,669,775**	**₱206,612,825**	**₱7,367,434,267**
Expected credit loss	**₱19,440**	**₱24,054**	**₱21,734**	**₱13,312**	**₱6,447**	**₱18,496,678**	**₱18,581,665**

2020			Days past due				
	Current	<30 days	30-60 days	61-90 days	90-120 days	>121 days	Total
Expected credit loss rate	0.00%	0.00%	0.00%	0.01%	0.01%	10.47%	
Estimated total gross carrying at default	₱3,189,528,449	₱1,686,752,179	₱618,242,808	₱250,723,307	₱130,137,902	₱353,193,619	₱6,228,578,265
Expected credit loss	₱14,201	₱27,188	₱23,012	₱15,616	₱10,531	₱33,467,840	₱33,558,388

The tables below detail the credit quality of the Group's financial assets and other items, as well as the Group's maximum exposure to credit risk by credit risk rating grades:

	Notes	Internal credit rating	12m or lifetime ECL	Gross carrying amount (i)	Loss allowance	Net carrying amount
2021						
Trade receivables	9	(i)	Lifetime ECL (simplified approach)	**₱7,367,434,267**	**₱18,581,661**	**₱7,348,852,606**
Due from related parties	27	Performing	12m ECL	**119,485,746**	**–**	**119,485,746**
Security deposits	16	Performing	12m ECL	**71,438,731**	**-**	**71,438,731**
Deposits on utilities	16	Performing	12m ECL	**8,346,166**	**-**	**8,346,166**
				₱7,566,704,910	**₱18,581,661**	**₱7,548,123,249**
2020						
Trade receivables	9	(i)	Lifetime ECL (simplified approach)	₱6,228,578,265	₱33,558,388	₱6,195,019,877
Due from related parties	27	Performing	12m ECL	280,788,885	–	280,788,885
Security deposits	16	Performing	12m ECL	87,345,066	–	87,345,066
Deposits on utilities	16	Performing	12m ECL	5,211,224	–	5,211,224
				₱6,601,923,440	₱33,558,388	₱6,568,365,052

(i) For trade receivables, the Group has applied the simplified approach in PFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows, inclusive of principal and interest, of financial liabilities, based on the earliest date on which the Group can be required to pay.

	Weighted Average Rate	Within One Year	More Than 1 Year to 5 Years	More Than 5 to 10 Years	Total
2021					
Trade and other payables	n/a	**₱8,662,168,175**	**₱–**	**₱–**	**₱8,662,168,175**
Borrowings	3.75%	**2,902,140,015**	**417,650,023**	**2,319,381,596**	**5,639,171,634**
Due to related parties	n/a	**84,941,137**	**–**	**–**	**84,941,137**
		₱11,649,249,327	**₱417,650,023**	**₱2,319,381,596**	**₱14,386,280,946**
2020					
Trade and other payables	n/a	₱9,397,595,932	₱–	₱–	₱9,397,595,932
Borrowings	4.79%	3,548,364,186	–	–	3,548,364,186
Due to related partie	ns/a	75,894,675	–	–	75,894,675
		₱13,021,854,793	₱–	₱–	₱13,021,854,793

Government payables, which are not considered as financial liabilities, are excluded in the carrying amount of trade and other payables for the purpose of presenting the liquidity risk.

37. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to increase the value of shareholder's investment and maintain high growth by applying free cash flows to selective investments that would further the Group's growth. The Group sets strategies with the objective of establishing a versatile and resourceful financial management and capital structure. There have been no changes for the Group's overall strategy.

The BOD has overall responsibility for monitoring working capital in proportion to risk. Financial analytical reviews are made and reported in the Group's financial reports for the BOD's review on a regular basis. In case financial reviews indicate that the working capital sourced from the Group's own operations may not support future operations of projected capital investments, the Group obtains financial support from its related parties.

The Group's management aims to maintain certain financial ratios that it deems prudent such as debt-to-equity ratio (not to exceed 2.5:1) and current ratio (at least 1.0:1). The Group regularly reviews its financials to ensure the balance between equity and debt is monitored.

In addition, when the Group is able to meet its targeted capital ratios and has a healthy liquidity position, the Group aims to pay dividends to its shareholders of up to 30% of previous year's net income.

The Group's debt-to-equity and current ratios as at December 31, 2021 and 2020 are as follows:

	2021	2020
Total liabilities	**₱15,991,714,955**	₱14,840,155,033
Total equity	**24,887,917,914**	21,436,210,593
Debt-to-equity ratio	**0.64:1**	0.69:1
Total current assets	**₱26,485,671,044**	₱23,973,474,666
Total current liabilities	**12,336,601,311**	13,746,011,612
Current ratio	**2.15:1**	1.74:1

Pursuant to the PSE's rules in minimum public ownership, at least 10% of the issued and outstanding shares of a listed company must be owned and held by the public.
As at December 31, 2021 and 2020, the public ownership is 31.22% and 31.21% respectively.

37. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to increase the value of shareholder's investment

38. BUSINESS COMBINATION

On April 1, 2021, the Parent Company and CPGI entered into a share purchase agreement (the "Agreement"), wherein CPGI, the Seller, has agreed to sell, assign and convey to CPFI, the buyer, all its rights, title and interest in and to the common shares of PMCI for a total consideration of ₱24 million.

PMCI is an emerging player in the large-refrigerated food category. It comes equipped with its own manufacturing facilities, cold chain distribution, and a robust innovation pipeline of refrigerated better-for-you products.

Total consideration for the acquisition of PMCI amounted to P24 million.

As allowed by PFRS 3, provisional accounting has been applied by the Group. The intangible asset, particularly the trademark, recognized in the December 31, 2021 financial statements was based on a provisional assessment of its fair value, the valuation of which had not been completed by the date the 2021 financial statements were approved for issue by the Board of Directors.

The transaction has been accounted for as an acquisition since it has commercial substance. The purchase price consideration has been allocated based on relative fair values at date of acquisition using the provisional accounting as follows:

	Carrying values	Fair values recognized
Current Assets:		
Cash and cash equivalents	₱271,032,463	₱271,032,463
Trade and other receivables	208,001,888	208,001,888
Inventories	308,822,043	308,822,043
Other current assets	58,644,327	58,644,327
Total Current Assets	846,500,721	846,500,721
Noncurrent Assets		
Property, plant & equipment	126,534,701	184,314,100
Intangible asset	400,000,000	423,264,486
Other noncurrent assets	4,563,029	4,563,029
Total Noncurrent Assets	531,097,730	612,141,615
Total Liabilities	1,393,570,514	1,393,570,514
Identifiable Net Assets Acquired	(P15,972,063)	P65,071,822

Identifiable Net Assets Acquired	₱65,071,822
Less: Purchased consideration transferred	24,000,000
Bargain purchase option	₱41,071,822

Cash flow from an investing activity:	
Cash payment	₱24,000,000
Net cash acquired from subsidiary	271,032,463
Net cash flow	(₱271,032,463)

The fair values of the identifiable net assets acquired from PMCI amounted to P65,071,822. The fair value of the property, plant and equipment amounting to P184,314,100 was measured using the replacement cost method while the fair value of the trademark amounting to P423,264,486 was measured using the relief from royalty method. The revenue growth and discount rates used to measure the fair value of trademark are 10.5% and 9.08%, respectively. The transaction resulted in the recognition of gain on bargain purchase of Php 41,071,822.

The revenue from contracts with customer and net loss included in the consolidated statement of comprehensive income since April 1, 2021, contributed by the acquisition of PMCI amounted to P994.3 million and P19.0 million, respectively.

Had the acquisition taken place on January 1, 2021, the consolidated statement of comprehensive income of the Group would have included revenue from contracts with customers of P1,265.2 million and net loss of P24.5 million.

39. NOTES TO THE CONSOLIDATED STATEMENTS CASH FLOWS

The following are the noncash activities in 2021:

a. Increase in other noncurrent assets and property, plant and equipment amounting to P4,563,029 and P184,314,100, respectively, arising from acquisition of PMCI.
b. Unamortized debt issuance cost on borrowings amounting to P8,108,647.

The changes in the Group's liabilities arising from financing activities are as follows:

	2021					
	January 1	**Additions**	**Availment**	**Payments**	**Others**	**December 31**
Lease liabilities	**₱737,049,381**	**₱855,573,363**	**₱-**	**(₱324,325,639)**	**₱143,541,570**	**₱1,411,838,675**
Borrowings	**3,533,466,680**	**–**	**7,791,891,353**	**(6,533,466,680)**	**–**	**4,791,891,353**
Accrued interest	**14,897,506**	**153,341,103**	**–**	**(149,285,666)**	**–**	**18,952,943**
Total liabilities from financing activities	**₱4,285,413,567**	**₱1,008,914,466**	**₱7,791,891,353**	**(₱7,007,077,985)**	**₱143,541,570**	**₱6,222,682,971**

	2020					
	January 1	Additions	Availment	Payments	Others	December 31
Lease liabilities	₱753,185,184	₱234,046,340	₱–	(₱295,688,307)	₱45,506,164	₱737,049,381
Borrowings	5,520,008,587	–	5,551,000,000	(7,537,541,907)	–	3,533,466,680
Accrued interest	68,734,154	210,799,135	–	(264,635,783)		14,897,506
›tal liabilities from financing activities	₱6,341,927,925	₱444,845,475	₱5,551,000,000	(₱8,097,865,997)	₱45,506,164	₱4,285,413,567

"Others" include interest expense pertaining to lease liability as at December 31, 2021 and 2020. The Group classifies interest paid as part of cash flows from financing activities.

* * *

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INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Board of Directors and the Stockholders
Century Pacific Food, Inc. and Subsidiaries
(A Subsidiary of Century Pacific Group, Inc.)
7th floor, Centerpoint Building, Julia Vargas St., Ortigas Center
Pasig City, Metro Manila

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Century Pacific Food, Inc. and its subsidiaries (the Group) as at and for the year ended December 31, 2021 included in this Form 17-A and have issued our report thereon dated April 11, 2022. Our audit was 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 Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with 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 financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Maria Pilar B. Hernandez

Maria Pilar B. Hernandez
Partner
CPA Certificate No. 105007
Tax Identification No. 214-318-972
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 105007-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. 08-001998-116-2022, January 20, 2022, valid until January 19, 2025
PTR No. 8853500, January 3, 2022, Makati City

April 11, 2022

CENTURY PACIFIC FOOD, INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
FORM 17-A, Item 7

Consolidated Financial Statements

Supplementary Schedules

CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES
Additional Requirements for Issuers of Securities to the Public
Required by the Securities and Exchange Commission
As at December 31, 2021

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CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES
Schedule A - Financial Assets
As of December 31, 2021

HTM Investments	Name of Issuing Entity	Face Value	Amount Shown in Balance Sheet	Income Received and Accrued
Total			-	-

2017032657172017SA

CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES
Schedule B - Amounts Receivable from Employees
As of December 31, 2021

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Amounts Written-off	Current	Non-Current	Balance at end of Period
Employees	P49,196,727	P108,301,370	106,571,578	P -	P50,926,519	P -	P50,926,519

-

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CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES
Schedule C - Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
As of December 31, 2021

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Amounts Written-off	Current	Non-Current	Balance at end of Period
Subsidiaries:							
General Tuna Corporation	291,588,501		6,060,057	P -	P285,528,443	P -	P285,528,443
Snow Mountain Dairy Corporation	(1,613,222,115)		(1,219,129,926.00)	-	(394,092,189)	-	(394,092,189)
Allforward Warehousing, Inc.	(3,353,689)		(3,353,689)	-	-	-	-
Century Pacific Agri Ventures Inc	(208,073,945)		(94,456,551)	-	(113,617,394)	-	(113,617,394)
Century Pacific Seacrest Inc	(668,097)		(72,749,958.61)	-	72,081,862	-	72,081,862
Century Pacific Food Packaging Ventures Inc.	108,953,140		(250,386,670)	-	359,339,810	-	359,339,810
General Odyssey Inc.	(984,793)		611,041	-	(1,595,834)	-	(1,595,834)
Century Pacific Solar Inc.	(2,000,000)		(163,976,294)	-	161,976,294	-	161,976,294
The Pacific Meat Company Inc			(1,277,164,787)	-	1,277,164,787	-	1,277,164,787
Century Pacific North America Enterprise Inc.	98,264,558		(42,270,841.21)	-	140,535,399	-	140,535,399
Century International (China) Co., Ltd.	132,921,285		(16,802,103.14)	-	149,723,388	-	149,723,388
Centennial Global Corporation	(50,004,439)		-	-	(50,004,439)	-	(50,004,439)
Total	**(1,246,579,593)**	**-**	**(3,133,619,721)**	**-**	**P1,887,040,128**	**-**	**P1,887,040,128**

CENTURY PACIFIC FOOD INC. AND SUBSIDIARIES
Schedule E - Long Term Debt
As of December 31, 2021

Bank	Beginning Balance	Availment	Payment	Ending Balance	Current	Non Current
Security Bank	1,104,000,000		1,104,000,000	-		-
Metrobank	480,000,000		480,000,000	-		-
BDO	-	1,991,891,353		1,991,891,353	9,764,285	1,982,127,068
Total	1,584,000,000	**P1,991,891,353**	1,584,000,000.00	**P1,991,891,353**	**P9,764,285**	**P1,982,127,068**

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CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES
Schedule H - Capital Stock
As of 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		
				Related Parties	Directors, Officers and Employees	Others
Ordinary Shares	6,000,000,000	3,542,258,595	-	2,434,120,781	2,348,507	1,105,789,307

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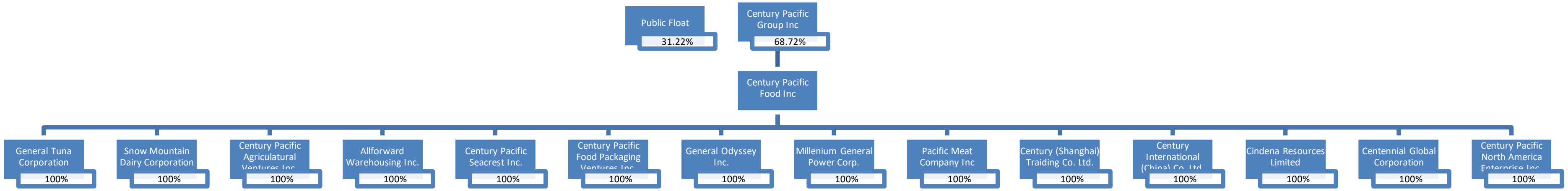
CENTURY PACIFIC FOOD, INC.
CONGLOMERATE MAP
AS OF DECEMBER 31, 2021



Annex A

Reconciliation of Retained Earnings
Available for Declaration
As at December 31, 2021

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

Items	Amount
Unappropriated Retained Earnings, beginning	P6,628,357,049
Adjustments:	
Allowance for Impairment Loss	-
Deferred tax assets	(562,349,565)
Remeasurement of retirement benefit obligation - net of tax	(358,025,010)
Appropriation of retained earnings	(1,074,460,909)
Unappropriated Retained Earnings, as adjusted, beginning	4,633,521,565
Net Income based on the face of AFS	4,734,226,397
Less: Non-actual losses	
Change in deferred tax assets	138,039,345
Net Income Actual/Realized	4,872,265,742
Adjustments:	
Dividend declarations during the year	(1,275,213,094)
Reversal of appropriations	1,074,460,909
Appropriation for the year	(1,700,000,000)
Unappropriated Retained Earnings, as adjusted, ending	**P7,605,035,122**

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and the Stockholders
Century Pacific Food, Inc. and Subsidiaries
(A Subsidiary of Century Pacific Group, Inc.)
7th floor, Centerpoint Building, Julia Vargas St., Ortigas Center
Pasig City, Metro Manila

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Century Pacific Food, Inc. and its subsidiaries (the Group) as at and for the year ended December 31, 2021 and have issued our report thereon dated April 11, 2022. Our audit was made for the purpose of forming an opinion on the basic 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 Company'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 financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's financial statements as at and for the December 31, 2021 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Maria Pilar B. Hernandez

Maria Pilar B. Hernandez
Partner
CPA Certificate No. 105007
Tax Identification No. 214-318-972
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 105007-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. 08-001998-116-2022, January 20, 2022, valid until January 19, 2025
PTR No. 8853500, January 3, 2022, Makati City

April 11, 2022

FINANCIAL SOUNDNESS INDICATORS
As of December 31, 2021

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

Ratio	Formula		Current Year	Prior Year
Current ratio	Total Current Assets divided by Total Current Liabilities		2.15x	1.74x
	Total Current Assets	26,485,671,044		
	Divide by: Total Current Liabilities	12,336,601,311		
	Current Ratio	2.15		
Quick/Acid test ratio	Quick Assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities		0.75x	0.61x
	Total Current Assets	26,485,671,044		
	Less: Inventories	(14,112,400,431)		
	Biological Assets	-		
	Prepayments and other Current Assets	(2,619,774,907)		
	Quick assets	9,753,495,706		
	Divide by: Total Current Liabilities	12,336,601,311		
	Quick/Acid test ratio	0.79		
Debt-to-equity ratio	Total Liabilities divided by Total Equity		0.64x	0.69x
	Total Liabilties	15,991,714,955		
	Divide by: Total Equity	24,887,917,914		
	Debt-to-equity ratio	0.64		
Asset-to-equity ratio	Total Assets divided by Total Equity		1.64x	1.69x
	Total Assets	40,879,632,869		
	Divide by: Total Equity	24,887,917,914		
	Asset-to-equity ratio	1.64		
Interest rate coverage ratio	Earnings before Interest and Taxes (EBIT) divided by Interest Expense		19.75x	20.64x
	EBIT	5,864,796,707		
	Divide by: Interest Expenses	296,882,673		
	Interest rate coverage ratio	19.75		
Working capital turnover	Net Sales divided by Working Capital (Current Assets less Current Liabilities)		3.87x	4.72x
	Net Sales	54,710,155,254		
	Divide by: Working capital			
	Current Assets	26,485,671,044		
	Less: Current Liabilities	(12,336,601,311)		
	Working Capital	14,149,069,733		
	Working Capital Turnover	3.87		
Return on equity	Profit before Taxes (PBT) divided by Total Equity		22.37%	23.92%
	PBT	5,567,914,034		
	Divide by: Total Equity	24,887,917,914		
	Return on equity	22.37%		
Return on assets	Profit from operations divided by Total Assets		11.43%	10.69%
	Profit from Operations	4,673,016,414		
	Divide by: Total Assets	40,879,632,869		
	Return on assets	11.43%		
Net profit margin	Profit before Taxes (PBT) divided by Net Sales		10.18%	10.62%
	PBT	5,567,914,034		
	Divide by: Net Sales	54,710,155,254		
	Net profit margin	10.18%		
Operating profit margin	Profit from Operations divided by Net Sales		8.54%	8.03%
	Profit from Operations	4,673,016,414		
	Divide by: Net Sales	54,710,155,254		
	Net profit margin	8.54%		

Vivian Tan-Zamora <vbtan@centurypacific.com.ph>

Fwd: Your BIR AFS eSubmission uploads were received

1 message

Marilou Hernandez <mhernandez@centurypacific.com.ph> Wed, Apr 13, 2022 at 8:57 PM
To: Vivian Tan-Zamora <vbtan@centurypacific.com.ph>, Jayravi Delgado <jdelgado@centurypacific.com.ph>, John Ver Villajin <jvillajin@centurypacific.com.ph>

---------- Forwarded message ---------
From: <eafs@bir.gov.ph>
Date: Wed, Apr 13, 2022 at 8:28 PM
Subject: Your BIR AFS eSubmission uploads were received
To: <MHERNANDEZ@centurypacific.com.ph>
Cc: <MHERNANDEZ@centurypacific.com.ph>

Hi CENTURY PACIFIC FOOD INC,

Valid files

- EAFS008647589OTHTY122021.pdf
- EAFS008647589AFSTY122021.pdf
- EAFS008647589ITRTY122021.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-N4T1TW1Z087B699BANY3W43MQ0KL8AKGK**
Submission Date/Time: **Apr 13, 2022 08:12 PM**
Company TIN: **008-647-589**

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- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

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