

SECURITIES AND EXCHANGE COMMISSION

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

1. For the quarterly period ended **March 31, 2022**
2. Commission identification number **CS201320778**
3. BIR Tax Identification No. **008-647-589-000**
4. **Century Pacific Food, Inc.**  
Exact name of issuer as specified in its charter
5. **Pasig City, Philippines**  
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code:  (SEC Use Only)
7. **7/F Centerpoint Bldg., Julia Vargas Ave. Garnet Rd. Ortigas Center Pasig City, 1605**  
Address of issuer's principal office Postal Code
8. **+632 - 8633 - 8555**  
Issuer's telephone number, including area code
9. **Not Applicable**  
Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

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

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

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

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

12. Indicate by check mark whether the registrant:
  - (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)  
Yes  No
  - (b) has been subject to such filing requirements for the past ninety (90) days.  
Yes  No

## PART I – FINANCIAL INFORMATION

### Item 1. Financial Statements

The unaudited interim consolidated financial statements of Century Pacific Food, Inc. and its wholly owned subsidiaries General Tuna Corporation, Snow Mountain Dairy Corporation, Allforward Warehousing Inc., Century Pacific Agricultural Ventures Inc., Century Pacific Food Packaging Ventures Inc., Century Pacific Seacrest Inc., General Odyssey Inc., Millennium General Power Inc., The Pacific Meat Co. Inc., Centennial Global Corporation, Century International (China) Co Ltd, Century (Shanghai) Trading Co Ltd, Cindena Resources Ltd, and Century Pacific North America Enterprise Inc. (collectively, the “Company” or “CNPF”) as of and for the period ended March 31, 2021, and the comparative period in 2020 is attached to this 17-Q report, comprising of the following:

- 1.1 Consolidated Balance Sheets as of March 31, 2022 and December 31, 2021
- 1.2 Consolidated Statement of Income for the period ended March 31, 2022 and March 31, 2021
- 1.3 Consolidated Statement of Cash Flows for the period ended March 31, 2022 and March 31, 2021
- 1.4 Consolidated Statement of Changes in Shareholder’s Equity for the period ended March 31, 2022 and March 31, 2021
- 1.5 Notes to Consolidated Financial Statements for the period ended March 31, 2022

### Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations (Based on the unaudited consolidated financial statements for the period ended March 31, 2022)

#### *Business Overview*

Century Pacific Food, Inc. (CNPF) is one of the largest branded food and beverage companies in the Philippines. It owns a portfolio of well-known and trusted brands in the canned and processed fish, canned meat, and dairy and mixes business segments. These brands include well-established names such as Century Tuna, 555, Argentina, and Birch Tree, as well as emerging and challenger names such as Blue Bay, Fresca, Swift, Wow, Lucky Seven, Angel, Kaffe de Oro, Coco Mama, Aquacoco, Home Pride unMEAT, Choco Hero, and Goodest. CNPF exports its branded products overseas, particularly where there are huge Filipino communities such as the United States and the Middle East. The Company is also one of the Philippines’ largest exporters of original equipment manufacturer (OEM) tuna and coconut products.

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

In October 2013, the Po Family reorganized the Century Pacific Group to maximize business synergies and shareholder value. It incorporated CNPF, carving out the branded canned seafood, meat, dairy, mixes,

and OEM tuna export businesses, folding them into CNPF. On January 1, 2014, CNPF commenced business operations under the new corporate set-up.

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

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

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

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

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

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

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

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

In 2019, CNPF launched its own branded coconut cream under the *Coco Mama* brand, leveraging on the existing capabilities of its coconut OEM export business to further capitalize on the domestic market.

In 2020, the Company entered the meat-free market with the launch of the 'unMeat' brand - the first vegan meat alternative brand in the Philippines. The brand is rolled out in the retail and institutional markets in the Philippines and in international locations such as the USA, Singapore, China and the Middle East.

In 2021, CNPF acquired Pacific Meat Company Inc (PMCI), an emerging player in the refrigerated food category. PMCI, a fellow subsidiary of CNPF's parent company, came equipped with its own manufacturing facilities, cold chain distribution, and a robust innovation pipeline of refrigerated better-for-you products.

The Company entered new and adjacent categories in 2021, including the chocomalt powdered milk segment, by launching a new brand under the dairy segment called 'Choco Hero'. CNPF also ventured into the emerging pet food category, launching its own brand, 'Goodest'.

At the end of 2021, CNPF announced the acquisition of ‘Ligo’, a legacy brand known for its range of high-quality sardines and other marine products. Under the deal, CNPF will purchase assets and intellectual property related to the manufacturing of ‘Ligo’s’ product lineup, which is composed of shelf-stable marine products. The deal is expected to close in 2022.

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

- CNPF’s consolidated net income after tax for the three months ended March 31, 2022, totaled P1.41 billion, representing a 10% growth versus the net income after tax of P1.28 billion reported during the first three months of 2021.
- Consolidated net revenue for the three months ended March 31, 2022, grew by 10% to P14.7 billion. In particular, the Branded business, which accounts for majority of total revenues, outperformed as demand for affordable and shelf-stable consumer goods remained resilient for the quarter.
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- CNPF’s Tuna and Coconut OEM Exports business contracted by 13% year-on-year due to soaring fuel prices from Asia to the West and a comparatively high base from the same period in 2021.
- In terms of profitability, as expected, CNPF saw gross margins contract by 30bps to 25.9% due to the global rise in commodity prices. Nonetheless, operating expenses as a percentage of sales declined by 90bps, trickling down to an EBITDA margin improvement of 70bps, from 13.8% in 1Q21 to 14.5% in 1Q22.
- All-in-all, considering the sustained tax rates from the implementation of the Corporate Recovery and Tax Incentives for Enterprises law, net income increased by 10%, with net profit margin retained at 9.6%.

### ***Financial Condition***

The Company’s financial stability and financial position as of March 31, 2022, is as follows:

- Cash and cash equivalents reached P3.3 billion as of March 31, 2022. Operating activities registered a P2.0 billion total inflow, primarily driven by improvements in profitability and working capital level. Net cash used in investing activities amounted to P252 million, while net cash used in financing activities was P131 million.
- Current ratio stood at 2.14 times as of end March 2022, comparing to end-2021’s ratio of 2.15 times. The cash conversion cycle was shortened to 90 days from 96 days as of end-December

2021. As of end March 2022, accounts receivable and inventory days stood at 58 and 117 respectively, while accounts payable came in at 85 days. Net working capital to total assets ratio is measured at 0.29 times, stable versus end-2021's level of 0.32 times.

- Property, plant and equipment - net registered at P8.5 billion as of end March 2022. Capital expenditures for the first three months of the year totaled P254 million, consisting of the installation of new equipment and machinery at the different manufacturing facilities of the Company.
- As of end March 2022, the Company's total interest-bearing debt amounted to P4.8 billion, P2.8 billion of which are due in the next 12 months.
- Total stockholders' equity grew by P1.4 billion from P24.9 billion as of end December 2021 to P26.3 billion as of end March 2022, representing mainly the net income earned during the three-month period ending March 31, 2022.
- Gearing ratio, measured as total interest-bearing debt over total equity, stood at 0.18 times as of end March 2022, slightly lower compared to 0.19 times as of end December 2021. Net of cash available, net gearing is 0.05 times as of end March 2022 – lower than end-2021's 0.12 times.

#### Key Performance Indicators (KPIs)

	<b>Unaudited Three Months Ended March 31, 2022</b>	<b>Unaudited Three Months Ended March 31, 2021</b>
Gross Profit Margin	26%	26%
Before Tax Return on Sales	12%	11%
Return on Sales	10%	10%
Interest-Bearing Debt-to-Equity	0.18X	0.15X
Current Ratio	2.14X	1.76X

#### **Notes:**

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

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

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

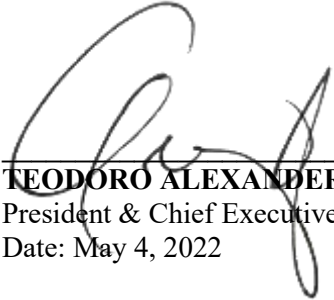
4 *Interest-Bearing Debt-to-Equity = Loans Payable / Total Stockholders' Equity*

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

## SIGNATURES

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

### CENTURY PACIFIC FOOD, INC.



**TEODORO ALEXANDER T. PO**  
President & Chief Executive Officer  
Date: May 4, 2022



**RICHARD KRISTOFFER S. MANAPAT**  
Vice President & Chief Finance Officer  
Date: May 4, 2022

**CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES**

(A Subsidiary of Century Pacific Group Inc)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

(Amounts in Philippine Peso)

	<b>Unaudited March 31, 2022</b>	<b>Audited December 31, 2021</b>
<b><u>Assets</u></b>		
Current Assets		
Cash and cash equivalents	3,369,252,251	1,728,308,358
Trade and Other Receivables - net	8,962,609,096	7,905,701,602
Inventories - net	13,797,311,189	14,112,400,431
Biological Assets	4,022,418	-
Due from Related Parties	109,464,531	119,485,746
Prepayments and other current assets	2,841,628,915	2,619,774,907
Total Current Assets	29,084,288,401	26,485,671,044
Property, plant & equipment - net	8,549,292,723	8,574,285,847
Right of use asset - net	1,320,611,579	1,298,679,221
Intangible Assets	3,844,646,298	3,850,025,258
Deferred Tax assets	540,950,655	540,950,655
Other non-current assets	171,424,742	130,020,844
Total Non-current Assets	14,426,925,998	14,393,961,825
<b>Total Assets</b>	<b>43,511,214,399</b>	<b>40,879,632,869</b>
<b><u>Liabilities &amp; Stockholders' Equity</u></b>		
Liabilities		
Current Liabilities		
Trade and Other Payables	10,011,589,967	9,104,641,236
Due to Related Parties	75,280,169	84,941,137
Income Tax Payable	396,802,041	89,626,028
Finance Lease obligation - current	272,117,348	247,628,625
Notes Payable	2,809,764,285	2,809,764,285
Total Current Liabilities	13,565,553,809	12,336,601,311
Long Term Loan	1,982,127,068	1,982,127,068
Retirement Benefit Payable	501,215,295	508,776,526
Finance Lease obligation - non-current	1,165,046,882	1,164,210,050
Total Non Current Liabilities	3,648,389,246	3,655,113,644
Total Liabilities	17,213,943,055	15,991,714,955
Stockholders' Equity		
Share Capital	3,542,258,595	3,542,258,595
Share Premium	4,936,859,146	4,936,859,146
Currency translation adjustments	23,147,268	23,886,813
Retained Earnings	17,756,165,994	16,346,073,020
Share-based compensation reserve	8,211,398	8,211,398
Appraisal Increment / Other Reserves	30,628,942	30,628,942
Total Stockholders' Equity	26,297,271,344	24,887,917,914
<b>Total Liabilities &amp; Stockholders' Equity</b>	<b>43,511,214,399</b>	<b>40,879,632,869</b>

**CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES**

(A Subsidiary of Century Pacific Group Inc)

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

(Amounts in Philippine Peso)

	<b>Unaudited</b> <b>For the Three Months Ended</b> <b>March 31, 2022</b>	<b>Unaudited</b> <b>For the Three Months Ended</b> <b>March 31, 2021</b>
Net Revenue	14,732,952,197	13,386,981,201
Cost of Good Sold	10,914,385,744	9,872,664,727
<b>Gross Profit</b>	<b>3,818,566,454</b>	<b>3,514,316,474</b>
Other Income (Expense)	70,151,942	80,527,202
Operating Expenses	2,121,345,127	2,047,129,937
Operating Income	1,767,373,268	1,547,713,739
Financing Cost	49,531,294	50,121,056
Net Profit before tax	1,717,841,975	1,497,592,684
Income Tax Expense (Benefit)	307,749,001	215,048,414
Net Profit after Tax	1,410,092,974	1,282,544,270
Other Comprehensive Income	(739,546)	(25,582,849)
Currency translation adjustments	(739,546)	(9,634)
Effect of remeasurement of retirement benefit obligations, net of tax	-	(25,573,215)
<b>Total Comprehensive Income</b>	<b>1,409,353,427</b>	<b>1,256,961,420</b>
<b>Basic and Diluted Earnings Per Share</b>	<b>0.40</b>	<b>0.36</b>



**CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES**

(A Subsidiary of Century Pacific Group Inc)

**CONSOLIDATED CHANGES IN EQUITY**

(Amounts in Philippine Peso)

	Capital Stock	Additional Paid-in Capital	Deposit on Future Subs	Revaluation Reserves			Unappropriated Retained Earnings	Appropriated Retained Earnings	Total
				Shared Based	Reserves	Foreign Currency Translation Gain			
Balance at January 1, 2022									
As previously reported	3,542,258,595	4,936,859,146	-	8,211,398	30,628,942	23,886,814	13,314,473,314	3,031,599,707	24,887,917,916
As stated	3,542,258,595	4,936,859,146	-	8,211,398	30,628,942	23,886,814	13,314,473,314	3,031,599,707	24,887,917,916
Total comprehensive income									
Net profit for the year							1,410,092,974		1,410,092,974
Foreign currency translation gain						(739,546)			(739,546)
Total other comprehensive income	-	-	-	-	-	(739,546)	1,410,092,974	-	1,409,353,427
<b>Balance as of March 31, 2022</b>	<b>3,542,258,595</b>	<b>4,936,859,146</b>	<b>-</b>	<b>8,211,398</b>	<b>30,628,942</b>	<b>23,147,268</b>	<b>14,724,566,287</b>	<b>3,031,599,707</b>	<b>26,297,271,344</b>
Balance at January 1, 2021									
As previously reported	3,542,258,595	4,936,859,146	-	8,211,398	30,628,942	23,818,317	9,282,282,908	3,612,151,286	21,436,210,593
Reversal of Appropriation							400,000,000	(400,000,000)	-
As stated	3,542,258,595	4,936,859,146	-	8,211,398	30,628,942	23,818,317	9,682,282,908	3,212,151,286	21,436,210,593
Total comprehensive income									
Net profit for the year							1,282,544,270		1,282,544,270
Foreign currency translation gain						(9,634)			(9,634)
Actuarial loss on post-employment benefit							(25,573,215)		(25,573,215)
Total other comprehensive income	-	-	-	-	-	(9,634)	1,256,971,055	-	1,256,961,420
<b>Balance as of March 31, 2021</b>	<b>3,542,258,595</b>	<b>4,936,859,146</b>	<b>-</b>	<b>8,211,398</b>	<b>30,628,942</b>	<b>23,808,683</b>	<b>10,939,253,963</b>	<b>3,212,151,286</b>	<b>22,693,172,013</b>

**CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES**

(A Subsidiary of Century Pacific Group Inc)

**CONSOLIDATED STATEMENT OF CASH FLOWS**

(Amounts in Philippine Peso)

	<b>Unaudited</b>	<b>Unaudited</b>
	<b>For the Three Months Ended</b>	<b>For the Three Months Ended</b>
	<b>March 31, 2022</b>	<b>March 31, 2021</b>
<b>Cash Flows from Operating Activities</b>		
Profit before tax	1,717,841,975	1,497,592,684
Adjustments for :		
Depreciation and amortization	367,843,262	301,391,048
Adjustments on Retirement Benefit Obligation	-	(25,573,215)
Adjustments on Foreign Currency Translation	(739,546)	(9,634)
Finance Costs	49,531,294	50,121,056
Operating cash flows before working capital changes	2,134,476,984	1,823,521,937
Decrease (increase) in trade and other receivables	(1,056,907,493)	(804,882,022)
Decrease (increase) in inventory	311,066,824	(379,285,313)
Decrease (increase) in related party	360,247	(47,700,315)
Decrease (increase) in prepayments and other current assets	(221,854,008)	(79,110,430)
Decrease (increase) in deferred tax asset	-	119,298,143
Decrease (increase) in non current assets	(41,403,898)	(90,782,237)
Increase (decrease) in trade and other payables	906,948,731	1,134,181,117
Increase (decrease) in income tax payables	307,176,013	131,104,188
Increase (decrease) in retirement payable	(7,561,231)	(39,752,168)
Cash generated from operations	2,332,302,168	1,766,592,900
Income taxes paid	(307,749,001)	(215,048,414)
Net Cash From Operating Activities	2,024,553,167	1,551,544,486
<b>Cash Flows from Investing activities</b>		
Acquisition of property and equipment	(254,309,143)	(445,478,603)
Disposal of property and equipment	2,158,774	2,709,052
Net Cash From (Used in) Investing Activities	(252,150,368)	(442,769,552)
<b>Cash Flows from Financing Activities</b>		
Proceeds (Repayment) of interest - bearing loans	-	(150,000,000)
Increase (decrease) in finance lease liability	(81,927,612)	(60,929,214)
Interest paid	(49,531,294)	(50,121,056)
Net Cash From (Used in) Financing Activities	(131,458,906)	(261,050,270)
<b>Net Increase in cash and Cash Equivalents</b>	<b>1,640,943,892</b>	<b>847,724,665</b>
<b>Cash and Cash Equivalents at Beginning of Period</b>	<b>1,728,308,358</b>	<b>1,229,381,273</b>
<b>Cash and Cash Equivalents at End of Period</b>	<b>3,369,252,251</b>	<b>2,077,105,938</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. CORPORATE INFORMATION

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

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

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

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

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

#### Statement of Compliance

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

#### Basis of Preparation and Presentation

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

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

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

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

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

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

#### Functional currency

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

#### Presentation currency

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

- assets and liabilities, except those assets presented at historical costs, for each statement of financial position presented, are presented at the closing rate at the date of that statement of

financial position;

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

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

## Subsidiaries

Details of the Company's subsidiaries as of March 31, 2021, are as follows:

<b>Subsidiary</b>	<b>Business</b>	<b>% Ownership</b>	<b>Country of Residence</b>
Snow Mountain Dairy Corporation (SMDC)	Producing, canning, freezing, preserving, refining, packing, buying and selling wholesale and retail, food products including all kinds of milk and dairy products, fruits and vegetable juices and other milk or dairy preparation and by-products.	100	Philippines
General Tuna Corporation (GTC)	Manufacturing and exporting of OEM canned, pouched and frozen tuna products.	100	Philippines
Allforward Warehousing Inc. (AWI)	Operating warehouse facilities	100	Philippines
Century Pacific Agricultural Ventures, Inc. (CPAVI)	Manufacturing high value organic-certified and conventional coconut products for both export and domestic markets.	100	Philippines
Century Pacific Seacrest Inc. (CPSI)	Developing, maintaining, licensing and administering marks and all kinds of intellectual property	100	Philippines
Centennial Global Corporation (CGC)	Trademark holding company	100	BVI

Century Pacific Food Packaging Ventures, Inc. (CPFPVI)	Manufacturing tin cans and other packaging materials	100	Philippines
General Odyssey Inc (GOI)	Manufacturing and distribution of feeds	100	Philippines
Millenium General Power Corporation	Development and utilization of renewable energy sources	100	Philippines
The Pacific Meat Co. Inc	Manufacturing and distribution of frozen food products	100	Philippines
Century International (China) Company Limited (CIC)	Marketing and distribution of canned food products	100	China
Century (Shanghai) Trading Company Limited (CST)	Marketing and distribution of canned food products	100	China
Cindena Resources Limited (CRL)	Trademark holding company	100	BVI
Century Pacific North America Enterprise Inc. (CPNA)	Marketing and distribution of various food products	100	USA

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

### **CNPF**

The significant stand-alone information on the financial statements of CNPF as at March 31, 2022 and December 31, 2021 are as follows:

	As of March 31, 2022	As of December 31, 2021
Financial position:		
Current assets	24,083,907,996	21,544,300,408
Non-current assets	12,378,902,630	12,346,345,118
Total assets	36,462,810,627	33,890,645,526
Current liabilities	13,473,322,316	11,737,346,747
Non-current liabilities	3,555,671,474	3,562,739,008
Total liabilities	17,028,993,790	15,300,085,755
Equity	19,433,816,836	18,590,559,771

## SMDC

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

The significant information on the financial statements of SMDC as at March 31, 2022, and December 31, 2021 are as follows:

	As of March 31, 2022	As of December 31, 2021
Financial position:		
Current assets	514,690,849	530,176,493
Non-current assets	581,909,228	600,909,153
Total assets	1,096,600,077	1,131,085,646
Current liabilities	157,133,659	172,608,389
Non-current liabilities	40,260,945	40,260,945
Total liabilities	197,394,604	212,869,334
Equity	899,205,473	918,216,312

## GTC

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

The significant information on the financial statements of GTC as at March 31, 2022, and December 31, 2021 are as follows:

	As of March 31, 2022	As of December 31, 2021
Financial position:		
Current assets	4,108,359,224	3,626,901,057
Non-current assets	1,373,473,780	1,390,908,961
Total assets	5,481,833,004	5,017,810,018
Current liabilities	2,740,475,237	2,310,957,779
Non-current liabilities	63,942,188	63,863,645
Total liabilities	2,804,417,425	2,374,821,424
Equity	2,677,415,578	2,642,988,594

## **AWI**

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

The significant information on the financial statements of AWI as at March 31, 2022 and December 31, 2021, are as follows:

	As of March 31, 2022	As of December 31, 2021
Financial position:		
Current assets	238,009,231	185,009,310
Non-current assets	571,274,383	581,566,308
Total assets	809,283,614	766,575,618
Current liabilities	93,859,551	77,960,874
Non-current liabilities	16,906,094	16,906,094
Total liabilities	110,765,644	94,866,968
Equity	698,517,970	671,708,650

## **CPAVI**

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

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

The significant information on the financial statements of CPAVI as at March 31, 2022, and December 31, 2021, are as follows:



	As of March 31, 2022	As of December 31, 2021
Financial position:		
Current assets	2,095,155,457	1,957,098,530
Non-current assets	2,763,897,082	2,739,871,740
Total assets	4,859,052,539	4,696,970,270
Current liabilities	1,401,025,805	1,394,056,640
Non-current liabilities	30,441,957	30,441,957
Total liabilities	1,431,467,762	1,424,498,597
Equity	3,427,584,777	3,272,471,673

### CPSI

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

The significant information on the financial statements of CPSI as at March 31, 2022, and December 31, 2021, are as follows:

	As of March 31, 2022	As of December 31, 2021
Financial position:		
Current assets	511,248,404	367,337,710
Non-current assets	116,774,788	116,774,788
Total assets	628,023,192	484,112,498
Current liabilities	391,633,538	402,001,638
Non-current liabilities	-	-
Total liabilities	391,633,538	402,001,638
Equity	236,389,654	82,110,860

### CGC

CGC was incorporated in the British Virgin Islands (BVI) on November 13, 2006. CGC is a company limited by shares. On February 25, 2015, the Parent Company acquired 100% interest in CGC for \$100 or P4,438 from Shining Ray Limited, a wholly owned subsidiary of CPGI. CGC is the corporate vehicle that

holds the various brands, trademarks, and related intellectual property of the Century Group of Companies. On December 28, 2015, CGC sold certain trademarks to CPSI for a total consideration of P50,000,000. CGC's registered office is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands and its registered agent is Offshore Incorporations Limited.

The significant information on the financial statements of CGC as at March 31, 2022, and December 31, 2021, are as follows:

	As of March 31, 2022	As of December 31, 2021
Financial position:		
Total assets	50,004,439	50,004,439
Equity	50,004,439	50,004,439

### **CPFPVI**

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

The significant information on the financial statements of CPFPVI as at March 31, 2022, and March 31, 2021, are as follows:

	As of March 31, 2022	As of December 31, 2021
Financial position:		
Current assets	1,748,448,689	1,638,019,396
Non-current assets	925,415,306	936,534,919
Total assets	2,673,863,994	2,574,554,315
Current liabilities	1,354,628,651	1,532,763,298
Total liabilities	1,354,628,651	1,532,763,298
Equity	1,319,235,344	1,041,791,016

### **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 and for such purpose to acquire, construct, own, lease, charter, establish, maintain and operate stores, outlets, canneries, factories, plants, vessels, cold storage, refrigerators, refrigerated vehicles and vessels, warehouses, and other machineries, equipment's, apparatus and appliances as may be required. Its principal place of business is located at Centerpoint Building, J. Vargas Avenue corner Garnet Road, Ortigas Center, Pasig City, Philippines.

The significant information on the financial statements of GOI as at March 31, 2022, and December 31, 2021, are as follows:

	As of March 31, 2022	As of December 31, 2021
Financial position:		
Current assets	32,724,666	29,154,231
Non-current assets	2,005,047	1,950,832
Total assets	34,729,713	31,105,063
Current liabilities	59,576,823	47,402,974
Total liabilities	59,576,823	47,402,974
Equity	(24,847,110)	(16,297,912)

### **MGPC**

MGPC formerly Century Pacific Solar Inc was incorporated in the Philippines and was registered with SEC on August 10, 2020. MGPC is engaged in the business of exploration, development, and utilization of renewable energy sources, including the generation and distribution of power therefrom, planning, construction and installation, commissioning, owning, management and operation of relevant facilities and infrastructure thereof and processing and commercialization of by-products in its operations and to undertake such other powers and purposes as may be required. Its principal place of business is located at Purok Lansong Bgy Tumbler General Santos City.

The significant information on the financial statements of MGPC as at March 31, 2022, and December 31, 2021, are as follows:

	As of March 31, 2022	As of December 31, 2021
Financial position:		
Current assets	108,220,105	113,832,041
Non-current assets	152,772,893	154,665,006
Total assets	260,992,997	268,497,047
Current liabilities	262,828,056	267,039,485
Total liabilities	262,828,056	267,039,485
Equity	(1,835,059)	1,457,562

## PMCI

PMCI was incorporated in the Philippines and registered with the SEC 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.

On March 24, 2021 the Parent Company entered into a share purchase agreement with CPGI to acquire 100% equity interest in PMCI for a total purchase price of P24,000,000. The agreement also provided for the Parent Company to advance to PMCI a total amount of P900,556,120 for the latter to settle its advances to CPGI. The sale was completed when CPGI and the Parent Company signed the deed of absolute sale covering the PMCI shares on April 1, 2021.

PMCI's registered address and principal place of business is at Block 7, Lot 7 LIIP Avenue, Barangay Mamplasan, Binan Laguna Philippines.

The significant information on the financial statements of MGPC as at March 31, 2022, and December 31, 2021, are as follows:

	As of March 31, 2022	As of December 31, 2021
Financial position:		
Current assets	928,302,988	957,393,408
Non-current assets	529,372,981	535,217,449
Total assets	1,457,675,969	1,492,610,857
Current liabilities	1,487,035,535	1,495,894,084
Non-current liabilities	645,784	381,192
Total liabilities	1,487,681,319	1,496,275,276
Equity	(30,005,350)	(3,664,419)

## CIC

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

The significant information on the financial statements of CIC as at March 31, 2022, and December 31, 2021, are as follows:

	As of March 31, 2022	As of December 31, 2021
Financial position:		
Current assets	56,735,818	101,356,501
Non-current assets	847,198	932,936
Total assets	57,583,015	102,289,438
Current liabilities	156,794,803	189,495,060
Total liabilities	156,794,803	189,495,060
Equity	(99,211,788)	(87,205,622)

### CST

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

The significant information on the financial statements of CST as at March 31, 2022, and December 31, 2021 are as follows:

	As of March 31, 2022	As of December 31, 2021
Financial position:		
Current assets	32,633,860	32,795,077
Total assets	32,633,860	32,795,077
Total liabilities	348,428	674,376
Equity	32,285,432	32,120,701

### CRL

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

The significant information on the financial statements of CRL as at March 31, 2022, and December 31, 2021, are as follows:

	As of March 31, 2022	As of December 31, 2021
Non-current assets	100	100
Total assets	100	100
Equity	100	100

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

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

### CPNA

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

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

The significant information on the financial statements of CPNA as at March 31, 2022, and December 31, 2021, are as follows:

	As of March 31, 2022	As of December 31, 2021
Financial position:		
Current assets	441,542,336	442,102,090
Non-current assets	5,176,717	5,522,687
Total assets	446,719,052	447,624,776
Current liabilities	398,181,894	382,090,605
Total liabilities	398,181,894	382,090,605
Equity	48,537,159	65,534,171

## ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

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*



## **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**

### Equity-settled share-based payments

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

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

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 *provisions*.

### **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.

#### Sale of goods

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

For sales of goods to the wholesale market and retailers, revenue is recognized when control of the goods has transferred, being when the goods have been delivered to the wholesalers' and retailers' specific location. Following delivery, the wholesaler and retailer has full discretion over the manner of distribution

and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognized by the Group when the goods are delivered to the wholesaler and retailer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

#### *Transaction price*

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

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

#### *Variable consideration*

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

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

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

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

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

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

- The contract has a large number and broad range of possible consideration amounts.

#### Service income

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

#### Other income

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

### **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**

### Foreign currency transactions

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

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

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

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as adjustments to interest costs on those foreign currency borrowings.

- Exchange differences on transactions entered into in order to hedge certain foreign currency risks.
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

### Foreign operations

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

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

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

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

### Translation to foreign currency

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

### **Related Party Transactions**

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

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 CPFVVI 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.

## **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.

#### Acquisition of investments qualified as a business combination

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

#### Determination of functional and presentation currency

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

The Philippine Peso is the currency of the primary economic environment in which the Group operates. It

is the currency of that mainly influences the Group in determining the costs and the selling price of its inventories. It is the currency in which the Group measures its performance and reports its results.

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

#### 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.

### **3. SEGMENT INFORMATION**

For Management purposes, the Group is organized into two major business segments: branded and non-branded. These segments are the basis on which the Group reports its primary segment information to the CODM for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2.

#### 4. CASH AND CASH EQUIVALENTS

	Amount in Php	
	As of March 31, 2022	As of December 31, 2021
Cash on hand	2,614,473	239,772,151
Cash in bank	1,624,051,521	1,161,654,396
Cash equivalents	1,742,586,257	326,881,811
	3,369,252,251	1,728,308,358

Cash on hand includes petty cash fund.

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

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

#### 5. TRADE AND OTHER RECEIVABLES

The Group's trade and other receivables consist of:

	Amount in Php	
	As of March 31, 2022	As of December 31, 2021
Trade receivables from third parties	8,332,447,434	7,376,001,134
Advances to officers & employees	53,262,970	50,926,519
Other receivables	607,114,513	505,922,477
	8,992,824,917	7,932,850,131
Less : Allowance for doubtful accounts	30,215,821	27,148,528
	8,962,609,096	7,905,701,602

Trade receivables represent short-term, non-interest bearing receivables from various customers and

generally have 60 day terms or less.

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

## 6. INVENTORIES – net

Details of the Group's inventories are as follows:

	Amount in Php	
	As of March 31, 2022	As of December 31, 2021
Finished goods	6,653,177,116	6,312,035,712
Raw and packaging materials	6,394,969,077	7,325,777,774
Work in process	511,678,045	183,294,145
Spare parts and supplies	650,823,207	669,289,840
	14,210,647,445	14,490,397,470
Allowance for inventory obsolescence	(413,336,255)	(377,997,039)
	13,797,311,189	14,112,400,431

No inventories are pledged as security for any liability as of March 31, 2022.

## 7. PREPAYMENTS AND OTHER CURRENT ASSETS

The account consists of:

	Amount in Php	
	As of March 31, 2022	As of December 31, 2021
Advances to suppliers	1,935,452,041	1,903,333,201
Tax credits	393,133,312	257,067,967
Input value added tax (VAT) - net	270,633,411	384,290,330
Prepaid insurance	11,724,269	10,670,666
Prepaid rent	9,173,979	6,451,772
Other prepayments	221,511,902	57,960,971
	2,841,628,915	2,619,774,907

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



## 8. PROPERTY, PLANT AND EQUIPMENT – net

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

	Land and Land Improvements	Building and building Improvements	Plant Machinery and Equipment	Transportation and Delivery Equipment	Office Furniture, Fixtures and Equipment	EDP Equipments	Laboratory, Tools and Equipment	Construction in Progress	Total
<b>Cost</b>									
January 1, 2022	58,146,005	3,784,029,664	8,799,224,868	177,602,458	96,843,489	276,354,982	434,443,198	702,406,685	14,329,051,347
Acquisition	-	99,045,166	363,464,842	4,606,948	1,822,024	6,550,974	22,613,629	(240,708,306)	257,395,278
Reclassification	-	(2,613,986)	3,939,421	925,755	-	(12,500)	(426,786)	(898,649)	913,255
Disposal	-	(553,571)	(2,200,879)	(3,768,913)	-	(973,567)	(2,338,315)	2,993,494	(6,841,750)
	58,146,005	3,879,907,272	9,164,428,253	179,366,248	98,665,512	281,919,889	454,291,726	463,793,224	14,580,518,130
<b>Accumulated Depreciation</b>									
January 1, 2022 AD	52,210,473	1,175,547,391	3,788,974,434	112,658,217	74,933,240	210,420,721	340,021,025	-	5,754,765,500
Depreciation and amortization	584,450	55,136,135	195,165,451	5,381,686	2,837,103	6,181,508	11,857,159	-	277,143,493
Reclassification	-	(46,098)	761,196	3,282,584	(136,089)	135,679	2,118	-	3,999,390
Disposal	-	-	(1,793,510)	(1,990,237)	-	(818,724)	(80,505)	-	(4,682,976)
	52,794,923	1,230,637,428	3,983,107,571	119,332,250	77,634,253	215,919,184	351,799,798	-	6,031,225,407
<b>Carrying Value</b>									
As of March 31, 2022	5,351,082	2,649,269,845	5,181,320,682	60,033,998	21,031,259	66,000,704	102,491,929	463,793,224	8,549,292,723
<b>Cost</b>									
January 1, 2021	58,146,005	3,296,881,958	7,065,207,714	130,685,220	79,603,973	247,862,471	315,369,419	462,700,180	11,656,456,940
Acquisition	-	15,707,741	557,724,161	31,384,209	7,627,308	22,893,759	31,745,352	1,449,739,349	2,116,821,880
PMCI Acquisition Cost	-	117,761,245	386,484,507	23,174,495	2,465,190	5,301,030	85,251,366	1,407,955	621,845,789
Reclassification	-	387,279,600	846,919,816	80,977	7,858,967	2,741,438	9,828,397	(1,254,709,196)	(0)
Disposal	-	(33,600,881)	(57,111,331)	(7,722,443)	(711,950)	(2,443,716)	(7,751,337)	43,268,396	(66,073,261)
	58,146,005	3,784,029,664	8,799,224,868	177,602,458	96,843,489	276,354,982	434,443,198	702,406,685	14,329,051,347
<b>Accumulated Depreciation</b>									
January 1, 2021 AD	50,212,767	901,518,640	2,856,872,408	88,105,788	61,932,683	185,142,774	221,914,987	-	4,365,700,047
Depreciation and amortization	1,997,706	196,519,391	714,357,336	20,738,482	11,381,748	23,455,759	46,398,099	-	1,014,848,522
PMCI Acquisition Accumulated	-	74,101,994	265,973,954	11,198,723	2,280,319	3,754,150	78,814,594	-	436,123,734
Reclassification	-	16,781,394	(17,001,257)	-	-	-	219,863	-	0
Disposal	-	(13,374,028)	(31,228,007)	(7,384,777)	(661,511)	(1,931,962)	(7,326,518)	-	(61,906,803)
	52,210,473	1,175,547,391	3,788,974,434	112,658,217	74,933,240	210,420,721	340,021,025	-	5,754,765,500
<b>Carrying Value</b>									
As of December 31, 2021	5,935,532	2,608,482,273	5,010,250,434	64,944,241	21,910,249	65,934,261	94,422,172	702,406,685	8,574,285,847

## 9. OTHER NON-CURRENT ASSETS

Details of the Group's other non-current assets as of March 31, 2022, and December 31, 2021, are as follows:

	Amount in Php	Amount in Php
	As of March 31, 2022	As of December 31, 2021
Deferred Charges	39,293,556	629,143
Security deposits	99,405,494	97,039,129
Returnable containers	32,725,692	32,352,573
	171,424,742	130,020,844

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

## 10. LOANS PAYABLE

Details of the Group's loans payable as of March 31, 2022, and December 31, 2021, are as follows:

	Amount in Php	Amount in Php
	As of March 31, 2022	As of December 31, 2021
Short term loans payable	2,809,764,285	2,809,764,285
Long term loans payable	1,982,127,068	1,982,127,068
	4,791,891,353	4,791,891,353

## 11. TRADE AND OTHER PAYABLES

The Group's trade and other payables consist of:

	Amount in Php	
	As of March 31, 2022	As of December 31, 2021
Trade payables	2,931,615,851	3,934,653,873
Accrued Payable	6,611,420,620	4,674,999,725
Non trade payables	167,278,221	240,154,473
Vat Output payable - net	143,065,355	51,732,388
Withholding taxes payable	123,632,727	202,318,588
Other current payables	34,577,192	782,188
	10,011,589,967	9,104,641,236

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

No interest is charged on trade and non-trade payables. Accrued expenses are non-interest bearing and are normally settled within one year. The Group has financial risk management policies in place to ensure that all payables are paid within the credit period.

## 12. RELATED PARTY TRANSACTIONS

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

The outstanding balances as of March 31, 2022, and December 31, 2021, are presented as follows:

Related Party Category	Amount of Transactions during the year		Outstanding Receivable/Payable		Terms and Condition
	2022	2021	2022	2021	
<b>Ultimate Parent Company</b>					
Interest	-	1,250,000	-	-	On demand; non interest bearing; unsecured
Service fee	-	160,416	-	47,379	On demand; non interest bearing; unsecured
Cost reimbursement	15,719	18,015,364	53,835	(19,816,900)	On demand; non interest bearing; unsecured
Rental expense	17,179,781	68,954,185	(37,147,208)	(23,161,004)	On demand; non interest bearing; unsecured
Dividends	-	803,304,000	-	-	On demand; non interest bearing; unsecured
Miscellaneous Deposit	-	-	18,324,508	18,324,508	On demand; non interest bearing; unsecured
Cash Advance	-	300,000,000	-	-	On demand; non interest bearing; unsecured
<b>Fellow Subsidiaries</b>					
Shared services fee	-	4,119,686	-	-	On demand; non interest bearing; unsecured
Sale of inventories	47,464,624	245,506,197	90,237,038	93,977,223	On demand; non interest bearing; unsecured
Purchase of inventories	1,775,012	32,623,226	(38,132,961)	(20,060,772)	On demand; non interest bearing; unsecured
Service fee	1,349,378	14,667,478	-	6,287,486	On demand; non interest bearing; unsecured
Cost reimbursements	15,650,471	67,850,087	-	(21,612,599)	On demand; non interest bearing; unsecured
Rental expense	847,727	3,250,787	-	(289,862)	On demand; non interest bearing; unsecured
Miscellaneous Deposit	-	-	849,150	849,150	On demand; non interest bearing; unsecured
Sale of Fixed Assets	-	5,255,487	-	-	On demand; non interest bearing; unsecured
<b>Due from Related Parties</b>			<b>109,464,531</b>	<b>119,485,746</b>	
<b>Due to Related Parties</b>			<b>(75,280,169)</b>	<b>(84,941,137)</b>	

## 13. SHARE CAPITAL

	Amount in Php	Amount in Php
	As of March 31, 2022	As of December 31, 2021
Authorized Capital :		
6,000,000,000 ordinary shares at P1 par v	6,000,000,000	6,000,000,000
Issued and subscribed	3,542,258,595	3,542,258,595

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

## 14. EARNINGS PER SHARE

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

	Amount in Php
	For the Period Ended March 31, 2022
Income for the Period	1,410,092,974
Weighted Average Number of Shares	3,542,258,595
Basic and Diluted Earnings Per Share	0.40

As of March 31, 2022, the Company has no potential dilutive shares. Accordingly, the basic earnings per share of P0.40 is the same as the diluted earnings per share.

## 15. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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

	As of March 31, 2022		As of December 31, 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
Cash and cash equivalents	3,369,252,251	3,369,252,251	1,728,308,358	1,728,308,358
Trade and Other Receivables - net	8,962,609,096	8,962,609,096	7,905,701,602	7,905,701,602
Due from Related Parties	109,464,531	109,464,531	119,485,746	119,485,746
Security deposits	99,405,494	99,405,494	97,039,129	97,039,129
	12,540,731,372	12,540,731,372	9,850,534,835	9,850,534,835
<b>Financial Liabilities</b>				
Notes Payable	2,809,764,285	2,809,764,285	2,809,764,285	2,809,764,285
Trade and Other Payables	10,011,589,967	10,011,589,967	9,104,641,236	9,104,641,236
Due to Related Parties	75,280,169	75,280,169	84,941,137	84,941,137
	12,896,634,420	12,896,634,420	11,999,346,657	11,999,346,657

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

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

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

## Financial Risk Management

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

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

### *Market risk*

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

### *Interest rate risk*

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

### *Credit Risk*

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

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

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

	Amount in Php	
	As of March 31, 2022	As of December 31, 2021
Cash and cash equivalents	3,369,252,251	1,728,308,358
Trade and Other Receivables - net	8,962,609,096	7,905,701,602
Due from Related Parties	109,464,531	119,485,746
Security deposits	99,405,494	97,039,129
	12,540,731,372	9,850,534,835

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

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

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

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

The aging analysis of the Group's financial assets that are not impaired as of March 31, 2022, is as follows:

	As of March 31, 2022				
	Past Due Accounts but Not Impaired				
	0 to 60 Days Past Due	61 to 90 Days Past Due	91 to 120 Days Past Due	Over 120 Days Past Due	Total
Cash and cash equivalents	3,369,252,251	-	-	-	3,369,252,251
Trade and Other Receivables - net	8,962,609,096	-	-	-	8,962,609,096
Due from Related Parties	109,464,531	-	-	-	109,464,531
Security deposits	-	-	-	99,405,494	99,405,494
	12,441,325,878	-	-	99,405,494	12,540,731,372

The aging analysis of the Group's individual receivables as of March 31, 2022, and December 31, 2021, is as follows:

	Amount in Php	
	As of March 31, 2022	As of December 31, 2021
	60 to 90 days	8,962,609,096
	8,962,609,096	7,905,701,602

### *Liquidity Risk*

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

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

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

	Amount in Php		
	Within One Year	More than One Year	Total
<b>As of March 31, 2022</b>			
Loans payable	2,809,764,285		2,809,764,285
Trade and other payables	10,011,589,967		10,011,589,967
Due to related parties	75,280,169		75,280,169
	12,896,634,420	-	12,896,634,420
<b>As of December 31, 2021</b>			
Loans payable	2,809,764,285		2,809,764,285
Trade and other payables	9,104,641,236		9,104,641,236
Due to related parties	84,941,137		84,941,137
	11,999,346,657	-	11,999,346,657

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

## 16. CAPITAL MANAGEMENT RISK

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

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

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

	Amount in Php	
	As of March 31, 2022	As of December 31, 2021
Debt	17,213,943,055	15,991,714,955
Less : Cash and cash equivalents	3,369,252,250	1,728,308,358
Net debt	13,844,690,805	14,263,406,597
Equity	26,297,271,344	24,884,676,160
Debt to equity ratio	0.53:1	0.57:1