ANNEX C

CONSOLIDATED FINANCIAL STATEMENTS

CENTURY PACIFIC FOOD INC.

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of CENTURY PACIFIC FOOD INC. and SUBSIDIARIES (the "Group") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as at and for the years ended December 31, 2022 and 2021, in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Signature: Christopher T. Po
Chairman of the Board

Signature: Teodoro Alexander Po
Chief Executive Officer

Signature: Richard Kristoffer S. Manapat
Chief Financial Officer

Signed this __ day of ____, 2023. APR 1 1 2023

SUBSCRIBED AND SWORN to before me this APR 1 1 2023 in Pasig City, with the affiant exhibiting to me their competent proofs of identity as follows:

Name	*Identification*
Christopher T. Po	TIN 119-779-656
Teodoro Alexander Po	TIN 105633-470
Richard Christopher S. Manapat	TIN 303-723-989

Doc. No. 457;
Page No. 93;
Book No. I;
Series of 2023.

GENEVIEVE KRISTINE B. MAÑALAC
Appointment No. 45 (2023-2024)
Notary Public for Pasig City, Pateros and San Juan
Until December 31, 2024
Attorney's Roll No. 80720
33rd Floor, The Orient Square
F. Ortigas Jr. Road, Ortigas Center, Pasig City
PTR Receipt No. 8979100; 01.04.23; Pasig City
IBP OR No. 213974; 05.22.22; RSM
Admitted to the Bar in 2022

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	1	3	2	0	7	7	8

C O M P A N Y   N A M E

CENTURY PACIFIC FOOD, INC. AND
SUBSIDIARIES

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

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

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

C O M P A N Y   I N F O R M A T I O N

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

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

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

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

NOTE 1 *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

SGV
Building a better working world

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

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Century Pacific Food, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2022 and 2021 and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. We have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context. We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters.

Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Impairment assessment of goodwill and trademarks with indefinite life

Under PFRSs, the Group is required to annually test the amount of goodwill and trademarks with indefinite useful lives for impairment. As of December 31, 2022, the Group's goodwill amounted to ₱2,915.3 million and trademarks with indefinite useful lives amounted to ₱2,209.7 million, which are considered significant to the consolidated financial statements. In addition, management's assessment process requires significant judgment and is based on assumptions which are subject to higher level of estimation uncertainty due to the current economic conditions which have been impacted by the coronavirus pandemic, specifically forecasted long-term revenue growth rate, operating expenses, gross margin and discount rate.

The Group's disclosures about goodwill and trademarks are included in Notes 5 and 11 to the consolidated financial statements.

Audit Response

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

Accounting for the acquisition of "Ligo" Trademark

In March 2022, the Group acquired the "Ligo" trademark. This transaction is a key audit matter as the amount involved is material to the consolidated financial statements. In addition, management judgment was required to determine that the acquisition has met the requirements of a business in accordance with PFRS 3, *Business Combinations*. The transaction also involves significant judgments and estimates such as the identification and determination of the fair value of the trademarks acquired, key inputs, such as revenue growth and discount rates related to the valuation of the trademark.

The Group disclosed the details of the acquisition of "Ligo" trademark in Notes 5 and 11 to the consolidated financial statements.

Audit Response

We have, amongst others, read the purchase agreements. We obtained and reviewed the related documents, including any arrangements entered into in connection with the transaction. We reviewed management's analysis and assessment of the transaction in accordance with PFRS 3. We reviewed the purchase price allocation prepared by the Group. We also involved our internal specialists in reviewing the valuation methodology and key inputs, such as revenue growth and discount rates related to the valuation of the trademark. We compared the revenue growth to the historical performance of "Ligo" and industry data. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the disclosures in the notes to the consolidated financial statements.

Other Matter

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

Other Information

Management is responsible for the other information. The other information comprises the Philippine SEC Form 17-A for the year ended December 31, 2022 but does not include the consolidated financial statements and our auditor's report thereon which we obtained prior to the date of the Auditor's Report, and the Philippine SEC Form 20 - IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2022, which are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Christine G. Vallejo.

SYCIP GORRES VELAYO & CO.

Christine G. Vallejo
Partner
CPA Certificate No. 99857
Tax Identification No. 206-384-906
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 99857-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-105-2022, November 7, 2022, valid until November 6, 2025
PTR No. 9566010, January 3, 2023, Makati City

April 11, 2023

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

	December 31	
	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents (Note 7)	**₱2,149,448,030**	₱1,728,308,358
Trade and other receivables - net (Note 8)	**8,771,584,426**	7,905,701,602
Inventories - net (Note 9)	**17,728,873,867**	14,112,400,431
Due from related parties (Note 25)	**197,448,146**	119,485,746
Prepayments and other current assets - net (Note 10)	**2,802,218,295**	2,619,774,907
Total Current Assets	**31,649,572,764**	26,485,671,044
Noncurrent Assets		
Property, plant and equipment - net (Note 13)	**8,793,816,459**	8,574,285,847
Goodwill and intangible assets - net (Note 11)	**5,548,164,713**	3,850,025,258
Right-of-use assets - net (Note 12)	**1,391,652,591**	1,298,679,221
Deferred tax assets - net (Note 32)	**718,562,929**	540,950,655
Retirement asset - net (Note 17)	**7,128,419**	–
Other noncurrent assets (Note 14)	**224,893,319**	130,020,844
Total Noncurrent Assets	**16,684,218,430**	14,393,961,825
	₱48,333,791,194	₱40,879,632,869
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term loans payables (Note 15)	**₱4,640,000,000**	₱2,800,000,000
Trade and other payables (Note 16)	**9,797,085,024**	9,104,641,236
Current portion of borrowings (Note 15)	**9,390,325**	9,764,285
Income tax payable	**102,714,783**	89,626,028
Due to related parties (Note 25)	**25,918,837**	84,941,137
Lease liabilities - current portion (Note 30)	**293,030,338**	247,628,625
Total Current Liabilities	**14,868,139,307**	12,336,601,311
Noncurrent Liabilities		
Borrowings - net of current portion (Note 15)	**3,164,823,670**	1,982,127,068
Retirement benefit obligation - net (Note 17)	**272,878,497**	508,776,526
Lease liabilities - net of current portion (Note 30)	**1,248,956,896**	1,164,210,050
Total Noncurrent Liabilities	**4,686,659,063**	3,655,113,644
	19,554,798,370	15,991,714,955
Equity		
Share capital (Note 18)	**3,542,258,595**	3,542,258,595
Share premium (Note 18)	**4,936,859,146**	4,936,859,146
Share-based compensation reserve (Note 26)	**8,211,398**	8,211,398
Other reserves	**30,628,942**	30,628,942
Currency translation adjustment	**29,397,439**	23,886,813
Retained earnings (Notes 18 and 27):		
Appropriated	**8,736,038,578**	3,031,599,707
Unappropriated	**11,495,598,726**	13,314,473,313
	28,778,992,824	24,887,917,914
	₱48,333,791,194	₱40,879,632,869

See accompanying Notes to Consolidated Financial Statements.

CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(*With Comparative Figures for the Year Ended December 31, 2020)*

	Years Ended December 31		
	2022	2021	2020
REVENUE FROM CONTRACTS WITH CUSTOMERS (Note 19)	**₱62,258,920,244**	₱54,710,155,254	₱48,301,741,084
COST OF GOODS SOLD (Note 20)	**47,885,162,632**	41,958,358,259	36,374,034,421
GROSS PROFIT	**14,373,757,612**	12,751,796,995	11,927,706,663
OTHER INCOME (Note 21)	**836,353,330**	551,428,948	580,481,880
OPERATING EXPENSES (Note 22)	**(8,713,881,749)**	(7,064,201,886)	(6,350,811,842)
OTHER EXPENSES (Note 23)	**(411,997,405)**	(380,575,165)	(803,600,697)
INCOME FROM OPERATIONS	**6,084,231,788**	5,858,448,892	5,353,776,004
FINANCE COSTS (Notes 15 and 30)	**(315,173,214)**	(296,882,673)	(261,151,374)
INTEREST INCOME (Notes 7 and 8)	**8,498,205**	6,347,815	35,206,519
INCOME BEFORE TAX	**5,777,556,779**	5,567,914,034	5,127,831,149
INCOME TAX EXPENSE (Note 31)	**(778,387,954)**	(894,897,620)	(1,248,387,296)
NET INCOME	**4,999,168,825**	4,673,016,414	3,879,443,853
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that will be reclassified to profit or loss in subsequent years -			
Remeasurement gain (loss) on retirement benefit obligation - net of tax effect (Note 17)	**161,608,553**	53,835,505	(320,715,746)
Item that will not be reclassified to profit or loss in subsequent years -			
Currency translation adjustment - net of tax effect (Note 4)	**5,510,626**	68,496	(1,622,167)
	167,119,179	53,904,001	(322,337,913)
TOTAL COMPREHENSIVE INCOME	**₱5,166,288,004**	₱4,726,920,415	₱3,557,105,940
BASIC AND DILUTED EARNINGS PER SHARE (Note 28)	**₱1.4113**	₱1.3192	₱1.0952

See accompanying Notes to Consolidated Financial Statements.

CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(With Comparative Figures for the Year Ended December 31, 2020)

	Share Capital (Note 18)	Share Premium (Note 18)	Share-based Compensation Reserve (Note 26)	Other Reserves	Currency Translation Adjustment	Unappropriated Retained Earnings (Notes 18 and 27)	Appropriated Retained Earnings (Note 18)	Total
Balance, January 1, 2020	₱3,542,258,595	₱4,936,859,146	₱8,211,398	₱30,628,942	₱25,440,484	₱9,252,403,696	₱1,358,515,486	₱19,154,317,747
Net income	–	–	–	–	–	3,879,443,853	–	3,879,443,853
Currency translation adjustment	–	–	–	–	(1,622,167)	–	–	(1,622,167)
Remeasurement loss on retirement plans - net of tax (Note 17)	–	–	–	–	–	(320,715,746)	–	(320,715,746)
Total Comprehensive Income	–	–	–	–	(1,622,167)	3,558,728,107	–	3,557,105,940
Cash dividends (Note 27)	–	–	–	–	–	(1,275,213,094)	–	(1,275,213,094)
Appropriation of retained earnings	–	–	–	–	–	(2,253,635,800)	2,253,635,800	–
Balance, December 31, 2020	**3,542,258,595**	**4,936,859,146**	**8,211,398**	**30,628,942**	**23,818,317**	**9,282,282,909**	**3,612,151,286**	**21,436,210,593**
Net income	–	–	–	–	–	4,673,016,414	–	4,673,016,414
Currency translation adjustment	–	–	–	–	68,496	–	–	68,496
Remeasurement gain on retirement plans - net of tax (Note 17)	–	–	–	–	–	53,835,505	–	53,835,505
Total Comprehensive Income	–	–	–	–	68,496	4,726,851,919	–	4,726,920,415
Cash dividends (Note 27)	–	–	–	–	–	(1,275,213,094)	–	(1,275,213,094)
Reversal of appropriation	–	–	–	–	–	580,551,579	(580,551,579)	–
Balance, December 31, 2021	**3,542,258,595**	**4,936,859,146**	**8,211,398**	**30,628,942**	**23,886,813**	**13,314,473,313**	**3,031,599,707**	**24,887,917,914**
Net income	**–**	**–**	**–**	**–**	**–**	**4,999,168,825**	**–**	**4,999,168,825**
Currency translation adjustment	**–**	**–**	**–**	**–**	**5,510,626**	**–**	**–**	**5,510,626**
Remeasurement gain on retirement plans - net of tax (note 17)	**–**	**–**	**–**	**–**	**–**	**161,608,553**	**–**	**161,608,553**
Total Comprehensive Income	**–**	**–**	**–**	**–**	**5,510,626**	**5,160,777,378**	**–**	**5,166,288,004**
Cash dividends (Note 27)	**–**	**–**	**–**	**–**	**–**	**(1,275,213,094)**	**–**	**(1,275,213,094)**
Reversal of appropriation						**3,031,599,707**	**(3,031,599,707)**	**–**
Appropriation of retained earnings	**–**	**–**	**–**	**–**	**–**	**(8,736,038,578)**	**8,736,038,578**	**–**
Balance, December 31, 2022	**₱3,542,258,595**	**₱4,936,859,146**	**₱8,211,398**	**₱30,628,942**	**₱29,397,439**	**₱11,495,598,726**	**₱8,736,038,578**	**₱28,778,992,824**

See Notes to Consolidated Financial Statements.

CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(With Comparative Figures for the Year Ended December 31, 2020)

	Years Ended December 31		
	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before tax	**₱5,777,556,779**	₱5,567,914,035	₱5,127,831,149
Adjustments for:			
Depreciation and amortization (Notes 11, 12, 13 and 23)	**1,504,542,830**	1,271,558,587	1,106,149,015
Finance costs (Notes 15 and 30)	**315,173,214**	296,882,672	261,151,374
Gain from sale of scrap - net (Notes 9 and 21)	**(144,182,612)**	(79,394,940)	(107,664,525)
Recovery from insurance (Note 21)	**(62,712,630)**	–	–
Net movement in accrued retirement benefit (Note 17)	**(41,823,909)**	(35,419,657)	21,785,335
Interest income (Notes 7 and 8)	**(8,498,205)**	(6,347,815)	(35,206,519)
Unrealized foreign exchange loss (gain) - net	**5,510,626**	68,496	(1,622,167)
Gain on disposal of property, plant and equipment - net (Note 13)	**(746,662)**	(4,166,459)	(2,503,626)
Loss on impairment of input VAT (Note 10)	**–**	31,047,893	9,316,412
Impairment loss of trademark (Note 11)	**–**	–	34,700,000
Gain on bargain purchase (Note 36)	**–**	(41,071,822)	–
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Trade and other receivables	**(865,882,824)**	(783,394,650)	(599,385,519)
Due from related parties	**(77,962,400)**	181,188,954	(19,199,975)
Inventories	**(3,472,290,824)**	(751,610,728)	(2,423,564,320)
Prepayments and other current assets	**(182,443,388)**	(34,637,566)	303,454,428
Increase (decrease) in:			
Trade and other payables	**670,235,398**	(752,613,685)	2,891,220,930
Due to related parties	**(59,022,300)**	(1,151,548,802)	88,515,508
Cash generated from operations	**3,357,453,093**	3,708,454,513	6,654,977,500
Income tax paid	**(1,007,351,290)**	(834,178,324)	(1,468,959,658)
Insurance proceeds received	**62,712,630**	–	–
Interest received	**8,498,205**	6,347,815	35,136,003
Net cash from operating activities	**2,421,312,638**	2,880,624,004	5,221,153,845
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property, plant and equipment (Note 13)	**(1,388,609,771)**	(2,139,292,490)	(1,736,384,126)
Intangible assets (Note 11)	**(1,719,655,295)**	–	–
Cash acquired from a business combination, net of acquisition costs (Note 36)	**–**	247,032,463	–
Proceeds from sale of property, plant and equipment (Notes 21 and 37)	**746,662**	4,166,460	2,503,626
Decrease (increase) in other noncurrent assets	**(94,872,475)**	3,687,727	(43,657,035)
Net cash used in investing activities	**(3,202,390,879)**	(1,884,405,840)	(1,777,537,535)

(Forward)

	Years Ended December 31		
	2022	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Availment of short-term borrowings (Note 15)	**₱5,010,000,000**	₱5,800,000,000	₱5,551,000,000
Availment of long-term borrowings (Note 15)	**1,200,000,000**	2,000,000,000	–
Payments of:			
Short-term borrowings (Note 15)	**(3,170,000,000)**	(4,949,466,680)	(7,537,541,907)
Dividends (Note 27)	**(1,275,213,094)**	(1,275,213,094)	(1,275,213,094)
Lease liabilities (Note 30)	**(367,136,901)**	(324,325,639)	(295,688,307)
Finance costs (Note 30)	**(166,432,093)**	(149,285,666)	(264,635,783)
Long-term borrowings (Note 15)	**(20,000,000)**	(1,584,000,000)	–
Debt issuance costs (Note 15)	**(9,000,000)**	(15,000,000)	–
Net cash from (used in) financing activities	**1,202,217,912**	(497,291,079)	(3,822,079,091)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**421,139,671**	498,927,085	(378,462,781)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**1,728,308,359**	1,229,381,273	1,607,844,054
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 7)	**₱2,149,448,030**	₱1,728,308,358	₱1,229,381,273

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(With Comparative Figures for the Year Ended December 31, 2020)

1. General Information

Corporate Information

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

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 ₱3.5 billion, as discussed in Note 18.

The Parent Company is a 68.72% owned subsidiary of Century Pacific Group, Inc. (CPGI, the ultimate parent), as at December 31, 2022 and 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.

The Parent Company has the following subsidiaries as at December 31, 2022 and 2021:

Name of Subsidiary	Ownership Interest
General Tuna Corporation (GTC)	100%
Snow Mountain Dairy Corporation (SMDC)	100%
Allforward Warehousing Inc. (AWI)	100%
Century Pacific Agricultural Ventures, Inc. (CPAVI)	100%
Century Pacific Seacrest Inc. (CPSI)	100%
Centennial Global Corporation (CGC)	100%
General Odyssey Inc (GOI)	100%
Millenium General Power Corporation *(formerly Century Pacific Solar Inc.)*	100%
The Pacific Meat Incorporated	100%
Century Pacific Food Packaging Ventures, Inc. (CPFPVI)	100%
Century International (China) Co. Ltd. (CIC)	100%
Century (Shanghai) Trading Co. Ltd. (CST)	100%
Cindena Resources Limited (CRL)	100%
Century Pacific North America Enterprise Inc. (CPNA)	100%

GTC was incorporated in the Philippines and registered with the SEC on March 10, 1997. GTC is presently engaged in manufacturing and exporting private label canned, pouched and frozen tuna products.

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

AWI was incorporated in the Philippines and was registered with the SEC on October 3, 2014. AWI is engaged in the business of operating cold storage facilities, handling, leasing, maintaining, buying, selling, warehouse and storage facilities, including its equipment, forklift, conveyors, pallet towers and other related machineries, tools and equipment necessary in warehousing, and storage operation.

CPAVI was incorporated in the Philippines and was registered with the SEC on August 29, 2012. CPAVI is engaged in the business of manufacturing and distributing all kinds of food and beverage products and other foodstuffs derived from fruits and other agricultural products. CPAVI's primary purpose is to engage in the business of converting and processing input raw materials derived from fruits, vegetables and other agricultural products, such as drilled, deshelled and pared coconuts, into finished products and distributing, and exporting the same.

CPSI was incorporated in the Philippines and was registered with the SEC on November 13, 2015. CPSI is engaged in the business of developing and designing, acquiring, selling, transferring, exchanging, managing, licensing, franchising and generally 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 from therefrom.

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 Company acquired 100% interest in CGC. CGC is the corporate vehicle that holds the various brands, trademarks, and related intellectual property of the Company and its subsidiaries. CGC was acquired from Shining Ray Limited, a wholly owned subsidiary of CPGI.

CPFPVI was incorporated in the Philippines and was registered with 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. On June 29, 2016, the Parent Company acquired 100% interest in CPFPVI.

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.

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.

PMCI was incorporated in the Philippines and was registered on December 9, 1997 to engage in, operate, conduct and maintain the business of manufacturing, importing, exporting, buying, selling or otherwise dealing in at wholesale and retail, all kinds of food and foods products, fruits, vegetables and other goods of same nature, and any all equipment, materials, and supplies used or employed in, or related to the manufacture of such finished product. On March 24, 2021 the Parent Company entered into a share purchase agreement with CPGI to acquire 100% equity interest in PMCI. The sale was completed when CPGI and the Parent Company signed the deed of absolute sale covering the PMCI shares on April 1, 2021.

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.

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.

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. CRL 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.

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.

Approval and Authorization for Issuance of Consolidated Financial Statements
The consolidated financial statements were approved and authorized for issue by the Board of Directors on April 11, 2023.

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 ReportingStandards (PFRSs).

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

3. Adoption of New and Revised Accounting Standards

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in January 1, 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, the adoption of these new standards did not have an impact on the Group's financial statements.
- 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*

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. The adoption of these pronouncements is not expected to have a significant impact on the Group's financial statements, unless otherwise indicated.

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*
- Amendments to PFRS 16*, Lease Liability in a Sale and Leaseback*

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*

4. 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 Group 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 Group 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 c) the ability to use its power to affect its returns.

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

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group 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 Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. When necessary, adjustments are made to ensure consistency with the accounting policies adopted by the Group. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. Unrealized gains and losses are eliminated.

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

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

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable 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, *Financial Instruments*.

Business Combination Involving Entities under Common Control
Where there are business combinations in which all the combining entities within the Group are ultimately controlled by the same ultimate parent before and after the business combination and that the control is not transitory ("business combinations under common control"), the Group may account such business combinations under the acquisition method of accounting or pooling of interests method, if the transaction was deemed to have substance from the perspective of the reporting entity. In determining whether the business combination has substance, factors such as the underlying purpose of the business combination and the involvement of parties other than the combining entities such as the noncontrolling interest, shall be considered.

In cases where the business combination has no substance, the Group shall account for the transaction similar to a pooling of interests. The assets and liabilities of the acquired entities and that of the Group are reflected at their carrying values. The difference in the amount recognized and the fair value of the consideration given, is accounted for as an equity transaction, i.e., as either a contribution or distribution of equity. Further, when a subsidiary is disposed in a common control transaction, the difference in the amount recognized and the fair value consideration received, is also accounted for as an equity transaction. The Group recorded the difference as excess of consideration over carrying amount of disposed subsidiary and presented as separate component of equity in the combined balance sheets.

Comparatives shall be restated to include balances and transactions as if the entities had been acquired at the beginning of the earliest period presented as if the companies had always been combined.

Business Combination and Goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the noncontrolling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss included under "Remeasurement gain (loss) arising from business combination."

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PFRS 9 is measured at fair value with the changes in fair value recognized in the profit or loss in accordance with PFRS 9. Other contingent consideration that is not within the scope of PFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the acquirer shall account for the combination using those provisional values. The acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within twelve (12) months of the acquisition date as follows: (i) the carrying amount of the identifiable asset, liability or contingent liability that is recognized or adjusted 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; (ii) goodwill or any gain recognized shall be adjusted 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; and (iii) comparative information presented for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting has been completed from the acquisition date.

Goodwill is initially measured at cost where cost is the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss and included under "other income (expenses)."

Following initial recognition, goodwill is measured at cost less any accumulated impairment loss. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated should:

- represent the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- not be larger than an operating segment determined in accordance with PFRS 8, *Operating Segments.*

Occasionally, an acquirer will make a bargain purchase, which is a business combination in which the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured exceeds the aggregate of the consideration transferred.

Before recognizing a gain on a bargain purchase, the acquirer shall reassess whether it has correctly identified all of the assets acquired and all of the liabilities assumed and shall recognize any additional assets or liabilities that are identified in that review. The acquirer shall then review the procedures used to measure the amounts to be recognized at the acquisition date for all of the following:

a. the identifiable assets acquired and liabilities assumed;
b. the noncontrolling interest in the acquiree, if any;
c. for a business combination achieved in stages, the acquirer's previously held equity interest in the acquiree; and
d. the consideration transferred.

If that excess remains after applying the requirements above, the acquirer shall recognize the resulting gain in profit or loss on the acquisition date. The gain shall be attributed to the acquirer.

Where goodwill forms part of a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

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.

<u>Financial Instruments</u>
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, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (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, *Revenue from Contracts with Customers.*

     In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

     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 and financial assets at FVPL as at December 31, 2022 and 2021.

Subsequent measurement. Financial assets at amortized cost 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 profit or loss 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, 2022 and 2021.

- *Impairment.* The Group recognizes allowance for expected credit losses ("ECL") 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 flowsthat 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-monthECL).
  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, deposits on utilities and revolving funds, 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 obligationsthat 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, 2022 and 2021 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 as at December 31, 2022 and 2021.

   - *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 profit or loss 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 that are an integral part of the EIR. The EIR amortization is included in interest expense in profit or loss.

- *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 andthe recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

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 originalmaturities 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 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 theperiod 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 assessment, 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, 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 the Group.
- 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 thesite 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 inprogress, 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	2 - 15 years
Transportation and delivery equipment	3 - 10 years

Properties in the course of construction for production, rental, administrative purposes orfor 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.

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.

Construction in progress represents property, plant and equipment under construction and is stated at cost including costs of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are in the location and condition necessary for it to be capable of operating in the manner intended by management.

An item of property, plant and equipment is derecognized upon disposal or when nofuture 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 profit or loss.

Intangible Assets
Intangible assets are initially measured at cost, which includes the purchase price and any directly attributable costs in bringing the asset to its working condition and location for its intended use.

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 and licensing agreements with definite useful lives, that are acquired separately at cost less accumulated amortization and accumulated impairment losses. Licensing agreement with definite useful lives is amortized over 25 years and assessed for impairment whenever there is an indication that the asset may be impaired. The amortization is recognized in profit or loss in the expense category consistent with the function of the intangible asset.

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, except for goodwill and intangible assets with indefinite useful lives, the Group assesses whether there is any indication that any of its tangible assets and intangible assets may have suffered an impairment loss. If any such indication exists, or when annual impairment testing for an asset is required, 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 cash-generating unit (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.

Trademarks with indefinite useful life are tested for impairment annually either individually or at the CGU level. Such intangibles are not being amortized. The life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in the life from indefinite to finite is made on a prospective basis.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value 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 assessmentsof 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.

Except for goodwill, impairment losses recognized in prior periods are assessed at the end of the 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 in profit or loss.

For goodwill, impairment losses recognized in prior periods can no longer be reversed.

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 receivablecan 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.

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 alsorecognized 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.

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.

Service costs which include current service costs, past service costs, and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset.

Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses and return on plan assets (excluding net interest on defined benefit liability or asset) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements from actuarial gains and losses and return on plan assets are reclassified to profit or loss as a reclassification adjustment in the same period or periods during which such remeasurements affect profit or loss.

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 forthe 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 andCST, 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, comprising translation adjustments on foreign operations, 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 acustomer. The Group recognizes revenue when it transfers control of a product to a customer.

A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognized is the amount allocated to the satisfied performance obligation. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

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

For sales of goods to the wholesale market and retailers, revenue is recognized when control of the goods has transferred, being when the goods have been delivered to the wholesalers' and retailers' specific location. Following delivery, the wholesaler and retailer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when 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 goodsto 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 estimated the value of the variable consideration by obtaining the most likely amount in a range of possible consideration amounts.

<u>Service income</u>
Service income is recognized over time as the services are rendered. The service income pertains to the management fees presented as part of Other Income in the consolidated statement of comprehensive income.

<u>Other income</u>
Other income is income generated outside the normal course of business and is recognized at a point in time when control of the goods and services have been transferred to the customer .

<u>Revenue outside the scope of PFRS 15</u>
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.

<u>Cost and Expense Recognition</u>
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 statement 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 insection 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 leaseliabilities 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. 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 wasdetermined. Gains and losses arising on translation are included in profit or loss forthe 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 translated.

Exchange differences on monetary items are recognized in profit or loss in the periodin 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 toprofit 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 adjustments in OCI.

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 25% regular corporate income tax (RCIT) rate or 1% minimum corporate income tax (MCIT) rate, whichever is higher. CPSI and CPFPVI use Optional Standard Deduction (OSD), while other subsidiaries use itemized deductions in the computation of their respective taxable income.

CPFI is registered with the Board of Investments (BOI), pursuant to Executive Order No. 226 or the Omnibus Investments Code of 1987, as amended by Republic Act No. 11534 or the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act entitled for income tax holiday for canned tuna and its by-product from January 1, 2021 to December 31, 2024 and frozen loins from June 16, 2022 to December 2024.

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 registered with Philippine Economic Zone Authority (PEZA) on June 1, 2021 entitled for gross income tax (GIT) incentive and other PEZA incentives. Registered activity is limited to engage in the manufacturing, processing, including toll manufacturing of coconut products and by-products and the importation of raw materials, machinery, equipment, goods, or merchandise directly used in its registered operations at the MIEZ. CPAVI also have an existing ITH for coco milk and coco water expansion project from July 1, 2022 to June 30 2025 and will be entitled to GIT incentive after the expiration of ITH.

GTC is registered with Philippine Economic Zone Authority (PEZA) on December 23, 2020 entitled for gross income tax (GIT) incentive and other PEZA incentives. Registered activity shall be limited to engage in the manufacturing, processing, including toll manufacturing of canned tuna, tuna in pouch, frozen loin and by-products such as fishmeal and fish oil and the importation of raw materials, machinery, equipment, goods, or merchandise directly used in its registered operations at the MIEZ.

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

The introduction of the Tax Reform for Acceleration and Inclusion (TRAIN) Act in 2018 brought with it an amendment that provides that the "amortization of input VAT" on purchased or imported capital goods will no longer be allowed beginning January 1, 2022. Therefore, the related input VAT on capital goods acquired in 2022 may be fully recognized outright and be claimed as input tax credits against output tax during the month when the capital goods are purchased or imported, regardless of whether the aggregate acquisition cost in a calendar month exceeds ₱1.0 million.

Prior to the effectivity of the TRAIN Act, the Tax Code, as amended, provided that the input VAT on capital goods purchased or imported in a calendar month for use in a trade or business be spread evenly over 60 months if the aggregate acquisition cost for such goods, excluding the VAT component thereof, exceeds ₱1 million; provided, however, that if the estimated useful life of the capital goods is less than five years, the input VAT be spread over such a period.

Under the TRAIN Act, the unutilized input VAT may still be amortized as scheduled until fully utilized

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 thatreported a loss; and
- its assets are 10% or more of the combined assets of all operating segments.

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

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

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

Financial information on segment reporting is presented in Note 6.

5. Significant 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.

Significant Judgments in Applying Accounting Policies

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

<u>Determination of functional and presentation currency</u>
Each entity in the Group determines its own functional currency and items included in the separate financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

The presentation currency of the Group is the Philippine Peso, which is the Parent Company's functional currency. The functional currency of each of the Group's subsidiaries, as disclosed in Note 2 to the consolidated financial statements, is determined based on the economic substance of the underlying circumstances relevant to each subsidiary.

The results of operations and financial position of GTC and CPNA, which are measured using US Dollar, and the results of operations and financial position of CIC, CST and CRL, which are measured using Chinese Yuan, were translated into Philippine Peso using the accounting policies in Note 4.

<u>Acquisition of investments qualified as a business combination</u>
In applying the requirements of PFRS 3, *Business Combinations*, an entity or an asset being acquired has to be assessed whether it constitutes a business. The assessment requires identification of inputs and processes applied to these inputs to generate outputs or economic benefits. To be capable of being conducted and managed for the purposes defined, an integrated set of activities and assets

requires two essential elements - inputs and processes applied to those inputs, which together are or will be used to create outputs."

The acquisition of PMCI was considered a business since it has commercial substance and was accounted for as a business combination (see Note 36).

Acquisition of assets that does not constitute a business
PFRS 3 also provides that if an entity acquires an asset or a group of assets, including any liabilities assumed, that does not constitute a business, then the transaction is outside the scope of PFRS 3 because it does not meet the definition of a business combination. Such transactions are accounted for as asset acquisitions, in which case, the cost of acquisition is allocated between the individual identifiable assets and liabilities in the group based on their relative fair values at the acquisition date.

The acquisition of "Ligo" trademark leverages only on the input obtained from the acquisition transaction, which does not fall under the definition of a "business" under PFRS 3 (see Note 11).

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.

Impairment Assessment of Goodwill and Trademarks with Indefinite Lives.
The Group performs recoverability testing annually or more frequently when there are indications of impairment for goodwill and trademarks with indefinite lives. Goodwill acquired through business combination has been allocated to one CGU which is also the operating entity acquired through business combination and to which the goodwill relates. Recoverability testing requires an estimation of the value in use or fair value less cost of disposal of the CGU to which goodwill and trademarks with indefinite life are allocated. Estimating the recoverable amount of the CGU involves significant assumptions about the future results of the business such as long-term revenue growth rate, operating expenses, gross margin and discount rate which were applied to cash flow forecasts. In addition, the

assumptions are also subjected to a higher level of estimation uncertainty due to the current economic conditions which have been impacted by the COVID-19 pandemic. The cash flow forecasts were based on financial budgets approved by the BOD covering a five-year period.

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

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

1. Gross Revenue
   On the average, gross revenue of the CGU over the next five years were projected to grow in line with the economy or with nominal Gross Domestic Product. This assumes that the market share of the subsidiaries in their respective industries will be flat on the assumption that the industries also grow at par with the economy. Historically, the business growth had a direct correlation with economic growth. A 3% perpetuity growth rate was assumed at the end of the five-year forecast period.

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

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

4. Discount Rate
   The discount rate used to arrive at the present value of future cash flows was the Group's Weighted Average Cost of Capital (WACC). WACC was based on the appropriate weights of debt and equity, which were multiplied with the assumed costs of debt and equity. The discount rates applied to the cash flow projections range from 10.8% to 11.7% and 9.6% to 10.4% in 2022 and 2021, respectively.

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

	2022	2021
Goodwill (Note 11)	**₱2,915,325,199**	₱2,915,325,199
Trademarks (Note 11)	**2,209,694,668**	490,039,373
	₱5,125,019,867	₱3,405,364,572

The recoverable amounts of the CGUs to which the goodwill and trademarks with indefinite lives are allocated are greater than their carrying amounts. No impairment loss was recognized on goodwill and trademarks for the years ended December 31, 2022, 2021 and 2020.

Any reasonable changes in the key assumptions will not cause the carrying amounts of the CGUs to exceed their recoverable amounts as at December 31, 2022 and 2021.

Determining Method to Estimate the Variable Consideration
In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled to in exchange for transferring the promised goods to customer.

The Group determined that the most likely amount method is appropriate to use in estimating the variable consideration for the incentives given to the customers based on evaluation of actual trade promotional activities. The most likely amount is the single 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 ofthe 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.

Estimating the Fair Value of "Ligo" Trademark
The Group acquired the "Ligo" trademark in March 2022. The fair value of asset was determined using multi-period excess earnings valuation method, which assumed expected future earnings stream attributable to the identified income-generating asset discounted using the rate of return commensurate to the asset. The Group estimated the cash flows based on average life of the identified assets. Estimating the fair value of "Ligo" trademark involve significant assumptions about the future results of the business such as revenue growth rate and discount rate which were applied to cash flow forecasts.

Further details on "Ligo" trademark is disclosed in Note 11.

Estimating the incremental borrowing rate on Leases
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liability. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right- of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

As at December 31, 2022 and 2021, the Group's lease liabilities amounted to ₱1,542.0 million, and ₱1,411.8 million, respectively (see Note 30).

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

The fair values of financial assets and liabilities are disclosed in Note 33.

Impairment of Financial Assets at Amortized Costs
The Group applied the following judgements and estimates that significantly affect the computation of ECL under PFRS 9.

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

- *Quantitative Criteria*. The borrower is more than 120 days past due on its contractual payments, which is consistent with the Group's definition of default.
- *Qualitative Criteria*. The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

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

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

- *General Approach for cash and cash equivalents, other receivables, due from related parties, security deposits and deposits on utilities.* Under the general approach, at each reporting date, the Group recognizes a loss allowance based on either 12-month ECLs or Lifetime ECLs, depending on whether there has been a significant increase in credit risk on the financial instrument since initial recognition. The changes in the loss allowance balance are recognized in profit or loss as an impairment gain or loss. The Group has leveraged on available market data for cash in banks to calculate the ECL.
- *Simplified Approach for Trade Receivables.* The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due. The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every financial reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.
- *Grouping of instruments for losses measured on collective basis.* For ECL provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous. The characteristic used to determine groupings is based on the type of customer.

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

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

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

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

Total provision for ECL for trade and other receivables amounted to ₱8.6 million, nil, and ₱9.3 million in 2022, 2021, and 2020 respectively. Recovery of allowance for ECL amounted to ₱1.4 million, ₱15.0 million, and nil in 2022, 2021 and 2020, respectively (see Note 8). No provision for ECL was recognized in 2022, 2021 and 2020 on cash and cash equivalents, due from related parties, security deposits and deposits on utilities.

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

	2022	2021
Cash and cash equivalents (Note 7)	**₱2,149,448,030**	₱1,728,308,358
Trade and other receivables - net (Note 8)	**8,771,584,426**	7,905,701,602
Due from related parties (Note 25)	**197,448,146**	119,485,746
Security deposits (Note 14)	**147,044,018**	71,438,731
Deposits on utilities (Note 14)	**31,985,871**	8,346,166
Revolving funds (Note 14)	**12,978,180**	17,883,374
	₱11,310,488,671	₱9,851,163,977

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

The carrying values of inventories amounted to ₱17,728.9 million and ₱14,112.4 million, net of allowance for inventory obsolescence of ₱623.4 million and ₱378.0 million as at December 31, 2022 and 2021, respectively (see Note 9).

Estimation of Useful Lives of Long-Lived Nonfinancial Assets
The useful lives of long-lived nonfinancial assets are estimated based on the economic lives of the assets and on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of the long-lived nonfinancial assets are

reviewed at reporting date and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the long-lived nonfinancial assets. It is possible, however, that future financial performance could be materially affected by changes in the estimates brought about by changes in factors mentioned above.

The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

There are no changes in the estimation of useful lives of property, plant and equipment, intangible assets with definite useful life and right-of-use assets in 2022 and 2021. The carrying values of these assets, except non depreciable assets, are as follows:

	2022	2021
Property, plant and equipment (Note 13)	**₱8,317,986,438**	₱7,915,147,559
Licensing agreement (Note 11)	**423,144,846**	490,039,373
Right-of-use assets (Note 12)	**1,391,652,591**	1,298,679,221
	₱10,132,783,875	₱9,703,866,153

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

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

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

	2022	2021
Property, plant and equipment (Note 13)	**₱8,317,986,438**	₱7,915,147,559
Intangible assets with definite useful life (Note 11)	**423,144,846**	490,039,366
Right-of-use assets (Note 12)	**1,391,652,591**	1,298,679,221
Input VAT (Note 10)	**282,148,131**	369,455,345
	₱10,414,932,006	₱10,073,321,491

Based on the assessment of management, except for input VAT, the Group's nonfinancial assets do not have any indication of impairment as at December 31, 2022, 2021 and 2020. No impairment loss was recognized in 2022, 2021 and 2020.

Moreover, impairment loss on input VAT amounting to nil, ₱31.0 million and ₱9.3 million were recognized in 2022, 2021 and 2020, respectively (see Note 10).

Determination of Pension Costs
The cost of defined benefit pension plans and presentvalue of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

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

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

Further details about the assumptions used are provided in Note 17.

Retirement benefit obligation and retirement asset amounted to ₱272.9 million and ₱7.1 million as at December 31, 2022, and retirement benefit obligation amounted to ₱508.8 million as at December 31, 2021 (see Note 17).

Recoverability of Deferred Tax Assets

The Group performs an annual evaluation of the realizability of deferred tax assets in determining the portion of deferred tax assetswhich should be recognized. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences is based on the forecasted taxable income of the following period. This forecast is based on the Group's past results and future expectations on revenue and expenses. The effect of COVID-19 pandemic on the macroeconomic factors are also used in developing the assumptions. The Group computes for deferred tax using the 25% corporate tax rate in 2022 and 2021, respectively.

Deferred tax assets recognized amounted to ₱737.3 million and ₱566.5 million as at December 31, 2022 and 2021, respectively (see Note 32).

Purchase Price Allocation in Business Combinations

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

Total consideration for the acquisition amounted to ₱24.0 million and the fair values of the identifiable net assets acquired from PMCI amounted to ₱65.1 million. The Group's acquisition resulted in the recognition of bargain purchase option amounting to ₱41.1 million (see Note 36).

6. Segment Information

Business segments

For Management purposes, the Group is organized into seven major business segments: 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 to the CODM for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided.

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

Business Segment	Products and Services
Canned and processed fish	Tuna Sardines Other seafood-based products
Canned and frozen meat	Corned beef Meatloaf Other meat-based products
Milk	Canned milk Powdered milk Other dairy products
Tuna export	Private label canned, pouched and frozen tuna Other tuna products
Coco water	Coconut beverages Coconut oil Coconut shells Other coconut products
Packaging	Packaging products
Corporate	Shared servicesWarehousing

The segments' results of operations of the reportable segments in 2022, 2021 and 2020 are as follows:

	Segment Revenue	**Segment Income Before Tax**
2022		
Canned and processed fish	**₱19,384,670,452**	**₱1,218,975,167**
Canned and frozen meat	**17,529,468,079**	**1,511,305,406**
Milk	**12,922,935,830**	**(619,869,793)**
Tuna export	**9,571,181,372**	**575,238,280**
Coco water	**5,572,335,763**	**918,757,326**
Packaging	**3,556,596,457**	**989,833,062**
Corporate	**2,912,712,176**	**4,636,919,876**
Segment total	**71,449,900,129**	**9,231,159,324**
Eliminations	**(9,190,979,885)**	**(3,453,602,545)**
	₱62,258,920,244	**₱5,777,556,779**

	Segment Revenue	Segment Income Before Tax
2021		
Canned and processed fish	₱16,550,746,889	₱989,674,081
Canned and frozen meat	15,819,756,290	1,596,396,115
Milk	10,655,423,578	(195,032,621)
Tuna export	7,815,247,676	456,849,411
Coco water	5,061,477,665	522,454,817
Packaging	2,561,985,633	644,899,484
Corporate	2,613,036,207	4,568,507,587
Segment total	61,077,673,938	8,583,748,874
Eliminations	(6,367,518,684)	(3,015,834,840)
	₱54,710,155,254	₱5,567,914,034

	Segment Revenue	Segment Income Before Tax
2020		
Canned and processed fish	₱15,935,223,188	₱838,377,406
Canned and frozen meat	12,383,595,068	1,549,909,501
Milk	10,548,290,713	308,406,055
Tuna Export	6,007,349,439	248,249,295
Coco Water	3,704,633,600	338,313,104
Packaging	2,211,214,721	662,020,085
Corporate	12,017,090,258	2,260,715,806
Segment total	62,807,396,987	6,205,991,252
Eliminations	(14,505,655,903)	(1,078,160,103)
	₱48,301,741,084	₱5,127,831,149

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 4. Segment income represents the profit before tax by each segment without allocation of central administration costs and directors' salaries, other gains and losses, as well as finance costs. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

The segment assets and liabilities as at December 31, 2022 and 2021 are as follows:

	2022		2021	
	Assets	**Liabilities**	Assets	Liabilities
Canned and processed Fish	**₱5,523,914,553**	**₱2,502,703,971**	₱5,048,615,688	₱2,660,756,353
Canned and frozen meat	**5,926,609,172**	**4,313,947,755**	5,426,966,633	4,190,239,239
Milk	**6,029,482,151**	**2,510,137,929**	5,605,441,476	2,722,756,131
Tuna export	**5,112,093,984**	**1,942,307,856**	5,019,638,053	2,380,947,628
Coco water	**4,854,715,538**	**765,638,260**	4,712,898,154	1,461,817,578
Packaging	**2,600,155,762**	**719,065,102**	2,574,554,315	1,532,763,298
Corporate	**30,463,992,795**	**13,170,308,423**	23,025,690,301	9,207,026,667
Segment total	**60,510,963,955**	**25,924,109,296**	51,413,804,620	24,156,306,894
Eliminations	**(12,177,172,761)**	**(6,369,310,926)**	(10,534,171,751)	(8,164,591,939)
	₱48,333,791,194	**₱19,554,798,370**	₱40,879,632,869	₱15,991,714,955

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

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

	2022			
	Additions to Property,Plant, and Equipment	**Depreciation and Amortization**	**Interest Income**	**Finance Costs**
2022				
Canned and processed fish	**₱436,748,003**	**₱365,600,461**	**₱131,664**	**₱5,906,245**
Packaging	**245,606,789**	**77,006,437**	**38,034**	**1,846,048**
Canned and frozen meat	**118,051,391**	**193,542,645**	**532,272**	**32,220,415**
Milk	**33,882,000**	**115,615,953**	**87,147**	**9,377,513**
Tuna export	**237,444,427**	**275,339,984**	**530,308**	**17,019,331**
Coco water	**272,365,034**	**303,144,829**	**271,766**	**11,264,256**
Corporate	**46,825,542**	**174,292,521**	**6,907,014**	**237,539,406**
	₱1,390,923,186	**₱1,504,542,830**	**₱8,498,205**	**₱315,173,214**

	2021			
Canned and processed fish	₱457,903,103	₱215,403,466	₱135,366	₱7,506,963
Packaging	166,161,000	57,281,930	46,434	6,271,561
Canned meat	348,450,436	217,998,493	676,613	46,839,896
Milk	53,062,657	126,317,307	87,914	18,402,241
Tuna export	319,414,401	246,958,966	697,925	27,217,218
Coco water	761,391,370	263,509,312	246,128	20,971,792
Corporate	196,160,968	144,089,113	4,457,435	169,673,001
	₱2,302,543,935	₱1,271,558,587	₱6,347,815	₱296,882,672

	2020			
Canned and processed fish	₱763,410,756	₱144,789,997	₱120,786	₱3,497,508
Packaging	2,277,424	56,662,694	95,404	340,966
Canned meat	75,219,858	187,904,259	59,266	10,699,028
Milk	162,283,921	105,625,292	256,105	42,036,672
Tuna export	447,873,678	194,515,141	1,757,672	24,133,190
Coco water	198,206,867	255,086,619	304,302	4,846,176
Corporate	87,111,622	161,565,013	32,612,984	175,597,834
	₱1,736,384,126	₱1,106,149,015	₱35,206,519	₱261,151,374

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

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

	Revenue from external customers for the years ended December 31			Noncurrent assets December 31	
	2022	2021	2020	**2022**	2021
Philippines	**₱61,767,483,903**	₱54,187,471,491	₱47,774,384,077	**₱15,010,407,503**	₱14,387,506,103
USA	**278,321,091**	325,645,204	304,084,639	**1,673,703,890**	5,522,786
China	**213,115,250**	197,038,559	223,272,368	**107,037**	932,936
	₱62,258,920,244	₱54,710,155,254	₱48,301,741,084	**₱16,684,218,430**	₱14,393,961,825

7. Cash and Cash Equivalents

	2022	2021
Cash on hand	**₱6,427,106**	₱239,772,151
Cash in banks	**1,586,900,921**	1,161,654,396
Cash equivalents	**556,120,003**	326,881,811
	₱2,149,448,030	₱1,728,308,358

Cash on hand includes petty cash fund and undeposited collections.

Cash in banks earned average interest rate ranging from 0.10% to 0.125% per annum in 2022 and 2021, and is unrestricted and immediately available for use in the current operations of the Group.

Cash equivalents represent short-term fund placements and investments in unit-trust funds (UITFs) with local banks. Short-term fund placements will mature in three months or less from the date of acquisition with annual interest rates ranging from 1.25% to 2.25% in 2022 and from 1.32% to 2.25% in 2021. These placements are from excess cash and can be withdrawn anytime.

Interest income earned from bank deposits and placements amounted to ₱7.0 million, ₱5.1 million and ₱33.9 million in 2022, 2021, and 2020, respectively.

8. Trade and Other Receivables

	2022	2021
Trade receivables from third parties	**₱8,506,002,726**	₱7,376,001,134
Allowance for ECLs	**(25,774,637)**	(18,581,661)
Allowance for sales return	**(69,168,533)**	(8,566,867)
	8,411,059,556	7,348,852,606
Advances to officers and employees	**43,634,707**	50,926,519
Others	**316,890,163**	505,922,477
	₱8,771,584,426	₱7,905,701,602

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

Advances to officers and employees are non-interest bearing and are liquidated within one month. Advances to officers include salary loans which earned average interest rate of 8% per annum. Interest income earned from salary loans amounted to ₱1.5 million, ₱1.2 million and ₱1.3 million in 2022, 2021, and 2020, respectively.

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

Movements in the allowance for ECLs and allowance for sales returns as at December 31 are as follows:

	Expected Credit Losses	**Allowance for Sales Return**	**2022**
Balance, January	**₱18,581,661**	**₱8,566,867**	**₱27,148,528**
Provision	**8,586,354**	**66,741,786**	**75,328,140**
Reversal	**(1,393,378)**	**(6,140,120)**	**(7,533,498)**
Balance, December	**₱25,774,637**	**₱69,168,533**	**₱94,943,170**

			2021
Balance, January	₱33,558,388	₱15,112,940	₱48,671,328
Reversal	(14,976,727)	(6,546,073)	(21,522,800)
Balance, December	₱18,581,661	₱8,566,867	₱27,148,528

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

9. Inventories

	2022	2021
Raw materials	**₱8,806,848,079**	₱7,325,777,774
Finished goods	**8,411,502,602**	6,312,035,712
Spare parts and supplies	**944,883,490**	669,289,839
Work in process	**189,050,789**	183,294,145
	18,352,284,960	14,490,397,470
Allowance for obsolescence	**(623,411,093)**	(377,997,039)
	₱17,728,873,867	₱14,112,400,431

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

Cost of inventories recognized in the consolidated statements of comprehensive income in 2022, 2021 and 2020 amounted to ₱47,885.2 million, ₱41,958.4 million, and ₱36,374.0 million, respectively. Allowance for inventory obsolescence relates to 100% provision of inventories that are no longer resaleable.

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

	2022	2021	2020
Balance, January 1	**₱377,997,039**	₱284,142,265	₱183,178,386
Provision on slow moving inventories (Notes 20 and 22)	**150,500,847**	–	83,254,371
Provision on write-down (Note 23)	**94,913,207**	220,130,994	391,036,678
Reversal	–	(126,276,220)	(373,327,170)
Balance, December 31	**₱623,411,093**	₱377,997,039	₱284,142,265

10. Prepayments and Other Current Assets

	2022	2021
Advances to suppliers	**₱2,066,499,727**	₱1,903,333,201
Prepaid taxes	**339,683,582**	249,390,397
Input value-added tax (VAT)	**290,365,616**	384,290,330
Prepaid insurance	**18,603,189**	10,670,666
Prepaid rent	**9,736,083**	6,451,772
Others	**85,547,583**	80,473,526
	2,810,435,780	2,634,609,892
Allowance for VAT claims	**(8,217,485)**	(14,834,985)
	₱2,802,218,295	₱2,619,774,907

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

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

Deferred input VAT pertains to input VAT on accumulated purchases of property, plant and equipment amounting to ₱1.00 million or more.

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.

The Group recognized provision for impairment on input VAT amounting to nil, ₱31.0 million and ₱9.3 million in 2022, 2021 and 2020, respectively, as disclosed in Note 23.

Movement in the allowance for VAT claims are as follows:

	2022	2021	2020
Balance, January 1	**₱14,834,985**	₱6,987,429	₱12,003,841
Provision (Note 23)	–	31,047,893	9,316,412
Write off	**(6,617,500)**	(23,200,337)	(14,332,824)
Balance, December 31	**₱8,217,485**	₱14,834,985	₱6,987,429

Others include advance payments related to maintenance on software and system used by the Group and biological assets which comprise fingerlings and mature milk fish.

Movements of the carrying amounts of the biological assets are shown below:

	2022	2021
Balance, January 1	**₱–**	₱65,726,630
Purchased fingerlings	**8,396,572**	44,736,192
Consumed feeds	**37,401,558**	(150,000)
Direct labor	**1,581,640**	(1,802,394)
Overhead	**5,866,567**	(2,041,504)
Total cost	**53,246,338**	106,468,924
Decreases due to harvest	**(43,683,753)**	(106,468,924)
Balance, December 31	**₱9,562,584**	₱–

11. Goodwill and Intangible Assets

	2022	2021
Goodwill	**₱2,915,325,199**	₱2,915,325,199
Trademarks	**2,209,694,668**	490,039,373
Licensing agreement	**423,144,846**	444,660,696
	₱5,548,164,713	₱3,850,025,258

Goodwill

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

Based on Management review of recoverable amount, goodwill arising from the acquisition of CPAVI is not impaired in 2022, 2021 and 2020. Meanwhile, the goodwill arising from the acquisition of CIC and CST was fully impaired as at December 31, 2022 and 2021.

The Group performs an impairment review on goodwill annually. The structure of the impairment review is at CGU level.

Licensing Agreement
In 2017, CPFI has acquired the Philippine license for the Hunt's brand from Hunt-Universal Robina Corporation ("HURC"). HURC is a joint venture corporation of Universal Robina Corporation ("URC") and ConAgra Grocery Products Company, LLC for the purpose of the manufacture, sell and distribute of Hunt's licensed products.

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

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

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

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

The total consideration paid to ConAgra and URC for the Hunt's business amounted to ₱573.5 million comprising payments for the license, asset purchase and compensation. Total consideration has been allocated to the identifiable assets on the basis of the relative fair values at acquisition date as follows:

	Amount
Plant, machinery and equipment	₱35,651,000
Intangible asset on licensing agreement	537,896,000
Identifiable assets acquired	₱573,547,000

No goodwill resulted from the acquisition of Hunt's business.

In 2022 and 2021, the remaining useful life of the intangible asset acquired is 19.33 years and 20.33 years, respectively.

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

	2022	2021
Cost		
Beginning and ending balance	**₱537,896,000**	₱537,896,000
Accumulated Depreciation		
Beginning balance	**93,235,307**	71,719,467
Amortization	**21,515,840**	21,515,840
Ending balance	**114,751,147**	93,235,307
Carrying Amount	**₱423,144,853**	₱444,660,693

As at December 31, 2022, 2021 and 2020, royalty fee expense to ConAgra amounted to ₱22.1 million, ₱21.4 million, and ₱21.6 million (see Note 22).

Management believes that there are no impairment indicators on its intangible assets in 2022 and 2021.

Trademarks

In July 2008, the Group purchased Kaffe de Oro and Home Pride trademarks amounting to ₱40.0 million from General Milling Corporation (GMC) owned and registered with the Intellectual Property Office.

In 2016, the Group acquired the "KAMAYAN" trademark from Concentrated Foodline Corporation for a total purchase price of USD1.3 million or ₱61.5 million. The deed of assignment for the said trademark was dated August 17, 2016 and the purchase price was paid in full in the same year.

In April 2021, the Group acquired the "Swift" trademark as a result of the acquisition of PMCI (see Note 1).

The Group has recognized nil, nil and ₱34.7 million impairment loss on trademarks in 2022, 2021 and 2020 respectively as disclosed in Note 23.

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

Royalties

The Group has royalty agreement with All Market Singapore Inc., with royalty fee of ₱12.9 million, ₱7.6 million and ₱8.5 million in 2022, 2021 and 2020, respectively. Furthermore, the Group has also trademark licensing agreement with Shakey's Pizza Asia Ventures, Inc., with royalty fees of ₱1.7 million and ₱1.5 million in 2022 and 2021, respectively (see Note 22).

Acquisition of "Ligo" Assets

In March 2022, the Group and CPGI entered into an Asset Purchase Agreement (Agreement) to purchase and acquire the operational assets of A. Tung Chingco Manufacturing Corporation, Dragon Land Holdings Corp., Gold Star Seafoods and their other related parties (collectively "ATCMC Group"). The Agreement involved assets related to the manufacturing of 'Ligo's' product line up, which is composed of shelf-stable marine products.

The Agreement was accounted for as acquisition of group of assets and the purchase price was allocated to the respective assets based on their relative fair values. The Group recognized the "Ligo" trademark while CPGI recognized the other "Ligo" assets such as land and property, plant and equipment (e. g., buildings, improvements, equipment, machineries, and other fixed assets). The increase in the value of trademark as of December 31, 2022 represents the acquisition cost of the acquired "Ligo" trademark.

12. **Right of Use Asset**

	Warehouse	Office Space	Equipment	Plant	Total
Cost					
Balance January 1, 2021	₱700,789,353	₱48,217,155	₱282,360,418	₱177,469,378	₱1,208,836,304
Additions	470,578,869	23,291,723	224,562,149	139,900,732	858,333,473
Termination	(129,788,074)	–	(84,606,878)	(9,487,642)	(223,882,594)
Balance, December 31, 2021	1,041,580,148	71,508,878	422,315,689	307,882,468	1,843,287,183
Additions	258,429,279	4,564,353	46,530,621	101,697,736	411,221,989
Termination	(89,789,242)	(876,771)	(99,657,337)	–	(190,323,350)
Balance, December 31, 2022	**1,210,220,185**	**75,196,460**	**369,188,973**	**409,580,204**	**2,064,185,822**
Accumulated Depreciation					
Balance January 1, 2021	282,031,073	17,484,833	155,162,901	75,857,413	530,536,220
Depreciation	140,923,980	10,205,708	58,579,763	25,484,774	235,194,225
Termination	(129,245,989)	–	(82,338,783)	(9,537,711)	(221,122,483)
Balance December 31, 2021	293,709,064	27,690,541	131,403,881	91,804,476	544,607,962
Depreciation	232,007,430	10,691,399	40,466,612	30,782,389	313,947,830
Termination	(89,789,242)	(876,770)	(95,356,549)	–	(186,022,561)
Balance, December 31, 2022	**435,927,252**	**37,505,170**	**76,513,944**	**122,586,865**	**672,533,231**
Carrying Amount					
December 31, 2022	**₱774,292,933**	**₱37,691,290**	**₱292,675,029**	**₱286,993,339**	**₱1,391,652,591**
Carrying Amount					
December 31, 2021	₱747,871,084	₱43,818,337	₱290,911,808	₱216,077,992	₱1,298,679,221

Management believes that there are no impairment indicators on its right-of-use assets as at December 31, 2022, 2021 and 2020.

Amounts recognized in profit or loss

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

	2022	2021	2021
Cost of goods sold	**₱199,706,445**	₱147,389,023	₱150,770,805
Operating expenses	**90,855,443**	78,474,137	98,609,155
Other expenses	**23,385,9423**	9,331,065	7,410,318
Total amortization	**₱313,947,83031**	₱235,194,225	₱256,790,278

13. **Property, Plant and Equipment**

	Land Improvements	Building and Building Improvement	Plant Machinery and Equipment	Office Furniture, Fixtures and Equipment	Laboratory, Tools and Equipment	Transportation and Delivery Equipment	Construction in Progress	Total
Cost								
Balance, January 1, 2021	₱58,146,005	₱3,296,881,959	₱7,065,207,715	₱79,603,973	₱563,231,891	₱130,685,219	₱462,700,178	₱11,656,456,940
Additions	–	59,366,992	678,234,714	7,812,179	62,622,764	43,359,981	1,451,147,305	2,302,543,935
Reclassifications	–	387,279,600	846,919,816	7,858,967	12,569,835	80,977	(1,254,709,195)	–
Disposals	–	(13,600,881)	(33,842,935)	(711,950)	(10,195,053)	(7,722,443)	**–**	(66,073,262)
Balance, December 31, 2021	**58,146,005**	**3,729,927,670**	**8,556,519,310**	**94,563,169**	**628,229,437**	**166,403,734**	**659,138,288**	**13,892,927,613**
Additions	**2,700**	**174,094,520**	**792,037,057**	**7,010,066**	**75,564,837**	**18,757,350**	**323,456,656**	**1,390,923,186**
Reclassifications	**867,881**	**92,513,438**	**392,198,158**	**1,640,976**	**21,576,211**	**2,784,943**	**(511,581,607)**	–
Disposals	**–**	**(1,401,189)**	**(8,492,389)**	**(495,250)**	**(27,645,516)**	**(12,905,820)**	**4,816,684**	**(46,123,480)**
Balance, December 31, 2022	**59,016,586**	**3,995,134,439**	**9,732,262,136**	**102,718,961**	**697,724,969**	**175,040,207**	**475,830,021**	**15,237,727,319**
Accumulated Depreciation and Impairment Losses								
Balance, January 1, 2021	50,212,767	901,518,640	2,856,872,408	61,932,683	407,057,761	88,105,788	–	4,365,700,047
Depreciation	1,997,706	196,519,391	714,357,336	11,381,748	69,853,858	20,738,483	–	1,014,848,522
Reclassification	–	16,781,394	(17,001,257)	–	219,863	–	–	**–**
Disposal	–	(13,374,028)	(31,228,007)	(661,511)	(9,258,480)	(7,384,777)	–	(61,906,803)
Balance, December 31, 2021	**52,210,473**	**1,101,445,397**	**3,523,000,480**	**72,652,920**	**467,873,002**	**101,459,494**	**–**	**5,318,641,766**
Depreciation	**1,439,430**	**217,518,050**	**837,879,203**	**11,329,687**	**78,260,896**	**22,651,894**	**–**	**1,169,079,160**
Reclassifications	**–**	**(46,098)**	**(2,312,848)**	**(136,089)**	**138,207**	**2,356,828**	**–**	–
Disposal	**–**	**(886,505)**	**(7,390,175)**	**(494,680)**	**(24,426,783)**	**(10,611,923)**	**–**	**(43,810,066)**
Balance, December 31, 2022	**53,649,903**	**1,318,030,844**	**4,351,176,660**	**83,351,838**	**521,845,322**	**115,856,293**	**–**	**6,443,910,860**
Carrying Amounts As at December 31, 2022	**₱5,366,683**	**₱2,677,103,595**	**₱5,381,085,476**	**₱19,367,123**	**₱175,879,647**	**₱59,183,924**	**₱475,830,021**	**₱8,793,816,459**
Carrying Amounts As at December 31, 2021	₱5,935,532	₱2,628,482,273	₱5,033,518,830	₱21,910,249	₱160,356,435	₱64,944,240	₱659,138,288	₱8,574,285,847

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

	2022	2021	2020
Cost of goods sold (Note 20)	**₱1,109,397,202**	₱927,408,467	₱770,227,299
Operating expenses (Note 22)	**59,673,172**	60,061,937	57,608,710
Reimbursable expenses	**8,786**	27,378,118	6,887
	₱1,169,079,160	₱1,014,848,522	₱827,842,896

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

The Group recognized gain on sale of certain equipment amounting to ₱1.8 million, ₱4.2 million, and ₱2.8 million in 2022, 2021 and 2020, respectively, as disclosed in Note 21.

Management believes that there are no impairment indicators on its property, plant and equipment as at December 31, 2021 and 2022.

14. Other Noncurrent Assets

	2022	2021
Security deposits (Note 30)	**₱147,044,018**	₱71,438,731
Deposits for containers	**32,885,250**	32,352,573
Deposits on utilities	**31,985,871**	8,346,166
Revolving funds	**12,978,180**	17,883,374
	₱224,893,319	₱130,020,844

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

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

Deposits on utilities pertain to deposits to various utility providers and refundable upon termination of the related utility services.

Revolving funds are provided to the service provider and this will be refunded upon termination of the related services.

15. Short-Term Loans Payable and Long-term Borrowings

Short-term loans

	2022	2021
Balance at beginning of year	**₱2,800,000,000**	₱1,949,466,680
Availments	**5,010,000,000**	5,800,000,000
Payments	**(3,170,000,000)**	(4,949,466,680)
Balance at end of year	**₱4,640,000,000**	₱2,800,000,000

The Group acquired several short-term loans amounting to ₱5,010.0 million and ₱5,800.0 million as at December 31, 2022 and 2021, respectively, with interest ranging from 2.10% to 5.70% per annum in 2022 and 1.95% to 3.0% per annum in 2021.

Interest expense pertaining to short-term loans amounting to ₱94.0 million, ₱65.0 million, and ₱93.3 million was recognized in 2022, 2021 and 2020, respectively.

Long-term Borrowings

	2022	2021
Balance at beginning of year	**₱1,991,891,353**	1,584,000,000
Availments	**1,191,000,000**	1,985,000,000
Payments and amortization	**(8,677,358)**	(1,577,108,647)
Balance at end of year	**3,174,213,995**	1,991,891,353
Less current portion	**9,390,325**	9,764,285
Noncurrent portion	**₱3,164,823,670**	₱1,982,127,068

Movement of the Group’s debt issuance cost is as follows:

	2022	2021
Balance at beginning of year	**₱8,108,647**	₱–
Additions	**9,000,000**	15,000,000
Amortization	**(11,322,642)**	(6,891,353)
Balance at end of year	**₱5,786,005**	₱8,108,647

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

On March 18, 2022, the Group entered into a ₱1.2 billion, ten-year term loan with Bank of the Philippine Islands (BPI) to finance capital expenditures for business expansion.

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

	Loan 1	Loan 2	Loan 3
Principal	₱1,000.0 million	₱1,000.0 million	₱1,200.0 million
Date	April 5, 2021	May 5, 2021	March 18, 2022
Interest rate	a. Fixed pricing for the initial five-year period ("5Y initial interest rate"): The higher of (i) 5-year BVAL on the relevant interest settling date plus a spread of 0.80% p.a. and (ii) 3.90% p.a. b. Subject to the repricing at the end of the 5th year, at the higher of (i)5Y interest rate; and (ii)5-year BVAL rate at the repricing date plus a spread of 0.80% p.a.	a. Fixed pricing for the initial five-year period("5Y initial interest rate"): 4.04% p.a. b. Subject to the repricing at the end of the 5th year, at the higher of: (i) 5Y interest rate; and (ii) 5-year BVAL at the repricing date plus a spread of 0.80% p.a.	a. From 1Y to 3Y equivalent to thehigher of: (1) the3 day average of the 3-year PHP BVAL + 0.30% spread per annum; and (2) 3.50 per annum b. From 4Y to 6Y equivalent to the higher of: (1) the 3 day average ofthe 3-year PHP BVAL + 0.50% spread per annum; and (2) 3.50 per annum c. From 7Y to maturity date equivalent to the higher of: (1) the3 day average ofthe 4-year PHP BVAL + 0.50% spread per annum; and (2) 3.50 per annum
Prepayment penalty	The Borrower may, subject to the penalty of 3% for Peso Borrowing and 1% for Foreign Borrowing, prepay the Term Loan in part or full together with accrued interest thereof to prepayment date.		
Principal payment	Semi-annual	Semi-annual	Annual

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

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

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

The Group is also required to maintain a maximum of debt-to-equity ratio which shall be at 3:1 and minimum debt service coverage (DSC) ratio of 1.05x. DSC of the Group is 23.49x and 23.26x as of December 31, 2022 and 2021, respectively.

As at December 31, 2022 and 2021, the Group is in compliance with the aforementioned covenants.

Interest expense pertaining to long-term loans amounted to ₱119.5 million, ₱88.3 million, and ₱122.3 million in 2022, 2021 and 2020, respectively.

Total finance costs incurred on these loans amounted to ₱224.8 million, ₱153.3 million, and ₱215.6 million in 2022, 2021 and 2020, respectively, as presented in the consolidated statements of comprehensive income.

Total accrued interest on these loans amounted to ₱39.4 million and ₱19.0 million as at December 31, 2022 and 2021, respectively, as part of accrued expenses.

16. Trade and Other Payables

	2022	2021
Trade payables to third parties	**₱3,339,891,514**	₱3,934,653,873
Accrued expenses	**5,620,272,133**	4,674,999,725
Withholding taxes payable	**218,827,436**	202,318,588
Non-trade payables	**341,895,248**	240,154,473
Others	**276,198,692**	52,514,577
Total	**₱9,797,085,024**	₱9,104,641,236

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

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

Details of accrued expenses are shown below:

	2022	2021
Product-related costs	**₱3,149,755,908**	₱2,130,438,524
Advertising and promotion	**2,026,964,694**	2,095,657,177
Professional services and other fees	**257,407,685**	265,557,558
Employee benefits	**44,861,719**	88,881,437
Rent	**51,606,401**	35,483,892
Interest (Note 15)	**39,423,918**	18,952,943
Utilities	**8,564,641**	4,971,792
Others	**41,687,167**	35,056,402
	₱5,620,272,133	₱4,674,999,725

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

17. Retirement Benefit Obligation

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

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

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

As at December 31, 2022, 2021 and 2020, the Group's retirement fund has investments in various shares of stocks under the stewardship of a reputable bank. All of the Fund's investing decisions are made by the Board of Trustees which is composed of certain officers of the Group. The power to exercise the voting rights rests with the Board of Trustees.

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

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

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

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

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

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation were carried out by an independent actuary for the year ended December 31, 2022.

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

The principal assumptions used for the purpose of the actuarial valuation as at December 31, 2022, 2021 and 2020 were as follows:

	2022		2021		2020	
	Discount Rate	**Expected Rateof Salary Increase**	Discount Rate	Expected Rateof Salary Increase	Discount Rate	Expected Rateof Salary Increase
CPFI	**7.32%**	**6.00%**	3.95%	6.00%	5.24%	4.00%
GTC	**7.35%**	**6.00%**	3.95%	6.00%	5.24%	4.00%
CPAVI	**7.38%**	**6.00%**	3.95%	6.00%	5.24%	4.00%
PMCI	**7.39%**	**6.00%**	–	–	–	–
SMDC	–	–	–	–	5.24%	4.00%

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

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

	2022	2021	2020
Service costs:			
Current service cost	**₱114,092,161**	₱120,557,846	₱62,800,854
Net interest expense	**22,392,637**	33,551,212	7,287,037
Components of defined benefit costs recognized in profit or loss	**136,484,798**	154,109,058	70,087,891
Remeasurement on the net defined benefit asset:			
Loss on plan assets (excluding amounts included in net interest expense)	**62,505,072**	41,958,949	15,795,087
Effect of asset ceiling	**2,341,551**	–	6,148,440
Actuarial (gains) losses:			
from changes in financial assumption	**(234,457,464)**	(147,661,400)	305,713,517
from changes in experience adjustment	**(32,512,637)**	9,895,495	109,744,993
Components of defined benefit costs recognized in other comprehensive income	**(202,123,478)**	(95,806,956)	437,402,037
	(₱65,638,680)	₱58,302,102	₱507,489,928

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

Net Retirement Asset

	2022
Present value of retirement benefit obligation	₱5,582,272
Fair value of plan assets	₱15,052,242
Present value of retirement benefit obligation	(5,582,272)
Effect of the asset ceiling	(2,341,551)
Retirement asset - net	₱7,128,419

Net Retirement Obligation

	2022	2021
Present value of retirement benefit obligation	**₱822,933,356**	₱976,188,800
Fair value of plan assets	**(550,054,859)**	(467,412,274)
Retirement benefit obligation - net	**₱272,878,497**	₱508,776,526

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

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

	2022	2021
Balance, January 1	**₱976,188,800**	₱947,256,761
PMCI acquisition	**–**	20,370,554
Current service cost	**114,092,161**	120,557,846
Interest cost	**49,433,648**	40,741,357
Benefits paid	**(44,228,880)**	(14,971,813)
Remeasurement loss/(gain):		
from changes in financial assumption	**(234,457,464)**	(147,661,400)
from changes in experience adjustment	**(32,512,637)**	9,895,495
Balance, December 31	**₱828,515,628**	₱976,188,800

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

	2022	2021
Balance, January 1	**₱467,412,274**	₱334,502,872
PMCI acquisition	**–**	5,090,987
Contributions paid into the plan	**177,559,032**	177,559,032
Benefits paid	**(44,228,880)**	(14,971,813)
Interest income	**27,041,011**	7,190,145
Return on plan assets (excluding amounts included in net interest expense/income)	**(62,505,072)**	(41,958,949)
Others	**(171,264)**	–
Balance, December 31	**₱565,107,101**	₱467,412,274

The following is the composition of plan assets as at the December 31, 2022 and 2021:

	2022	2021
Cash and cash equivalents	**₱35,714,769**	₱2,943,618
Debt instruments - government bonds	**315,386,273**	334,824,908
Debt instruments - other bonds	**61,314,120**	9,251,372
Unit investment trust funds	**152,212,518**	108,913,879
Others	**479,421**	11,478,497
	₱565,107,101	₱467,412,274

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

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

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

Actual return on plan assets as at December 31, 2022 and 2021 are as follows:

	2022	2021
Interest income	**₱27,041,011**	₱7,190,145
Remeasurement loss	**(62,505,072)**	(41,958,949)
Actual return	**(₱35,464,061)**	(₱34,768,804)

Movements in the OCI relating to retirement obligation for 2022, 2021 and 2020 are as follows:

	2022	2021	2020
Accumulated OCI, beginning	**₱497,556,194**	₱593,363,150	₱155,960,213
Actuarial losses on DBO	**(266,970,101)**	(137,765,905)	415,458,510
Remeasurement losses on plan assets	**62,505,072**	41,958,949	15,795,987
Effect of asset ceiling	**2,341,551**	–	6,148,440
	(202,123,478)	(95,806,956)	437,402,937
Accumulated OCI, end	**₱295,432,716**	₱497,556,194	₱593,363,150

Amounts of OCI, net of tax recognized in the consolidated statements of comprehensive income for 2022, 2021 and 2020 are computed below:

	2022	2021	2020
Actuarial (gain) / losses on DBO	**(₱266,970,101)**	(₱137,765,905)	₱415,458,510
Remeasurement losses on plan assets	**62,505,072**	41,958,949	15,795,087
Effect of asset ceiling	**2,341,551**	–	6,148,440
	(202,123,478)	(95,806,956)	437,402,037
Effect of CREATE law	–	23,399,092	–
Deferred tax	**40,514,925**	18,572,359	(116,686,291)
OCI, net of tax	**(₱161,608,553)**	(₱53,835,505)	₱320,715,746

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

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

	Expected contribution	Duration of the plan(in years)
CPFI	₱41,889,504	12.5
PMCI	5,712,336	17.5
GTC	16,171,860	13.1
CPAVI	13,290,468	16.1

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as at December 31, 2022 and 2021:

	Impact on post-employment defined benefit obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
2022			
CPFI			
Discount rate	+/- 1%	**(₱63,877,730)**	**₱75,143,388**
Salary increase rate	+/- 1%	**75,387,431**	**(65,178,286)**
PMCI			
Discount rate	+/- 1%	**(867,703)**	**1,085,794**
Salary increase rate	+/- 1%	**1,090,225**	**(885,325)**
GTC			
Discount rate	+/- 1%	**(8,216,688)**	**9,803,253**
Salary increase rate	+/- 1%	**9,838,325**	**(8,384,846)**
CPAVI			
Discount rate	+/- 1%	**(4,924,694)**	**6,150,718**
Salary increase rate	+/- 1%	**6,175,159**	**(5,024,369)**
2021			
CPFI			
Discount rate	+/- 1%	(₱84,803,159)	₱101,402,687
Salary increase rate	+/- 1%	99,393,660	(84,847,517)
PMCI			
Discount rate	+/- 1%	(1,856,335)	2,349,378
Salary increase rate	+/- 1%	2,302,280	(1,857,752)
GTC			
Discount rate	+/- 1%	(13,767,854)	11,279,819
Salary increase rate	+/- 1%	13,496,674	(11,288,591)
CPAVI			
Discount rate	+/- 1%	(8,445,650)	10,764,141
Salary increase rate	+/- 1%	10,546,604	(8,451,350)

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

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

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

18. Equity

Share capital

	2022		2021	
	Number of Shares	**Amount**	Number of Shares	Amount
Authorized:				
At P1 par value	**6,000,000,000**	**₱6,000,000,000**	6,000,000,000	₱6,000,000,000
Issued, fully-paid and outtstanding:				
Balance, January 1	**3,542,258,595**	**₱3,542,258,595**	3,542,258,595	₱3,542,258,595
Issuance	**–**	**–**	–	–
Balance, December 31	**3,542,258,595**	**₱3,542,258,595**	3,542,258,595	₱3,542,258,595

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

Share premium as at December 31, 2022 and 2021 amounted to ₱4,936.9 million which pertains to the excess proceeds from issuance of share capital over the par value, net of issuance cost.

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

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

On December 21, 2022, the BOD authorized to appropriate retained earnings for capital expenditures, which is expected to be completed in 2023, specifically for the construction of a new tuna plant, corporate projects, and other projects in connection with the canned meat, sardines, and mixed business of the Parent Company and its subsidiaries. Appropriations as at December 31, 2022 and 2021 are as follows:

	2022	2021
CPFI	**₱4,236,038,578**	₱1,700,000,000
CPAVI	**1,500,000,000**	285,762,849
CPFPVI	**1,200,000,000**	266,813,500
GTC	**1,500,000,000**	479,023,358
AWI	**300,000,000**	300,000,000
Balance, December 31	**₱8,736,038,578**	₱3,031,599,707

Appropriations in 2021 was reversed upon completion of the project in 2022. In 2022, the appropriations pertains to the 2023 capital expenditures.

Retained earnings

Retained earnings include the accumulated equity in undistributed net earnings of consolidated subsidiaries amounting to ₱78.5 million, and ₱72.0 million as of December 31, 2022 and 2021, respectively, which are not available for dividend declaration by the Parent Company until these are declared by the investee companies. The Group's retained earnings as of December 31, 2022 and 2021 also includes gain on acquisition of a subsidiary amounting to ₱41.1 million which is not available for dividend declaration (see Note 27).

19. **Net Sales**

	2022	2021	2020
Sales	**₱70,042,486,406**	₱61,593,444,681	₱54,962,504,209
Sales discount	**(3,958,461,644)**	(3,532,113,523)	(3,150,546,558)
Variable considerations	**(1,398,228,397)**	(1,362,905,020)	(1,144,916,550)
Considerations payable to a customer	**(2,426,876,121)**	(1,988,270,884)	(2,365,300,017)
	₱62,258,920,244	₱54,710,155,254	₱48,301,741,084

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

	2022	2021	2020
Variable Considerations:			
Sales returns	**₱744,697,145**	₱740,198,406	₱538,232,250
Contractual trade terms	**505,219,931**	409,709,929	425,849,701
Price adjustments	**65,768,579**	121,086,657	60,530,573
Prompt payment discount	**82,542,742**	91,910,028	120,304,026
	₱1,398,228,397	₱1,362,905,020	₱1,144,916,550
Considerations Payableto a Customer:			
Trade promotions	**₱2,059,092,614**	₱1,735,434,869	₱2,120,921,527
Display allowance	**97,643,592**	122,906,442	88,470,922
Distribution program	**244,367,265**	59,170,603	46,987,541
Other trade promotions	**25,772,650**	70,758,970	108,920,027
	₱2,426,876,121	₱1,988,270,884	₱2,365,300,017

20. **Cost of Goods Sold**

	2022	2021	2020
Raw materials used	**₱42,766,124,375**	₱35,095,974,527	₱34,940,027,618
Direct labor	**1,974,029,524**	1,828,041,256	2,078,533,942
Factory overhead			
Supplies	**1,597,996,728**	1,070,027,368	978,687,602
Depreciation (Notes 12 and 13)	**1,309,010,330**	1,074,797,490	920,998,104
Outside manpower services	**663,733,986**	697,640,273	528,396,099
Utilities	**640,974,024**	535,815,072	504,252,162
Compensation (Note 17)	**599,684,245**	465,360,335	413,783,823

(Forward)

	2022	2021	2020
Rental and storage fee	**₱361,301,467**	₱411,520,725	₱321,690,086
Provisions for slow moving inventories (Note 109)	**150,500,847**	–	74,267,890
Repairs and maintenance	**80,870,838**	115,506,372	88,418,402
Insurance	**68,008,936**	91,435,125	88,693,141
Freight trucking	**43,083,232**	31,979,216	26,305,725
Travel	**35,966,704**	23,086,055	34,200,981
Professional fees	**32,052,328**	26,480,866	34,051,318
Toll packing fees	**30,735,150**	92,326,997	57,354,697
Taxes and licenses	**11,302,794**	13,574,333	11,655,051
Miscellaneous	**69,341,313**	196,659,635	13,276,907
Total manufacturing cost	**50,434,716,821**	41,770,225,645	41,114,593,548
Changes in finished goods and work in-process	**(2,549,554,189)**	188,132,614	(4,740,559,127)
	₱47,885,162,632	₱41,958,358,259	₱36,374,034,421

21. **Other Income**

	2022	2021	2020
Foreign currency gain -net	**₱409,288,365**	₱118,867,076	₱–
Gain from sale of scrap	**144,182,612**	79,394,940	107,664,525
Reversal of accruals	**121,704,066**	107,629,495	107,184,824
Recovery from insurance	**62,712,630**	–	–
Charges to suppliers	**45,932,957**	–	–
Service income (Note 25)	**8,062,094**	14,827,894	43,433,358
Gain on sale of property, plant and equipment	**746,662**	4,166,459	2,773,474
Reversal of allowance for inventory obsolescence (Note 9)	**–**	126,276,220	236,896,318
Gain on bargain purchase (Note 36)	**–**	41,071,822	–
Co-packing fee	**–**	27,960,019	24,779,436
Shared services fee (Note 25)	**–**	4,119,686	13,800,000
Others	**43,723,944**	27,115,337	43,949,945
	₱836,353,330	₱551,428,948	₱580,481,880

22. **Operating Expenses**

	2022	2021	2020
Advertising and trade promotion	**₱2,247,386,603**	₱2,073,734,006	₱1,918,652,901
Freight and handling	**2,329,478,038**	1,970,418,570	1,685,152,882
Salaries and employee benefits (Note 26)	**1,829,157,265**	1,623,403,959	1,422,494,782
Legal and professional fees	**637,342,063**	213,065,207	181,958,235
Taxes and licenses	**216,267,737**	228,223,739	139,911,379
Outside services	**233,455,306**	203,277,889	149,216,711
Travel and entertainment	**153,378,858**	129,021,492	110,237,103
Rent (Note 30)	**189,455,114**	122,411,520	105,042,504
Repairs and maintenance	**142,919,276**	121,466,767	110,952,789

(Forward)

	2022	2021	2020
Depreciation and amortization (Note 11, 12, and 13)	**₱172,044,455**	₱160,051,913	₱177,733,705
Supplies	**63,692,264**	66,171,978	64,300,244
Utilities	**69,207,595**	28,356,286	89,805,547
Royalties (Note 11)	**36,806,126**	30,537,456	30,169,950
Insurance	**31,130,495**	21,593,081	16,979,298
Fees and dues	**26,150,006**	24,618,732	10,956,722
Expected credit losses (Note 8)	**–**	–	9,270,257
Provisions for slow moving inventories (Note 9)	**–**	–	8,986,481
Others	**336,010,548**	47,849,291	118,990,352
	₱8,713,881,749	₱7,064,201,886	₱6,350,811,842

23. **Other Expenses**

	2022	2021	2020
Penalties and other taxes	**₱199,179,391**	₱18,065,268	₱50,531,194
Loss on inventory write-down (Note 9)	**94,913,207**	220,130,994	391,036,678
Documentary stamp tax	**36,433,970**	24,002,187	30,784,527
Input tax for government and exempt sales	**28,042,057**	7,936,764	10,441,225
Rent (Note 30)	**25,897,447**	12,072,389	2,810,543
Reimbursables	**9,139,115**	17,110,689	50,027,402
Bank charges	**6,767,595**	8,605,373	5,835,534
Provision on impairment of input tax (Note 10)	**–**	31,047,893	9,316,412
Foreign currency loss - net	**–**	–	174,174,228
Loss on impairment of trademark (Note 11)	**–**	–	34,700,000
Loss on disposal of property, plant and equipment (Note 13)	**–**	–	269,848
Others	**11,624,623**	41,603,608	43,673,106
	₱411,997,405	₱380,575,165	₱803,600,697

24. **Employee Benefits**

Aggregate employee benefits expense comprised of:

	2022	2021	2020
Cost of goods sold:			
Short-term benefits	**₱570,829,485**	₱443,415,447	₱393,977,584
Post-employment benefits (Note 17)	**28,854,761**	21,944,888	19,806,239
	599,684,246	465,360,335	413,783,823
Operating expenses:			
Short-term benefits	**1,720,435,028**	1,503,209,482	1,372,213,130
Post-employment benefits (Note 17)	**108,722,237**	120,194,477	50,281,652
	1,829,157,265	1,623,403,959	1,422,494,782
	₱2,428,841,511	₱2,088,764,294	₱1,836,278,605

25. **Related Party Transactions**

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

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

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

The summary of the Group's transactions and outstanding balances with related parties as at and for the years ended December 31, 2022 and 2021 are as follows:

	Amount of Transactions During the Year			Outstanding Receivable (Payable)	
Related Party Category	**2022**	2021	2020	**2022**	2021
Ultimate Parent Company					
Interest	**₱–**	₱1,250,000	₱–	**₱–**	₱–
Service fee (Note c)	**921,331**	160,416	107,746	**28,741**	47,379
Sale of fixed assets (Note e)	–	–	–	–	–
Cost reimbursements (Note c)	**126,093**	18,015,364	–	–	(19,816,900)
Rental expense (Note g)	**70,902,313**	68,954,185	68,106,971	**(5,231,197)**	(23,161,004)
Dividends (Note 29)	**803,304,000**	803,304,000	803,304,000	–	-
Miscellaneous deposit (Note g)	–	–	–	**18,324,508**	18,324,508
Cash advance (Note f)	–	300,000,000	–		–
Fellow Subsidiaries					
Shared services fee (Note d)	–	4,119,686	13,800,000	–	–
Sale of inventories (Note a)	**294,229,875**	245,506,197	341,424,585	**176,010,744**	93,977,223
Purchase of inventories (Note b)	**4,810,448**	32,623,226	80,036,909	**(16,422,446)**	(20,060,772)
Service fee (Note c)	**7,140,763**	14,667,478	43,325,612	**2,235,003**	6,287,486
Cost reimbursements (Note c)	**74,665,655**	67,850,087	27,205,209	**(4,265,194)**	(21,612,599)
Rental expense (Note g)	**3,407,722**	3,250,787	3,133,623	–	(289,862)
Miscellaneous deposit (Note g)	–	–	–	**849,150**	849,150
Royalty fee	**1,747,904**	–	–	–	–
Sale of property, plant and equipment (Note e)	–	5,255,487	774,719	–	–
Due from Related Parties				**₱197,448,146**	₱119,485,746
Due to Related Parties				**(₱25,918,837)**	(₱84,941,137)

Terms and conditions of transactions with related parties
Outstanding balances at year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. As at December 31, 2022 and 2021, no related party has recognized any impairment losses of receivables relating to amounts advanced to another related party. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

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

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

c. The Parent Company shares cost with its related parties relating to repairs and maintenance, supplies, fees and dues, utilities and other operating expenses. Service fee from related parties amounted to ₱8.1 million, ₱14.8 million and ₱43.4 million in 2022, 2021 and 2020, respectively, as disclosed in Note 23. Shared cost reimbursement from related parties amounted to ₱74.8 million, ₱85.9 million, and ₱27.2 million in 2022, 2021 and 2020, respectively.

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

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

   Shared services fee amounted to nil, ₱4,119,686 and ₱13,800,000 in 2022, 2021 and 2020, respectively, which is included in other income account in the consolidated statements of comprehensive income shown in Note 23.

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

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

g. In 2022, 2021 and 2020, the Group has a lease agreement with CPGI and RRC for the use of land, warehouses and office space as a lessee (see Notes 12 and 30).

   Total amount of receivables to the Ultimate Parent and Fellow Subsidiaries as at December 31, 2022 and 2021 amounted to ₱197.4 million and ₱119.5 million, respectively. Total amount of intercompany payables to Ultimate Parent and Fellow Subsidiaries as at December 31, 2022 and 2021 amounted to ₱25.9 million and ₱84.9 million, respectively.

Remuneration of Key Management Personnel
The remuneration of key management personnel of the Group are set out below in aggregate for each of the categories specified in PAS 24, *Related Party Disclosures*:

	2022	2021	2020
Short-term employee benefits	**₱918,366,553**	₱719,414,468	₱851,844,534
Post-employment benefit	**37,738,693**	17,433,729	26,293,802
	₱956,105,246	₱736,848,197	₱878,138,336

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

The Group has provided share-based payments to its key management employees for the years ended December 31, 2022 and 2021 as disclosed in Note 26. There are no declared availments in 2022 and 2021.

26. Share-Based Payments

Employee Stock Purchase Plan (ESPP)

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

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

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

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

As at December 31, 2022 and 2021, the aggregate number of shares that may be granted to any single individual during the term of the ESPP in the form of stock purchase plans shall be determined in the following capping of shares as follows:

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

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

	2022		2021	
	Number of share options	**Weighted average exercise price in PHP**	Number of share options	Weighted average exercise price in PHP
Outstanding at beginning and end of year	**4,213,145**	**₱14.41**	4,213,145	₱14.41
Exercisable at the end of the year	**4,213,145**		4,213,145	

Of the total shares available under the ESPP, employees subscribed to 1,229,700 shares at ₱14.10 per share, 400,000 at ₱16.54 per share, 1,059,200 shares at ₱14.82 per share and 1,367,200 shares at ₱13.75 per share for a total of ₱17,338,770, ₱6,616,000, ₱15,694,380 and ₱18,779,000 in 2017, 2016, 2015 and 2014. There were no share options offered for purchase or subscription from the management in 2022, 2021, and 2020. Accordingly, the share options have no expiry if the employee is eligible and will exercise the right to purchase or subscribe specified number of shares at a specified option price once offer is available.

27. Dividends

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

Year	Date of Declaration	Date of Record	Date of Payment	Dividends Per Share	Total Dividends
2022	June 30, 2022	July 29, 2022	August 15,2022	₱0.36	₱1,275,213,094
2021	April 6, 2021	April 12, 2021	May 6, 2021	₱0.36	₱1,275,213,094
2020	June 30, 2020	July 30, 2020	August 14, 2020	₱0.36	₱1,275,213,094

Of the total cash dividend declared, the dividends paid to CPGI in 2022 and 2021 amounted to ₱803,304,000 and ₱803,304,000 respectively.

28. Earnings Per Share

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

	2022	2021	2020
Profit for the year	**₱4,999,168,825**	₱4,673,016,414	₱3,879,443,853
Weighted average number of common shares	**3,542,258,595**	3,542,258,595	3,542,258,595
Basic and diluted earnings per share	**₱1.4113**	₱1.3192	₱1.0952

As at December 31, 2022, 2021, and 2020, the Parent Company has no potential dilutive shares, accordingly, basic earnings per share of ₱1.41, ₱1.32 and ₱1.10 in 2022, 2021, and 2020, respectively, are the same as diluted earnings per share.

29. Commitments and Contingencies

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

The credit facilities extended to the Group as at December 31, 2022 included a surety provision where loans obtained by the Group and its related parties, CPGI and PMCI, are covered by cross-corporate guarantees. As at December 31, 2022, the total credit line facility amounted to ₱10,551,000,000 of which ₱4,800,000,000 is already used, as disclosed in Note 15.

Capital Commitments
As at December 31, 2022 and 2021, the Group has construction-in progress relating to its ongoing civil works and installation of new machinery and equipment as part of the plant expansion and upgrade of the Group. The construction is expected to be completed in 2023 and has remaining estimated costs to complete as follows:

	2022	2021
CPAVI	**₱258,456,975**	₱484,718,428
CPFI	**165,841,072**	290,895,082
GTC	**17,158,543**	298,071,275
	₱441,456,590	₱1,073,684,785

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

Contingencies
As at April 11, 2023, there are legal claims against the Group which have not yet been resolved. In the opinion of management and the Group's outside legal counsel, the ultimate resolution of these claims will not have a material effect on the Group'sfinancial position and financial performance.

30. Lease Agreements the Group as a Lessee

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

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

	2022	2021	2020
Cost of goods sold - rental expense	**₱203,792,048**	₱172,920,475	₱321,690,086
Operating expenses – rental expense	**189,455,114**	122,411,520	105,042,504
Other expenses – rental expense	**25,897,447**	12,072,389	2,810,543
	₱419,144,609	₱307,404,384	₱429,543,133

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

	2022	2021
Within one year	**₱489,605,191**	₱382,939,799
More than 1 year to 2 years	**419,873,388**	387,118,841
More than 2 years to 3 years	**346,818,300**	346,672,949
More than 3 years to 4 years	**304,552,278**	331,746,901
More than 4 years to 5 years	**279,907,063**	367,526,808
More than 5 years	**1,164,298,913**	1,371,753,418
	₱3,005,055,133	₱3,187,758,716

Presented in the consolidated statements of financial position as:

	2022	2021
Current	**₱293,030,338**	₱247,628,625
Noncurrent	**1,248,956,896**	1,164,210,050
	₱1,541,987,234	₱1,411,838,675

The rollforward analysis of lease liabilities follows:

	2022	2021
Balance at beginning of year	**₱1,411,838,675**	₱737,049,381
Additions	**406,921,200**	855,573,363
Interest expense	**90,364,260**	143,541,570
Payments	**(367,136,901)**	(324,325,639)
Balance at end of year	**₱1,541,987,234**	₱1,411,838,675

Interest rates underlying all obligations are fixed at respective contract dates ranging from 3.125% to 8.88% and 3.16% to 7.32% in 2022 and 2021, respectively. Total finance cost for these leases was included as part of finance costs presented in the consolidated statements of comprehensive income.

As at December 31, 2022 and 2021, total security deposits recognized in the consolidated statements of financial position as part of noncurrent assets amounted to ₱86,848,435 and ₱71,438,731, respectively (see Note 14).

31. Income Taxes

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

	2022	2021	2020
Current tax expense	**₱981,492,487**	₱745,476,750	₱1,515,088,355
Deferred tax benefit (Note 32)	**(203,104,533)**	149,420,870	(266,701,059)
	₱778,387,954	₱894,897,620	₱1,248,387,296

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

	2022	2021	2020
Tax on pretax income at statutory tax rate	**₱1,444,389,195**	₱1,391,978,509	₱1,538,349,347
Tax effects of:			
Effects of using OSD instead of itemized deductions	**(305,508,673)**	(235,080,123)	(235,108,756)
Income under income tax holiday	**(293,206,308)**	(254,421,316)	(77,803,837)
Income subject to lower tax rates	**(276,699,903)**	(226,263,007)	–
Non-deductible expenses	**218,509,394**	192,848,077	39,319,548
Effects of previously unrecognized deferred tax asset	**(4,500,000)**	43,193,910	(111,316)
Nontaxable income	**(2,827,058)**	(4,445,209)	(5,371)
Interest income subject to final tax	**(1,768,693)**	(944,301)	(10,193,718)
Adjustment on the effect of CREATE	–	(11,968,920)	–
Income exempted from income tax	–	–	(6,058,601)
	₱778,387,954	₱894,897,620	₱1,248,387,296

32. **Deferred Taxes**

Net deferred tax assets as at December 31, 2022 and 2021 comprise the following:

	2022	2021
Deferred tax assets	**₱737,325,600**	₱566,545,242
Deferred tax liabilities	**(18,762,671)**	(25,594,587)
	₱718,562,929	₱540,950,655

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

	2022	2021
Deferred tax assets recognized in the profit and loss:		
Provisions	**₱451,315,896**	₱309,599,097
Allowance for write-down of inventory	**120,125,861**	74,464,209
Lease liabilities - net	**43,722,403**	26,215,951
Allowance for doubtful accounts	**6,552,492**	4,673,429
Unrealized foreign currency loss	**1,951,821**	–
NOLCO	**16,763,076**	1,820,567
MCIT	**4,701,430**	5,602,786
Allowance for impairment	–	1,629,321
	645,132,979	424,005,360

(Forward)

	2022	2021
Deferred tax liabilities:		
Gain in changes in fair value	**(₱17,041,918)**	(₱17,041,918)
Unrealized foreign exchange gain	**(274,252)**	(6,525,507)
Debt issuance cost	**(1,446,501)**	(2,027,162)
	(18,762,671)	(25,594,587)
Deferred tax asset recognized directly in equity:		
Post-employment benefit obligation	**92,192,621**	142,539,882
	₱718,562,929	₱540,950,655

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

Year Incurred	Expiration	Amount	Applied in Previous Year/s	Expired	Applied in Current Year	Unapplied
2020	2025	₱460,832	₱–	₱–	₱–	₱460,832
2021	2026	6,954,944	–	–	–	6,954,944
2022	2025	59,636,528	–	–	–	59,636,528
		₱67,052,304	₱–	₱–	₱–	₱67,052,304

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

Year Incurred	Expiration	Amount	Applied in Previous Year/s	Expired	Applied in Current Year	Unapplied
2022	2025	₱989,069	₱–	₱–	₱–	₱989,069
2021	2024	2,618,397	–	–	–	2,618,397
2020	2023	1,093,964	–	–	–	1,093,964
2019	2022	1,890,425	–	(1,890,425)	–	–
		₱6,591,855	₱–	₱1,890,425	₱–	₱4,701,430

33. **Fair Value of Financial Instruments**

As of December 31, 2022 and 2021, the carrying amounts approximate the fair values for the Group's financial assets and liabilities due to its short-term maturities except as follows:

	2022		2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Liability for which fair value is disclosed-				
Borrowings	**₱7,814,213,995**	**₱6,892,812,472**	₱4,791,891,353	₱4,670,417,509

The fair value of borrowings was obtained by discounting the instrument's expected cash flows using prevailing market rates ranging from 7.21% to 7.60% as at December 31, 2022 and 1.91% to 5.92% as at December 31, 2021. Fair value category is Level 2, significant observable inputs.

There have been no transfers between Level 1 and Level 2 in 2022 and 2021.

34. **Financial Risk Management Objectives and Policies**

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

Market risk

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

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

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

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

	2022	2021
Cash and cash equivalents	**₱329,884,354**	₱510,223,950
Trade and other receivables	**2,230,157,384**	2,168,568,350
Trade and other payables	**(1,209,968,451)**	(259,176,990)
	₱1,350,073,287	₱2,419,615,310

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

	2022		2021	
	USD	**CNY**	USD	CNY
Cash and cash equivalents	**249,675,549**	**80,208,804**	456,720,716	53,503,235
Trade and other receivables	**2,221,091,638**	**9,065,746**	2,132,754,887	35,813,463
Trade and other payables	**(926,715,551)**	**(283,252,900)**	(240,849,684)	(18,327,306)
	1,544,051,636	**(193,978,350)**	2,348,625,919	70,989,392

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

	Change in currency	Effect on income/equity
December 31, 2022		
Philippine Peso	+/-5.65%	₱76,279,141
December 31, 2021		
Philippine Peso	+/-5.65%	₱132,697,364

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

The sensitivity analysis includes all of the Group's foreign currency denominated monetary assets and liabilities. A positive number below indicates an increase in profit when the functional currency of the Group strengthens 5.65% against the relevant currency. For a 5.65% decline of the functional currency of the Group against the relevant currency, there would be an equal and opposite impact on the profit as shown below:

	2022	2021
	Effect in profit and loss	Effect in profit and loss
Cash and cash equivalents	**(₱18,638,466)**	(₱28,827,653)
Trade and other receivables	**(126,003,892)**	(122,524,112)
Trade and other payables	**68,363,217**	14,643,500
	(₱76,279,141)	₱136,708,265

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

Interest rate risk

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

Presently, the Group's short-term and long-term bank loans are market-determined, with the long-term loan interest rates based on BVAL plus a certain mark-up. The sensitivity to a reasonably possible change in interest rates with all other variables held constant of the Group's profit before tax for the years ended December 31, 2022 and 2021 follows:

Change in Interest Rates (in Basis Points)	**2022**	2021
300bp rise	**(₱234,426,420)**	(₱143,756,740)
225bp rise	**(175,819,815)**	(119,797,283)
300bp fall	**234,426,420**	143,756,740
225bp fall	**175,819,815**	119,797,283

1 basis point is equivalent to 0.01%.

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

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

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

Trade receivables consist of a large number of customers, spread across geographicalareas. The remaining financial assets does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets. There is noconcentration of credit risk to any other counterparty at any time during the year.

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

	2022	2021
Cash in banks and cash equivalents	**₱2,149,448,030**	₱1,728,308,358
Trade and receivables	**8,771,584,426**	7,905,701,602
Due from related parties	**197,448,146**	119,485,746
Security deposits	**147,044,018**	71,438,731
Deposits for containers	**32,885,250**	32,352,573
Deposits on utilities	**31,985,871**	8,346,166
Revolving funds	**12,978,180**	17,883,374
	₱11,343,373,921	₱9,883,516,550

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

2022			**Days past due**				
	Current	**<30 days**	**30-60 days**	**61-90 days**	**90-120 days**	**>121 days**	**Total**
ECL rate	**0.004%**	**0.013%**	**0.008%**	**0.035%**	**0.090%**	**2.133%**	
Estimated total gross carrying at default	**₱4,856,155,922**	**₱1,562,782,019**	**₱350,978,941**	**₱286,407,607**	**₱278,093,173**	**₱1,171,585,064**	**₱8,506,002,726**
ECL	**₱200,933**	**₱204,702**	**₱29,688**	**₱101,453**	**₱251,076**	**₱24,986,785**	**₱25,774,637**

2021			Days past due				
	Current	<30 days	30-60 days	61-90 days	90-120 days	>121 days	Total
ECL rate	0.000%	0.002%	0.004%	0.006%	0.008%	8.952%	
Estimated total gross carrying at default	₱4,791,194,312	₱1,492,313,217	₱583,908,587	₱213,735,551	₱79,669,775	₱206,612,825	₱7,367,434,267
ECL	₱19,440	₱24,054	₱21,734	₱13,312	₱6,447	₱18,496,674	₱18,581,661

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

	Internal credit rating	12m or lifetime ECL	Gross carrying amount (i)	Loss allowance	Net carrying amount
2022					
Trade receivables (Note 8)	(i)	Lifetime ECL (simplified approach)	**₱8,797,359,063**	**₱25,774,637**	**₱8,771,584,426**
Due from related parties (Note 25)	Performing	12m ECL	**197,448,146**	**–**	**197,448,146**
Security deposits (Note 14)	Performing	12m ECL	**147,044,018**	**–**	**147,044,018**
Deposits for containers (Note 14)	Performing	12m ECL	**32,885,250**		**32,885,250**
Deposits on utilities (Note 14)	Performing	12m ECL	**31,985,871**	**–**	**31,985,871**
Revolving funds (Note 14)	Performing	12m ECL	**12,978,180**	**–**	**12,978,180**
			₱9,219,700,528	**₱25,774,637**	**₱9,193,925,891**
2021					
Trade receivables (Note 8)	(i)	Lifetime ECL (simplified approach)	₱7,367,434,267	₱18,581,661	₱7,348,852,606
Due from related parties (Note 25)	Performing	12m ECL	119,485,746	–	119,485,746
Deposits for containers (Note 14)	Performing	12m ECL	32,352,573	–	119,485,746
Security deposits (Note 14)	Performing	12m ECL	71,438,731	–	71,438,731
Deposits on utilities (Note 14)	Performing	12m ECL	8,346,166	–	8,346,166
			₱7,599,057,483	₱18,581,661	₱7,667,608,995

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

Liquidity risk

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

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

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

	Within One Year	More Than 1 Year to 5 Years	More Than 5 to 10 Years	Total
2022				
Trade and other payables*	**₱9,236,362,339**	**₱–**	**₱–**	**₱9,236,362,339**
Borrowings**	**4,680,000,000**	**98,000,000**	**3,042,000,000**	**7,820,000,000**
Lease liabilities	**489,605,191**	**1,351,151,029**	**1,164,298,913**	**3,005,055,133**
Due to related parties	**25,918,837**	**–**	**–**	**25,918,837**
	₱14,411,886,367	**₱1,449,151,029**	**₱4,226,298,913**	**₱20,087,336,309**
2021				
Trade and other payables*	₱8,662,168,175	₱–	₱–	₱8,662,168,175
Borrowings**	2,820,000,000	80,000,000	1,900,000,000	4,800,000,000
Lease liabilities	382,939,799	1,433,065,499	1,371,753,418	3,187,758,716
Due to related parties	84,941,137	–	–	84,941,137
	₱11,950,049,111	₱1,513,065,499	₱3,271,753,418	₱16,734,868,028

**Excluding withholding taxes payable and non-trade payable*
***Excluding interest*

The Group's has cash and cash equivalents, trade and other receivables and due from related parties amounting to ₱11,118.5 million and ₱9,753.5 million as of December 31, 2022 and 2021, respectively, that are readily available to meet the Group's liquidity needs. The Group also expects to meet its working capital, capital expenditure, dividend payment and investment requirements for the next 12 months primarily from equity or debt financing and cash flows from operations. As at December 31, 2022, the Group has undrawn credit line facility that may be available in the future for the operating activities and settling capital commitments amounting to ₱5,750.0 million.

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

35. Capital Risk Management

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

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

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

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

The Group's debt-to-equity and current ratios as at December 31, 2022 and 2021 are as follows:

	2022	2021
Total liabilities	**₱19,554,798,370**	₱15,991,714,955
Total equity	**28,778,992,824**	24,887,917,914
Debt-to-equity ratio	**0.68:1**	0.64:1
Total current assets	**₱31,649,572,764**	₱26,485,671,044
Total current liabilities	**14,868,139,307**	12,336,601,311
Current ratio	**2.13:1**	2.15:1

Pursuant to the PSE's rules in minimum public ownership, at least 20% of the issued and outstanding shares of a listed company must be owned and held by the public. As at December 31, 2022 and 2021, the public ownership is 31.22 %.

36. **Business Combination**

On April 1, 2021, the Parent Company and CPGI entered into a share purchase agreement (the "Agreement"), wherein CPGI, the Seller, has agreed to sell, assign and convey to CPFI, the buyer, all its rights, title and interest in and to the common sharesof PMCI for a total consideration of ₱24.0 million.

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

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

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

	Fair values recognized
Current Assets:	
Cash and cash equivalents	₱271,032,463
Trade and other receivables	208,001,888
Inventories	308,822,043
Other current assets	58,644,327
Total Current Assets	846,500,721
Noncurrent Assets	
Property, plant and equipment	184,314,100
Intangible asset	423,264,486
Other noncurrent assets	4,563,029
Total Noncurrent Assets	612,141,615
Deferred tax liability	17,019,216
Other liabilities	1,376,551,298
Total Liabilities	1,393,570,514
Identifiable Net Assets Acquired	₱65,071,822
Identifiable Net Assets Acquired	₱65,071,822
Less: Purchased consideration transferred	24,000,000
Bargain purchase option	₱41,071,822

The fair values of the identifiable net assets acquired from PMCI amounted to ₱65.1 million. The fair value of the property, plant and equipment amounting to ₱184.3 million was measured using the replacement cost method while the fair value of the trademark amounting to ₱423.3 million was measured using the relief from royalty method. The revenue growth and discount rates used to measure the fair value of trademark are 10.5% and 9.08%, respectively. The transaction resulted in the recognition of gain on bargain purchase of ₱41.1 million. As of December 31, 2022, the fair values of the assets acquired were finalized; no changes from the initial recognition were recognized by the Group.

The revenue from contracts with customer and net loss included in the consolidated statement of comprehensive income since April 1, 2021, contributed by the acquisition of PMCI amounted to ₱994.3 million and ₱19.0 million, respectively.

Consolidated revenues and net income in the 2021 consolidated statement of comprehensive income will be ₱54,981.0 million and ₱4,652.9 million, respectively, if PMCI was acquired beginning January 1, 2021.

Notes to cash flow - Acquisition of PMCI and effect of business combination

	At April 1, 2021
Fair value of identifiable net assets	₱65,071,822
Purchase consideration:	
Gain on bargain purchase	(41,071,822)
Net cash in subsidiaries acquired	(271,032,463)
	(₱247,032,463)

37. **Notes to the Consolidated Statement Cash Flows**

The following are the Group's noncash investing and financing activities:

a. In 2021, increase in other noncurrent assets and property, plant and equipment amounting to ₱4.6 million and ₱184.3 million, respectively, arising from acquisition of PMCI.

b. Noncash additions to right-of-use assets amounting to ₱411.2 million, ₱858.3 million, and ₱229.7 million for 2022, 2021, and 2020, respectively.

c. In 2021, the Group acquired various plant machinery and equipment and cost incurred in relation with the ongoing construction of the new production plant and administration building amounting to ₱2,302.5 million, of which ₱2,139.3 million was paid in 2021.

d. Unamortized debt issuance cost on borrowings amounted to ₱5.8 million, ₱8.1 million and nil for 2022, 2021 and 2020, respectively.

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

	2022					
	January 1	**Additions**	**Availment**	**Payments**	**Others**	**December 31**
Lease liabilities	**₱1,411,838,675**	**₱406,921,200**	**₱–**	**(₱367,136,901)**	**₱90,364,260**	**₱1,541,987,234**
Short-term borrowings	**2,800,000,000**	**–**	**5,010,000,000**	**(3,170,000,000)**	**–**	**4,640,000,000**
Long-term borrowings	**2,000,000,000**	**–**	**1,200,000,000**	**(20,000,000)**	**–**	**3,180,000,000**
Debt issuance cost	**(8,108,647)**	**–**	**(9,000,000)**	**–**	**11,322,642**	**(5,786,005)**
Accrued interest	**18,952,943**	**186,903,068**	**–**	**(166,432,093)**	**–**	**39,423,918**
	₱6,222,682,971	**₱593,824,268**	**₱6,201,000,000**	**(₱3,723,568,994)**	**₱101,686,902**	**₱9,395,625,147**

	2021					
	January 1	Additions	Availment	Payments	Others	December 31
Lease liabilities	₱737,049,381	₱855,573,363	₱–	(₱324,325,639)	₱143,541,570	₱1,411,838,675
Short-term borrowings	1,949,466,680	–	5,800,000,000	(4,949,466,680)	–	2,800,000,000
Long-term borrowings	1,584,000,000	–	2,000,000,000	(1,584,000,000)	–	2,000,000,000
Debt issuance cost	–	–	(15,000,000)	–	6,891,353	(8,108,647)
Accrued interest	14,897,506	153,341,103	–	(149,285,666)	–	18,952,943
	₱4,285,413,567	₱1,008,914,466	₱7,785,000,000	(₱7,007,077,985)	₱150,432,923	₱6,222,682,971

"Others" include interest expense pertaining to lease liability as at December 31, 2022 and 2021. The Group classifies interest paid as part of cash flows from financing activities.

SyCip Gorres Velayo & Co.
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**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES**

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Century Pacific Food, Inc. and Subsidiaries (the Group) as at December 31, 2022 and 2021 and for the years then ended, and have issued our report thereon dated April 11, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Christine G. Vallejo
Partner
CPA Certificate No. 99857
Tax Identification No. 206-384-906
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 99857-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-105-2022, November 7, 2022, valid until November 6, 2025
PTR No. 9566010, January 3, 2023, Makati City

April 11, 2023

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INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Century Pacific Food, Inc. and Subsidiaries (the Group) as at December 31, 2022 and 2021 and for the years then ended, and have issued our report thereon dated April 11, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2022 and 2021 and for the years then ended and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Christine G. Vallejo
Christine G. Vallejo
Partner
CPA Certificate No. 99857
Tax Identification No. 206-384-906
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 99857-SEC (Group A)
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PTR No. 9566010, January 3, 2023, Makati City

April 11, 2023

CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES
Additional Requirements for Issuers of Securities to the Public
Required by the Securities and Exchange Commission
As at December 31, 2022

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CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES
Schedule A - Financial Assets
As of December 31, 2022

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

CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES
Schedule B - Amounts Receivable from Employees
As of December 31, 2022

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Amounts Written-off	Current	Non-Current	Balance at end of Period
Employees	P50,926,519	P141,352,190	P148,644,001	P -	P43,634,707	P -	P43,634,707

-

CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES
Schedule C - Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
As of December 31, 2022

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Amounts Written-off	Current	Non-Current	Balance at end of Period
Century Pacific Food Inc	P1,700,424,281	P1,589,897,127	P -	P -	P3,290,321,408	P -	P3,290,321,408
General Tuna Corporation	487,597,255		13,772,592		473,824,663	-	473,824,663
Snow Mountain Dairy Corporation	447,259,470	8,277,825		-	455,537,295	-	455,537,295
Allforward Warehousing, Inc.	168,740,528	79,634,109		-	248,374,637	-	248,374,637
Century Pacific Agri Ventures Inc	256,040,394		69,874,922	-	186,165,472	-	186,165,472
Century Pacific Seacrest Inc	133,048,900	256,151,079		-	389,199,979	-	389,199,979
Century Pacific Food Packaging Ventures Inc.	151,675,605	75,238,926		-	226,914,531	-	226,914,531
General Odyssey Inc.	1,794,547		1,755,580	-	38,967	-	38,967
Millenium General Power Corporation	70,583,841		35,998,240	-	34,585,601	-	34,585,601
The Pacific Meat Company Inc	42,217,341		6,687,973	-	35,529,368	-	35,529,368
Century Pacific North America Enterprise Inc.	113,484,426	44,679,210		-	158,163,636	-	158,163,636
Century International (China) Co., Ltd.	-	28,166,175		-	28,166,175	-	28,166,175
Centennial Global Corporation	50,004,439			-	50,004,439	-	50,004,439
Total	**P3,622,871,027**	**P2,082,044,451**	**P128,089,307**	**P-**	**P5,576,826,171**	**P-**	**P5,576,826,171**

CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES
Schedule D - Intangible Assets
As of December 31, 2022

Descritption	Beginning Balance	Additions at Cost	Charged to Cost and Expenses	Charged to Other Accounts	Other Changes	Ending Balance
Goodwill	P2,915,325,199	-		P -	P -	P2,915,325,199
Trademark	P490,039,366	P1,719,655,302		P -	P -	P2,209,694,668
Licensing Agreement	P444,660,693		(21,515,847)			P423,144,846
Total	**P3,850,025,258**	**P1,719,655,302**	**(21,515,847)**	**P -**	**P -**	**P5,548,164,713**

CENTURY PACIFIC FOOD INC. AND SUBSIDIARIES
Schedule E - Long Term Debt
As of December 31, 2022

Bank	Beginning Balance	Availment	Payment	Ending Balance	Current	Non Current
BDO	P1,991,891,353		P9,764,285	P1,982,127,068	P9,390,325	P1,972,736,743
BPI	-	P1,192,086,927		P1,192,086,927		P1,192,086,927
Total	**P1,991,891,353**	**P1,192,086,927**	**P9,764,285**	**P3,174,213,995**	**P9,390,325**	**P3,164,823,670**

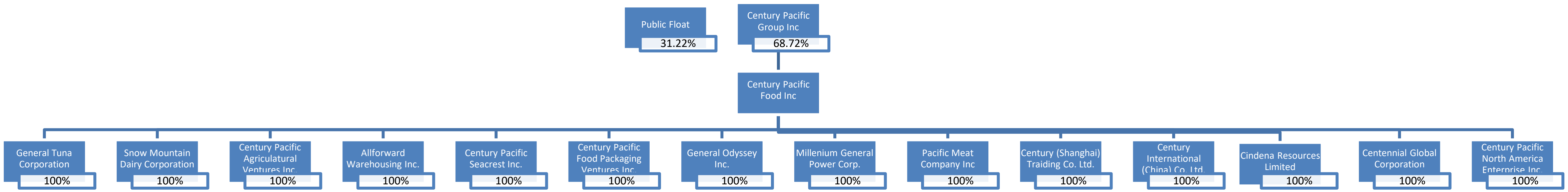
CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES

Schedule H - Capital Stock

As of December 31, 2022

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares reserved for options, warrants, conversion and other rights	Number of Shares Held By		
				Related Parties	Directors, Officers and Employees	Others
Ordinary Shares	6,000,000,000	3,542,258,595	-	2,434,120,781	2,348,507	1,105,789,307

CENTURY PACIFIC FOOD, INC.
CONGLOMERATE MAP
AS OF DECEMBER 31, 2022



Annex A

Reconciliation of Retained Earnings
Available for Declaration
As at December 31, 2022

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

Items	Amount
Unappropriated Retained Earnings, beginning	P8,403,230,632
Adjustments:	
Deferred tax assets	(418,523,436)
Remeasurement of retirement benefit obligation - net of tax	(342,164,730)
Unappropriated Retained Earnings, as adjusted, beginning	7,642,542,466
Net Income based on the face of AFS	4,784,596,903
Less: Non-actual losses	
Change in deferred tax assets	(181,979,357)
Net Income Actual/Realized	4,602,617,546
Adjustments:	
Dividend declarations during the year	(1,275,213,094)
Reversal of appropriations	1,700,000,000
Appropriation for the year	(4,236,038,579)
Unappropriated Retained Earnings, as adjusted, ending	**P8,433,908,339**

FINANCIAL SOUNDNESS INDICATORS
As of December 31, 2022

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

Ratio	Formula		Current Year	Prior Year
Current ratio	Total Current Assets divided by Total Current Liabilities		2.13x	2.15x
	Total Current Assets	31,649,572,764		
	Divide by: Total Current Liabilities	14,868,139,307		
	Current Ratio	2.13		
Quick/Acid test ratio	Quick Assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities		0.75x	0.79x
	Total Current Assets	31,649,572,764		
	Less: Inventories	(17,728,873,867)		
	Prepayments and other Current Assets	(2,802,218,295)		
	Quick assets	11,118,480,602		
	Divide by: Total Current Liabilities	14,868,139,307		
	Quick/Acid test ratio	0.75		
Debt-to-equity ratio	Total Liabilities divided by Total Equity		0.68x	0.64x
	Total Liabilities	19,554,798,370		
	Divide by: Total Equity	28,778,992,824		
	Debt-to-equity ratio	0.68		
Asset-to-equity ratio	Total Assets divided by Total Equity		1.68x	1.64x
	Total Assets	48,333,791,194		
	Divide by: Total Equity	28,778,992,824		
	Asset-to-equity ratio	1.68		
Interest rate coverage ratio	Earnings before Interest and Taxes (EBIT) divided by Interest Expense		19.33x	19.75x
	EBIT	6,092,729,993		
	Divide by: Interest Expenses	315,173,214		
	Interest rate coverage ratio	19.33		
Working capital turnover	Net Sales divided by Working Capital (Current Assets less Current Liabilities)		3.71x	3.87x
	Net Sales	62,258,920,244		
	Divide by: Working capital			
	Current Assets	31,649,572,764		
	Less: Current Liabilities	(14,868,139,307)		
	Working Capital	16,781,433,458		
	Working Capital Turnover	3.71		
Return on equity	Profit before Taxes (PBT) divided by Total Equity		20.08%	22.37%
	PBT	5,777,556,779		
	Divide by: Total Equity	28,778,992,824		
	Return on equity	20.08%		
Return on assets	Net Income divided by Total Assets		10.34%	11.43%
	Net Income	4,999,168,825		
	Divide by: Total Assets	48,333,791,194		
	Return on assets	10.34%		
Net profit margin	Profit before Taxes (PBT) divided by Net Sales		9.28%	10.18%
	PBT	5,777,556,779		
	Divide by: Net Sales	62,258,920,244		
	Net profit margin	9.28%		
Operating profit margin	Net Income divided by Net Sales		8.03%	8.54%
	Net Income	4,999,168,825		
	Divide by: Net Sales	62,258,920,244		
	Net profit margin	8.03%		

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Marilou R. Hernandez <mhernandez@centurypacific.com.ph>
Fri 4/14/2023 8:56 AM
To: John Ver D. Villajin <jvillajin@centurypacific.com.ph>
Cc: Vivian T. Zamora <vbtan@centurypacific.com.ph>;Jayravi D. Maas <jdelgado@centurypacific.com.ph>;Berlyn L. Cacho <bcacho@centurypacific.com.ph>

From: eafs@bir.gov.ph <eafs@bir.gov.ph>
Sent: Friday, April 14, 2023 6:16 AM
To: Marilou R. Hernandez <mhernandez@centurypacific.com.ph>
Cc: Marilou R. Hernandez <mhernandez@centurypacific.com.ph>
Subject: Your BIR AFS eSubmission uploads were received

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