

SECURITIES AND EXCHANGE COMMISSION

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

1. For the quarterly period ended **September 30, 2023**
2. Commission identification number **CS201320778**
3. BIR Tax Identification No. **008-647-589-000**
4. **Century Pacific Food, Inc.**  
Exact name of issuer as specified in its charter
5. **Pasig City, Philippines**  
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code:  (SEC Use Only)
7. **7/F Centerpoint Bldg., Julia Vargas Ave. Garnet Rd. Ortigas Center Pasig City, 1605**  
Address of issuer's principal office Postal Code
8. **+632 - 8633 - 8555**  
Issuer's telephone number, including area code
9. **Not Applicable**  
Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

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

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

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

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

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

## PART I – FINANCIAL INFORMATION

### Item 1. Financial Statements

The unaudited interim consolidated financial statements of Century Pacific Food, Inc. and its wholly owned subsidiaries General Tuna Corporation, Snow Mountain Dairy Corporation, Allforward Warehousing Inc., Century Pacific Agricultural Ventures Inc., Century Pacific Food Packaging Ventures Inc., Century Pacific Seacrest Inc., General Odyssey Inc., Millennium General Power Inc., The Pacific Meat Co. Inc., Centennial Global Corporation, Century International (China) Co Ltd, Century (Shanghai) Trading Co Ltd, Cindena Resources Ltd, and Century Pacific North America Enterprise Inc. (collectively, the “Company” or “CNPF”) as of and for the period ended September 30, 2023, and the comparative period in 2022 is attached to this 17-Q report, comprising of the following:

- 1.1 Consolidated Balance Sheets as of September 30, 2023 and December 31, 2022
- 1.2 Consolidated Statement of Income for the period ended September 30, 2023 and September 30, 2022
- 1.3 Consolidated Statement of Cash Flows for the period ended September 30, 2023 and September 30, 2022
- 1.4 Consolidated Statement of Changes in Shareholder’s Equity for the period ended September 30, 2023 and September 30, 2022
- 1.5 Notes to Consolidated Financial Statements for the period ended September 30, 2023

### Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations (Based on the unaudited consolidated financial statements for the period ended September 30, 2023)

#### *Business Overview*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In 2022, CNPF acquired *Ligo*, a legacy brand known for its range of high-quality sardines and other marine products. Under the deal, CNPF purchased assets and intellectual property related to the manufacturing of *Ligo's* product lineup, which is composed of shelf-stable marine products.

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

- Consolidated revenues for the third quarter were up by 7% year-on-year, with the Branded business growing by 14% compared to the third quarter of 2022. As a result, sales for the nine-month period landed at Php 50.5 billion, increasing by 7% year-on-year, with the Branded segment improving by 12% versus the same period last year.
- On the other hand, CNPF's OEM Tuna and Coconut Exports business, given a high 2022 base and softer markets, saw a 10% decline in sales in the first nine months of the year compared to the same period last year.
- In terms of profitability, the Company saw 3Q23 gross margin expand by 130 basis points versus 3Q22, landing at 24.6%, as commodities trend downward. CNPF's gross margins for the 9-month period was at 24.2%, softening by 30 basis points versus 9M22 due to higher input costs in the first half, as expected.
- Operating expenses as a percentage of sales registered at 13.0% year-to-date, 110bps less than last year's. Thus, Earnings before interest, taxes, depreciation, and amortization (EBITDA) clocked in at Php 7.1 billion, increasing by 9% versus the first nine months of 2022. EBITDA margin was at 14.0%, demonstrating a modest 30 bps improvement from the comparable period last year. These trickled down to a Net Income After Tax of Php 4.6 billion, which rose by 10% year-on-year faster than topline growth, leading to an improving net profit margin of 9.2%.

### ***Financial Condition***

The Company's financial stability and financial position as of September 30, 2023, is as follows:

- Cash and cash equivalents reached P3.6 billion as of September 30, 2023. Operating activities registered a P5.1 billion total inflow, primarily driven by improvements in profitability and working capital. This was used to fund investments in CAPEX and dividend payments. Thus, net cash used in investing activities amounted to P1.1 billion, while net cash used in financing activities was P2.5 billion.
- Current ratio stood at 2.24 times as of end September 2023, comparing to end-2022's ratio of 2.13 times. The cash conversion cycle was shortened to 110 days from 112 days as of end-December 2022. As of end September 2023, accounts receivable and inventory days stood at 57 and 135

respectively, while accounts payable came in at 82 days. Net working capital to total assets ratio is measured at 0.38 times, stable versus end-2022's level of 0.35 times.

- Property, plant and equipment - net registered at P8.9 billion as of end September 2023. Capital expenditures for the first nine months of the year totaled P1.1 billion, consisting of the installation of new equipment and machinery for expansion and sustainability at the different manufacturing facilities of the Company.
- As of end September 2023, the Company's total interest-bearing debt amounted to P7.3 billion, P4.1 billion of which are due in the next 12 months.
- Total stockholders' equity grew by P3.2 billion from P28.8 billion as of end December 2022 to P32.0 billion as of end September 2023, representing net income earned and declaration of dividends during the nine-month period ending September 30, 2023.
- Gearing ratio, measured as total interest-bearing debt over total equity, stood at 0.23 times as of end September 2023, lower than 0.27x as of end December 2022.

### Key Performance Indicators (KPIs)

	<b>Unaudited Nine Months Ended September 30, 2023</b>	<b>Unaudited Nine Months Ended September 30, 2022</b>
Gross Profit Margin	24.2%	24.5%
Before Tax Return on Sales	10.8%	10.9%
Return on Sales	9.2%	9.0%
Interest-Bearing Debt-to-Equity	0.23X	0.26X
Current Ratio	2.24X	2.10X

#### **Notes:**

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

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

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

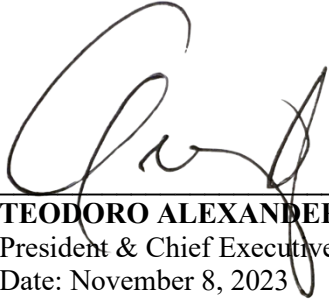
4 *Interest-Bearing Debt-to-Equity = Loans Payable / Total Stockholders' Equity*

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

## SIGNATURES

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

### CENTURY PACIFIC FOOD, INC.



**TEODORO ALEXANDER T. PO**  
President & Chief Executive Officer  
Date: November 8, 2023



**RICHARD KRISTOFFER S. MANAPAT**  
Vice President & Chief Finance Officer  
Date: November 8, 2023

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

(A Subsidiary of Century Pacific Group Inc)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

(Amounts in Philippine Peso)

	<b>Unaudited</b> <b>September 30, 2023</b>	<b>Audited</b> <b>December 31, 2022</b>
<b><u>Assets</u></b>		
Current Assets		
Cash and cash equivalents	3,557,292,090	2,149,448,030
Trade and Other Receivables - net	10,212,532,598	8,771,584,426
Inventories - net	18,788,942,792	17,728,873,867
Due from Related Parties	207,453,313	197,448,146
Prepayments and other current assets	3,108,381,795	2,802,218,296
Total Current Assets	35,874,602,588	31,649,572,765
Property, plant & equipment - net	8,944,008,620	8,793,816,459
Right of use asset - net	1,403,278,805	1,391,652,591
Intangible Assets	5,532,027,833	5,548,164,713
Deferred Tax assets	836,525,919	718,562,929
Retirement benefit assets	7,128,419	7,128,419
Other non-current assets	214,666,936	224,893,319
Total Non-current Assets	16,937,636,531	16,684,218,430
<b>Total Assets</b>	<b>52,812,239,119</b>	<b>48,333,791,195</b>
<b><u>Liabilities &amp; Stockholders' Equity</u></b>		
Liabilities		
Current Liabilities		
Trade and Other Payables	11,407,746,415	9,797,085,023
Due to Related Parties	30,512,512	25,918,837
Income Tax Payable	224,213,322	102,714,783
Finance Lease obligation - current	198,980,394	293,030,338
Short-terms loans payable	4,140,000,000	4,640,000,000
Current portion of borrowings	9,390,325	9,390,325
Total Current Liabilities	16,010,842,969	14,868,139,306
Long Term Loan	3,154,823,670	3,164,823,670
Retirement Benefit Payable	271,650,032	272,878,497
Finance Lease obligation - non-current	1,383,813,637	1,248,956,896
Total Non Current Liabilities	4,810,287,339	4,686,659,063
Total Liabilities	20,821,130,308	19,554,798,369
Stockholders' Equity		
Share Capital	3,542,258,595	3,542,258,595
Share Premium	4,936,859,146	4,936,859,146
Currency translation adjustments	27,341,821	29,397,441
Retained Earnings	23,445,808,908	20,231,637,305
Share-based compensation reserve	8,211,398	8,211,398
Appraisal Increment / Other Reserves	30,628,942	30,628,942
Total Stockholders' Equity	31,991,108,811	28,778,992,827
<b>Total Liabilities &amp; Stockholders' Equity</b>	<b>52,812,239,119</b>	<b>48,333,791,195</b>

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

(A Subsidiary of Century Pacific Group Inc)

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

(Amounts in Philippine Peso)

	<b>For the Nine Months Ended</b>	<b>For the Nine Months Ended</b>
	<b><u>September 30, 2023</u></b>	<b><u>September 30, 2022</u></b>
Net Revenue	50,449,967,659	46,953,499,802
Cost of Good Sold	38,238,248,976	35,445,756,482
<b>Gross Profit</b>	<b>12,211,718,684</b>	<b>11,507,743,320</b>
Other Income (Expense)	136,095,821	407,389,691
Operating Expenses	6,553,124,714	6,600,142,043
Operating Income	5,794,689,790	5,314,990,968
Financing Cost	354,714,692	198,765,542
Net Profit before tax	5,439,975,097	5,116,225,426
Income Tax Expense (Benefit)	808,900,056	894,127,992
Net Profit after Tax	4,631,075,042	4,222,097,433
Other Comprehensive Income	(2,055,619)	2,063,685
<b>Total Comprehensive Income</b>	<b>4,629,019,423</b>	<b>4,224,161,118</b>
<b>Basic and Diluted Earnings Per Share</b>	<b>1.31</b>	<b>1.19</b>



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

(A Subsidiary of Century Pacific Group Inc)

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

(Amounts in Philippine Peso)

	<b>For the Three Months Ended</b>	<b>For the Three Months Ended</b>
	<b><u>September 30, 2023</u></b>	<b><u>September 30, 2022</u></b>
Net Revenue	17,037,245,230	15,872,594,528
Cost of Good Sold	12,845,454,507	12,178,706,957
<b>Gross Profit</b>	<b>4,191,790,723</b>	<b>3,693,887,572</b>
Other Income (Expense)	100,712,352	202,807,091
Operating Expenses	2,518,181,947	2,249,755,369
Operating Income	1,774,321,128	1,646,939,294
Financing Cost	127,950,486	81,651,739
Net Profit before tax	1,646,370,642	1,565,287,555
Income Tax Expense (Benefit)	212,985,755	297,541,439
Net Profit after Tax	1,433,384,887	1,267,746,116
Other Comprehensive Income	(8,870,204)	1,292,691
<b>Total Comprehensive Income</b>	<b>1,424,514,683</b>	<b>1,269,038,806</b>
<b>Basic and Diluted Earnings Per Share</b>	<b>0.40</b>	<b>0.36</b>

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

(A Subsidiary of Century Pacific Group Inc)

**CONSOLIDATED CHANGES IN EQUITY**

(Amounts in Philippine Peso)

	Capital Stock	Additional Paid-in Capital	Deposit on Future Subs	Revaluation Reserves			Unappropriated Retained Earnings	Appropriated Retained Earnings	Total	
				Shared Based	Reserves	Foreign Currency Translation Gain				
Balance at January 1, 2023										
As previously reported	3,542,258,595	4,936,859,146	-	8,211,398	30,628,942	29,397,441	11,495,598,726	8,736,038,579	28,778,992,827	
Adjustments									-	
As stated	3,542,258,595	4,936,859,146	-	8,211,398	30,628,942	29,397,441	11,495,598,726	8,736,038,579	28,778,992,827	
Transactions with owners										
Cash Dividends							(1,416,903,438)		(1,416,903,438)	
	-	-	-	-	-	-	(1,416,903,438)	-	(1,416,903,438)	
Total comprehensive income										
Net profit for the year							4,631,075,042		4,631,075,042	
Foreign currency translation gain						(2,055,619)			(2,055,619)	
Total other comprehensive income	-	-	-	-	-	(2,055,619)	4,631,075,042	-	4,629,019,423	
Other reserves										
<b>Balance as of</b>	<b>September 30, 2023</b>	<b>3,542,258,595</b>	<b>4,936,859,146</b>	<b>-</b>	<b>8,211,398</b>	<b>30,628,942</b>	<b>27,341,821</b>	<b>14,709,770,330</b>	<b>8,736,038,579</b>	<b>31,991,108,811</b>
Balance at January 1, 2022										
As previously reported	3,542,258,595	4,936,859,146	-	8,211,398	30,628,942	23,886,814	13,314,473,314	3,031,599,707	24,887,917,916	
As stated	3,542,258,595	4,936,859,146	-	8,211,398	30,628,942	23,886,814	13,314,473,314	3,031,599,707	24,887,917,916	
Transactions with owners										
Cash Dividends							(1,275,213,094)		(1,275,213,094)	
	-	-	-	-	-	-	(1,275,213,094)	-	(1,275,213,094)	
Total comprehensive income										
Net profit for the year							4,222,097,433		4,222,097,433	
Foreign currency translation gain						2,063,685			2,063,685	
Total other comprehensive income	-	-	-	-	-	2,063,685	4,222,097,433	-	4,224,161,119	
<b>Balance as of</b>	<b>September 30, 2022</b>	<b>3,542,258,595</b>	<b>4,936,859,146</b>	<b>-</b>	<b>8,211,398</b>	<b>30,628,942</b>	<b>25,950,500</b>	<b>16,261,357,653</b>	<b>3,031,599,707</b>	<b>27,836,865,941</b>

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

(A Subsidiary of Century Pacific Group Inc)

**CONSOLIDATED STATEMENT OF CASH FLOWS**

(Amounts in Philippine Peso)

	<b>Unaudited</b> <b>September 30, 2023</b>	<b>Unaudited</b> <b>September 30, 2022</b>
<b>Cash Flows from Operating Activities</b>		
Profit before tax	5,439,975,097	5,116,225,426
Adjustments for :		
Depreciation and amortization	1,266,674,239	1,135,105,212
Adjustments on Foreign Currency Translation	(2,055,619)	2,063,685
Finance Costs	354,714,692	198,765,542
Operating cash flows before working capital changes	7,059,308,410	6,452,159,865
Decrease (increase) in trade and other receivables	(1,440,948,174)	(1,122,996,038)
Decrease (increase) in inventory	(1,082,387,191)	(4,555,687,853)
Decrease (increase) in related party	(5,411,492)	(67,247,012)
Decrease (increase) in prepayments and other current assets	(283,845,233)	(1,413,566,618)
Decrease (increase) in deferred tax asset	(117,962,989)	(15,128,241)
Decrease (increase) in non current assets	10,226,383	(128,497,545)
Increase (decrease) in trade and other payables	1,610,661,391	2,182,884,278
Increase (decrease) in income tax payables	121,498,540	128,305,902
Increase (decrease) in retirement payable	(1,228,465)	(22,101,068)
Cash generated from operations	5,869,911,180	1,438,125,670
Income taxes paid	(808,900,056)	(894,127,992)
Net Cash From Operating Activities	5,061,011,125	543,997,677
<b>Cash Flows from Investing activities</b>		
Acquisition of property and equipment	(1,131,754,956)	(1,055,410,132)
Disposal of property and equipment	8,410,112	2,054,619
Trademark	-	(850,000,000)
Net Cash From (Used in) Investing Activities	(1,123,344,843)	(1,903,355,513)
<b>Cash Flows from Financing Activities</b>		
Proceeds from loan availments	2,270,000,000	3,940,000,000
Repayment of loans	(2,780,000,000)	(1,610,000,000)
Dividends Payment	(1,416,903,438)	(1,275,213,094)
Increase (decrease) in finance lease liability	(248,204,091)	(196,350,228)
Interest paid	(354,714,692)	(198,765,542)
Net Cash From (Used in) Financing Activities	(2,529,822,222)	659,671,135
<b>Net Increase in cash and Cash Equivalents</b>	1,407,844,060	(699,686,701)
<b>Cash and Cash Equivalents at Beginning of Period</b>	2,149,448,030	1,728,308,358
<b>Cash and Cash Equivalents at End of Period</b>	3,557,292,090	1,028,621,658

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. CORPORATE INFORMATION

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

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

The Parent Company is 65.5% owned subsidiary of Century Pacific Group, Inc. (CPGI) the ultimate parent, as at September 30, 2023. CPGI is a corporation registered with SEC and is domiciled in the Philippines.

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

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

#### Statement of Compliance

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

#### 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.

#### **Subsidiaries**

Details of the Company’s subsidiaries as of September 30, 2023, are as follows:

<b>Subsidiary</b>	<b>Business</b>	<b>% Ownership</b>	<b>Country of Residence</b>
Snow Mountain Dairy Corporation (SMDC)	Producing, canning, freezing, preserving, refining, packing, buying and selling wholesale and retail, food products including all kinds of milk and dairy products, fruits and vegetable juices and other milk	100	Philippines

	or dairy preparation and by-products.		
General Tuna Corporation (GTC)	Manufacturing and exporting of OEM canned, pouched and frozen tuna products.	100	Philippines
Allforward Warehousing Inc. (AWI)	Operating warehouse facilities	100	Philippines
Century Pacific Agricultural Ventures, Inc. (CPAVI)	Manufacturing high value organic-certified and conventional coconut products for both export and domestic markets.	100	Philippines
Century Pacific Seacrest Inc. (CPSI)	Developing, maintaining, licensing and administering marks and all kinds of intellectual property	100	Philippines
Centennial Global Corporation (CGC)	Trademark holding company	100	BVI
Century Pacific Food Packaging Ventures, Inc. (CPFPVI)	Manufacturing tin cans and other packaging materials	100	Philippines
General Odyssey Inc (GOI)	Manufacturing and distribution of feeds	100	Philippines
Millenium General Power Corporation	Development and utilization of renewable energy sources	100	Philippines
The Pacific Meat Co. Inc	Manufacturing and distribution of frozen food products	100	Philippines
Century International (China) Company Limited (CIC)	Marketing and distribution of canned food products	100	China
Century (Shanghai) Trading Company Limited (CST)	Marketing and distribution of canned food products	100	China
Cindena Resources Limited (CRL)	Trademark holding company	100	BVI
Century Pacific North America Enterprise Inc. (CPNA)	Marketing and distribution of various food products	100	USA

## 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*

## **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.

#### Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

##### a. Financial assets

- *Initial recognition and measurement.* Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, 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 September 30, 2023 and 2022.

*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 September 30, 2023 and 2022.

- *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 flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages, as follows:

- a. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the 12 months (a 12-month ECL).

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

For receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to debtors and the economic environment.

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

For cash and cash equivalents, due from related parties, security deposits, 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 obligations that the Group has retained.

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

## b. Financial Liabilities

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

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

The Group's financial liabilities as at September 30, 2023 and 2022 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 September 30, 2023 and 2022.

- *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 and the 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 original maturities of three months or less from the date of acquisition and that are subject to an insignificant risk of change in value.

### Inventories

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

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

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

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

Provision for inventory losses is established for slow moving, obsolete, defective and damaged inventories based on physical inspection and management evaluation.

Inventories and its related provision for impairment are written off when the Group has determined that the related inventory is already obsolete and damaged.

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

Reversals of previously recorded impairment provisions are credited in the consolidated statements of comprehensive income based on the result of Management's current 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 the site on which they are located.

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

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

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

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

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



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

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

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 no future economic benefits are expected to arise from the continued use of the asset. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in 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 assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized as an expense in profit or loss.

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 receivable can be measured reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that a transfer of economic benefits will be required to settle the obligation, the provision should be reversed.

### Contingencies

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

### Equity-settled share-based payments

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

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

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

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

### Employee Benefits

#### *Short-term benefits*

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

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

### Post-employment benefits

#### *Defined benefit plan*

The Group classifies its retirement benefit as defined benefit plans. Under the defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period.

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 for the Group's shares which is represented in equity. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to the share premium.

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

#### Currency translation adjustment

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

#### Retained earnings

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

#### Dividends on Capital Stock

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

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

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

*Other Components of Equity.* Other components of equity comprise items of income and expense, 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 a customer. 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 sell goods to the wholesale market and retailers. It identifies each party's rights and payment terms regarding goods to be transferred.

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

#### *Transaction price*

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

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

#### *Variable consideration*

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

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

#### Service income

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.

#### Other income

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 .

## Revenue outside the scope of PFRS 15

### *Interest income*

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

### Cost and Expense Recognition

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

*Lease liabilities.* At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under

residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the 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 was determined. Gains and losses arising on translation are included in profit or loss for the year, except for exchange differences arising on non-monetary assets and liabilities when the gains and losses of such non-monetary items are recognized directly in equity. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are not translated.

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

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



### *Foreign operations*

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

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

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

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

### *Translation to foreign currency*

The separate financial statements of GTC, CPNA, CIC, CRL and CST whose functional currencies differ from the functional currency of the Group are translated to Philippine peso using the prevailing current exchange rate for the statements of the financial position accounts, except those which are translated at historical costs, and average rate during the period for the statements of comprehensive income accounts. Any resulting difference from the translation is charged to currency 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 CPFVVI 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 September 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 that reported a loss; and
- its assets are 10% or more of the combined assets of all operating segments.

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

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

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

### **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**

### Determination of functional and presentation currency

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 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.

### Acquisition of investments qualified as a business combination

In applying the requirements of PFRS 3, *Business Combinations*, an entity or an asset being acquired has to be assessed whether it constitutes a business. The assessment requires identification of inputs and processes applied to these inputs to generate outputs or economic benefits. 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.

### 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.

### 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.

### 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 of the following:

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

### 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.

### 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.

#### 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.

#### 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.

#### 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.

#### 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.

### Determination of Impairment of Nonfinancial Assets

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

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

### Determination of Pension Costs

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

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.

### Recoverability of Deferred Tax Assets

The Group performs an annual evaluation of the realizability of deferred tax assets in determining the portion of deferred tax assets which should be recognized. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences is based on the forecasted taxable income of the following period. This forecast is based on the Group's past results and future expectations on revenue and expenses. The effect of COVID-19 pandemic on the macroeconomic factors are also used in developing the assumptions. The Group computes for deferred tax using the 25% corporate tax rate in 2023 and 2022, respectively.

### 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.

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

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 Corporate	Packaging products Shared services Warehousing

### 4. CASH AND CASH EQUIVALENTS

	Amount in Php	
	As of September 30, 2023	As of December 31, 2022
Cash on hand	7,064,158	6,427,106
Cash in bank	1,310,501,614	1,586,900,921
Cash equivalents	2,239,726,318	556,120,003
	3,557,292,090	2,149,448,030

Cash on hand includes petty cash fund.

Cash in banks earn an average interest at rates based on daily bank deposit rates. These are unrestricted

and immediately available for use in the current operations of the Group.

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

## 5. TRADE AND OTHER RECEIVABLES

The Group's trade and other receivables consist of:

	Amount in Php	
	As of September 30, 2023	As of December 31, 2022
Trade receivables from third parties	9,861,527,601	8,506,002,727
Advances to officers & employees	61,048,533	43,634,707
Other receivables	402,574,019	316,890,162
	10,325,150,154	8,866,527,596
Less : Allowance for doubtful accounts	112,617,556	94,943,171
	10,212,532,598	8,771,584,426

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

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

## 6. INVENTORIES – net

Details of the Group's inventories are as follows:

	Amount in Php	
	As of September 30, 2023	As of December 31, 2022
Finished goods	9,739,641,861	8,411,502,602
Raw and packaging materials	8,229,491,243	8,806,848,079
Work in process	410,764,024	189,050,789
Spare parts and supplies	1,124,333,750	944,883,492
	19,504,230,878	18,352,284,961
Less: Allowance for inventory obsolescence	715,288,086	623,411,093
	18,788,942,792	17,728,873,867

No inventories are pledged as security for any liability as of September 30, 2023.

## 7. PREPAYMENTS AND OTHER CURRENT ASSETS

The account consists of:

	Amount in Php	
	As of September 30, 2023	As of December 31, 2022
Advances to suppliers	2,332,959,155	2,066,499,727
Tax credits	373,814,663	339,683,582
Input value added tax (VAT) - net	212,854,732	282,148,131
Biological assets	31,880,851	9,562,584
Prepaid insurance	31,831,498	18,603,189
Prepaid rent	9,669,575	9,736,083
Other prepayments	115,371,322	75,984,999
	3,108,381,795	2,802,218,296

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

## 8. PROPERTY, PLANT AND EQUIPMENT – net

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

	Land and Land Improvements	Building and building Improvements	Plant Machinery and Equipment	Transportation and Delivery Equipment	Office Furniture, Fixtures and Equipment	EDP Equipments	Laboratory, Tools and Equipment	Construction in Progress	Total
<b>Cost</b>									
January 1, 2023	59,016,586	3,995,134,438	9,732,262,136	175,040,204	102,718,960	299,827,008	397,897,960	475,830,021	15,237,727,313
Acquisition	-	84,370,284	130,403,196	13,907,544	5,249,078	20,737,310	9,803,154	867,284,388	1,131,754,956
Reclassification	244,147	189,005,808	784,438,801	639,236	2,689,479	3,830,161	5,706,303	(986,553,935)	(0)
Disposal	-	466,184	(69,453,837)	(7,885,833)	(534)	(3,435,299)	(28,748,636)	(177,422)	(109,235,377)
	59,260,733	4,268,976,715	10,577,650,296	181,701,151	110,656,984	320,959,180	384,658,782	356,383,052	16,260,246,891
<b>Accumulated Depreciation</b>									
January 1, 2023	53,649,903	1,318,030,843	4,351,176,658	115,856,290	83,351,838	228,744,854	293,100,469	-	6,443,910,854
Depreciation and amortization	834,916	188,336,168	700,826,655	17,798,505	8,726,706	19,650,183	36,945,956	-	973,119,089
Reclassification	-	(46,098)	(2,312,848)	2,356,829	(136,089)	136,089	2,117	-	(0)
Disposal	-	489,875	(64,997,964)	(5,397,434)	(207,168)	(2,730,820)	(27,948,162)	-	(100,791,673)
	54,484,819	1,506,810,787	4,984,692,500	130,614,190	91,735,287	245,800,306	302,100,380	-	7,316,238,270
<b>Carrying Value</b>									
As of September 30, 2023	4,775,914	2,762,165,927	5,592,957,795	51,086,961	18,921,697	75,158,873	82,558,401	356,383,052	8,944,008,620
<b>Cost</b>									
January 1, 2022	58,146,005	3,729,927,669	8,556,519,309	166,403,735	94,563,169	271,053,952	357,175,483	659,138,289	13,892,927,612
Acquisition	2,700	174,094,520	792,037,057	18,757,350	7,010,065	25,928,421	49,636,415	323,456,656	1,390,923,184
Reclassification	867,881	92,513,438	392,198,159	2,784,940	1,640,976	6,246,746	15,329,467	(511,581,607)	(0)
Disposal	-	(1,401,189)	(8,492,389)	(12,905,820)	(495,250)	(3,402,111)	(24,243,405)	4,816,683	(46,123,482)
	59,016,586	3,995,134,438	9,732,262,136	175,040,204	102,718,960	299,827,008	397,897,960	475,830,021	15,237,727,313
<b>Accumulated Depreciation</b>									
January 1, 2022 AD	52,210,473	1,101,445,397	3,523,000,480	101,459,493	72,652,920	206,666,571	261,206,431	-	5,318,641,766
Depreciation and amortization	1,439,430	217,518,050	837,879,201	22,651,894	11,329,687	25,009,904	53,250,992	-	1,169,079,159
Reclassification	-	(46,099)	(2,312,848)	2,356,829	(136,089)	136,089	2,118	-	-
Disposal	-	(886,505)	(7,390,175)	(10,611,927)	(494,680)	(3,067,710)	(21,359,073)	-	(43,810,070)
	53,649,903	1,318,030,843	4,351,176,658	115,856,290	83,351,838	228,744,854	293,100,469	-	6,443,910,854
<b>Carrying Value</b>									
As of December 31, 2022	5,366,683	2,677,103,595	5,381,085,478	59,183,914	19,367,122	71,082,154	104,797,491	475,830,021	8,793,816,459

## 9. OTHER NON-CURRENT ASSETS

Details of the Group's other non-current assets as of September 30, 2023, and December 31, 2022, are as follows:

	Amount in Php	
	As of September 30, 2023	As of December 31, 2022
Deferred Charges	59,607,036	(261,996)
Security deposits	123,507,010	192,270,065
Returnable containers	31,552,889	32,885,250
	214,666,936	224,893,319

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

## 10. LOANS PAYABLE

Details of the Group's loans payable as of September 30, 2023, and December 31, 2022, are as follows:

	Amount in Php	
	As of September 30, 2023	As of December 31, 2022
Short term loans payable	4,149,390,325	4,649,390,325
Long term loans payable	3,154,823,670	3,164,823,670
	7,304,213,995	7,814,213,995

## 11. TRADE AND OTHER PAYABLES

The Group's trade and other payables consist of:

	Amount in Php	
	As of September 30, 2023	As of December 31, 2022
Trade payables	3,469,957,512	3,339,891,514
Accrued Payable	7,293,923,769	5,620,272,133
Non trade payables	119,637,556	341,895,248
Vat Output payable - net	385,783,314	270,905,615
Withholding taxes payable	86,618,124	218,827,436
Other current payables	51,826,140	5,293,077
	11,407,746,415	9,797,085,023

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

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

## 12. RELATED PARTY TRANSACTIONS

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

The outstanding balances as of September 30, 2023, and December 31, 2022, are presented as follows:

Related Party Category	Amount of Transactions during the year		Outstanding Receivable/Payable		Terms and Condition
	2023	2022	2023	2022	
<b>Ultimate Parent Company</b>					
Service fee	356,789	921,331	23,725	28,741	On demand; non interest bearing; unsecured
Cost reimbursement	9,051	126,093	-	-	On demand; non interest bearing; unsecured
Rental expense	56,485,939	70,902,313	(8,953,950)	(5,231,197)	On demand; non interest bearing; unsecured
Dividends	892,560,000	803,304,000	-	-	On demand; non interest bearing; unsecured
Miscellaneous Deposit	-	-	18,681,880	18,324,508	On demand; non interest bearing; unsecured
<b>Fellow Subsidiaries</b>					
Shared services fee	1,943,370	-	395,741	-	On demand; non interest bearing; unsecured
Sale of inventories	234,810,176	294,229,875	183,837,338	176,010,744	On demand; non interest bearing; unsecured
Purchase of inventories	6,257,634	4,810,448	(14,033,698)	(16,422,446)	On demand; non interest bearing; unsecured
Service fee	1,916,390	7,140,763	3,665,480	2,235,003	On demand; non interest bearing; unsecured
Cost reimbursements	52,500,707	74,665,655	(6,857,225)	(4,265,194)	On demand; non interest bearing; unsecured
Rental expense	5,615,658	3,407,722	(667,639)	-	On demand; non interest bearing; unsecured
Miscellaneous Deposit	-	-	849,150	849,150	On demand; non interest bearing; unsecured
Royalty Fee	942,661	1,747,904	-	-	On demand; non interest bearing; unsecured
<b>Due from Related Parties</b>			<b>207,453,313</b>	<b>197,448,146</b>	
<b>Due to Related Parties</b>			<b>(30,512,512)</b>	<b>(25,918,837)</b>	

## 13. SHARE CAPITAL

	Amount in Php	Amount in Php
	As of September 30, 2023	As of December 31, 2022
Authorized Capital :		
6,000,000,000 ordinary shares at P1 par value	6,000,000,000	6,000,000,000
Issued and subscribed	3,542,258,595	3,542,258,595

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



## 14. EARNINGS PER SHARE

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

	Amount in Php
	For the Period Ended
	September 30, 2023
Income for the Period	4,631,075,042
Weighted Average Number of Shares	3,542,258,595
Basic and Diluted Earnings Per Share	1.31

As of September 30, 2023, the Company has no potential dilutive shares. Accordingly, the basic earnings per share of P1.31 is the same as the diluted earnings per share.

## 15. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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

	As of September 30, 2023		As of December 31, 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
Cash and cash equivalents	3,557,292,090	3,557,292,090	2,149,448,030	2,149,448,030
Trade and Other Receivables - net	10,212,532,598	10,212,532,598	8,771,584,426	8,771,584,426
Due from Related Parties	207,453,313	207,453,313	197,448,146	197,448,146
Security deposits	123,507,010	123,507,010	192,270,065	192,270,065
	14,100,785,011	14,100,785,011	11,310,750,667	11,310,750,667
<b>Financial Liabilities</b>				
Notes Payable	4,149,390,325	4,149,390,325	4,649,390,325	4,649,390,325
Trade and Other Payables	11,407,746,415	11,407,746,415	9,797,085,023	9,797,085,023
Due to Related Parties	30,512,512	30,512,512	25,918,837	25,918,837
	15,587,649,252	15,587,649,252	14,472,394,185	14,472,394,185

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

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

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

## Financial Risk Management

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

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

### *Market risk*

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

### *Interest rate risk*

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

### *Credit Risk*

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

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

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

	Amount in Php	
	As of September 30, 2023	As of December 31, 2022
Cash and cash equivalents	3,557,292,090	2,149,448,030
Trade and Other Receivables - net	10,212,532,598	8,771,584,426
Due from Related Parties	207,453,313	197,448,146
Security deposits	123,507,010	192,270,065
	14,100,785,011	11,310,750,667

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

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

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

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

The aging analysis of the Group's financial assets that are not impaired as of September 30, 2023, is as follows:

As of September 30, 2023				
Past Due Accounts but Not Impaired				
	0 to 60 Days Past Due	61 to 90 Days Past Due	91 to 120 Days Past Due	Over 120 Days Past Due
Cash and cash equivalents	3,557,292,090	-	-	-
Trade and Other Receivables - net	10,212,532,598	-	-	-
Due from Related Parties	207,453,313	-	-	-
Security deposits	-	-	-	123,507,010
	13,977,278,001	-	-	123,507,010

The aging analysis of the Group's individual receivables as of September 30, 2023, and December 31, 2022, is as follows:

	Amount in Php	Amount in Php
	As of September 30, 2023	As of December 31, 2022
60 to 90 days	10,212,532,598	8,771,584,426
	10,212,532,598	8,771,584,426

### *Liquidity Risk*

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

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

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

	Amount in Php		
	Within One Year	More than One Year	Total
<b>As of September 30, 2023</b>			
Loans payable	4,149,390,325		4,149,390,325
Trade and other payables	11,407,746,415		11,407,746,415
Due to related parties	30,512,512		30,512,512
	15,587,649,252	-	15,587,649,252
<b>As of December 31, 2022</b>			
Loans payable	4,649,390,325		4,649,390,325
Trade and other payables	9,797,085,023		9,797,085,023
Due to related parties	25,918,837		25,918,837
	14,472,394,185	-	14,472,394,185

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

## 16. CAPITAL MANAGEMENT RISK

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

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

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

	Amount in Php	
	As of September 30, 2023	As of December 31, 2022
Debt	20,821,130,308	19,554,798,369
Less : Cash and cash equivalents	3,557,292,090	2,149,448,030
Net debt	17,263,838,218	17,405,350,339
Equity	31,991,108,811	28,778,992,827
Net debt to equity ratio	0.54:1	0.6:1