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Antonio E.S. Ungson

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**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 20-IS**

**INFORMATION STATEMENT PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:

- ☐ Preliminary Information Statement  
☒ Definitive Information Statement

2. Name of Registrant as specified in its charter: **Del Monte Pacific Limited**

3. **British Virgin Islands**  
Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number: **N/A**

5. BIR Tax Identification Code: **N/A**

6. **Craigmuir Chambers, PO Box 71 Road Town, Tortola, British Virgin Islands**  
Address of principal office Postal Code

7. Registrant's telephone number, including area code: **+65 6324 6822**

8. Date, time and place of the meeting of security holders:

Annual General Meeting	
Date:	<b>17 September 2020</b>
Time:	<b>10:00 a.m.</b>
Place:	<b>Online</b>

9. Approximate date on which the Information Statement is first to be sent or given to security holders:  
**26 August 2020**

10. In case of Proxy Solicitations: **N/A**  
Name of Person Filing the Statement/Solicitor: \_\_\_\_\_  
Address and Telephone No.: \_\_\_\_\_

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
<b>Ordinary Shares</b>	<b>1,943,960,024</b>
<b>Series A-1 Preference Shares</b>	<b>20,000,000</b>
<b>Series A-2 Preference Shares</b>	<b>10,000,000</b>

12. Are any or all of registrant's securities listed in a Stock Exchange?

Yes ☒ No ☐

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

**Singapore Exchange Securities Trading Limited – Ordinary Shares**  
**The Philippine Stock Exchange, Inc. – Ordinary Shares and Preference Shares**



DEL MONTE PACIFIC LIMITED  
(Incorporated in the British Virgin Islands with limited liability on 27 May 1999)

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## NOTICE OF ANNUAL GENERAL MEETING

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NOTICE IS HEREBY GIVEN that the Annual General Meeting (“AGM”) of Del Monte Pacific Limited (the “Company”) will be convened and held by way of electronic means on 17 September 2020 at 10.00 a.m. (Singapore time), for the following purposes:

### AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements of the Company, together with the Auditors’ Report thereon, for the financial year ended 30 April 2020. **[Resolution 1]**
2. To re-appoint the following Directors retiring pursuant to Article 88 of the Company’s Articles of Association and Rule 720(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”):
  - (i) Mr Rolando C Gapud (Retiring under Article 88 and Rule 720(5) of the Listing Manual of the SGX-ST) **[Resolution 2]**
  - (ii) Mr Benedict Kwek Gim Song (Retiring under Article 88 and Rule 720(5) of the Listing Manual of the SGX-ST) **[Resolution 3]**

*Mr Rolando C Gapud will, upon re-appointment as a Director, remain as Board Executive Chairman of the Company, and as a member of the Nominating and Governance Committee.*

*Mr Benedict Kwek Gim Song will, upon re-appointment as a Director of the Company, remain as Chairman of the Audit and Risk Committee, and as a member of the Nominating and Governance Committee and the Remuneration and Share Option Committee, and will be considered independent.*  
*[See Explanatory Note (i)]*

3. To transact any other ordinary business which may be transacted at an AGM.

### AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions:

4. To approve the payment of Directors’ fees of up to US\$496,800/- for the financial year ending 30 April 2021 (“FY2021”) (FY2020: US\$496,800/-), to be paid quarterly in arrears, computed based on the fee structure set out below:
  - Board Chairman: US\$79,200 per annum
  - Directors: US\$43,200 per annum
  - Audit and Risk Committee Chairman: US\$19,800 per annum
  - Remuneration and Share Option Committee Chairman: US\$9,900 per annum
  - Nominating and Governance Committee Chairman: US\$9,900 per annum
  - Audit and Risk Committee Members: US\$10,800 per annum
  - Remuneration and Share Option Committee Members: US\$5,400 per annum
  - Nominating and Governance Committee Members: US\$5,400 per annum*[See Explanatory Note (ii)]* **[Resolution 4]**
5. To authorise the Directors of the Company to fix, increase or vary the emoluments of Directors of up to US\$100,000/- with respect to services to be rendered in any capacity to the Company. **[Resolution 5]**  
*[See Explanatory Note (iii)]*

6. To re-appoint Ernst & Young LLP as the Auditors of the Group and to authorise the Directors of the Company to fix their remuneration.

**[Resolution 6]**

7. To re-appoint Sycip Gorres Velayo & Co (Ernst & Young Philippines) as the Philippine Auditors of the Group and to authorise the Directors of the Company to fix their remuneration.

**[Resolution 7]**

8. **Authority to Issue Shares**

That pursuant to Article 15(2) of the Company's Articles of Association and Rule 806 of the Listing Manual of the SGX-ST, the Directors of the Company be authorised and empowered to:

- (a)
  - (i) issue shares in the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or
  - (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including, but not limited to, the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions, and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

- (1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings in each class) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro rata basis to Shareholders of the Company shall not exceed 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings in each class) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares and subsidiary holdings in each class) shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings in each class) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
  - (a) new Shares arising from the conversion or exercise of any convertible securities;
  - (b) new Shares arising from the exercise of share options, which are outstanding or subsisting at the time of the passing of this Resolution; and
  - (c) any subsequent bonus issue, consolidation or subdivision of Shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next AGM of the Company or the date



by which the next AGM of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iv)]

**[Resolution 8]**

9. **Authority to Allot and Issue Shares under the Del Monte Pacific Executive Share Option Plan 2016**

That approval be and is hereby granted to the Directors of the Company, acting through its Remuneration and Share Option Committee, to allot and issue from time to time such Shares as may be allotted and issued pursuant to the exercise of the Del Monte Pacific Executive Share Option Plan 2016 (“**ESOP**”), provided always that the aggregate number of Shares to be allotted and issued pursuant to the ESOP shall not exceed ten percent (10%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings in each class) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (v)]

**[Resolution 9]**

10. **Renewal of Shareholders’ Mandate for Interested Person Transactions**

That for the purposes of Chapter 9 of the Listing Manual of the SGX-ST:

- (a) approval be given for the renewal of the mandate for the Company, its subsidiaries and target associated companies or any of them to enter into any of the transactions falling within the types of Interested Person Transactions as set out on page 5 of the Company’s information memorandum (“**Information Memorandum**”) with any party who is of the class of Interested Persons described in the Information Memorandum, provided that such transactions are carried out in the normal course of business, at arm’s length and on commercial terms, and in accordance with the guidelines of the Company for Interested Person Transactions, as set out in the Information Memorandum (the “**IPT Mandate**”);
- (b) the IPT Mandate shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next AGM of the Company; and
- (c) authority be given to the Directors to complete and do all such acts and things (including executing all such documents as may be required) as they may consider necessary, desirable or expedient to give effect to the IPT Mandate as they may think fit.

[See Explanatory Note (vi)]

**[Resolution 10]**

By Order of the Board

Antonio E S Ungson  
Company Secretary  
27 August 2020

**Explanatory Notes to Resolutions to be passed –**

- (i) The bio-data of Directors seeking re-appointment are appended for Shareholders’ information:

Mr Rolando C Gapud, Executive Chairman, 78  
(Appointed on 20 January 2006 and last re-elected on 30 August 2017)

Mr Rolando C Gapud, if re-appointed will remain as Board Executive Chairman of the Company, and as a member of the Nominating and Governance Committee. In line with Provision 4.4 of the 2018 Code of Corporate Governance (“**2018 CG Code**”): (a) there are no relationships or business relationships which Mr Gapud, his immediate family member, or an organisation which Mr Gapud or his immediate family member is a substantial shareholder, partner (with 5% or more stake), executive officer or director in has with the Company or any of its related corporations, and Mr Gapud’s direct association with a substantial shareholder of the Company, in the current and immediate past financial year; and (b) Mr Gapud does

not hold directorships in other listed companies and the details of his other principal commitments can be found in the FY2020 Annual Report, under the “Board of Directors” section.

Additional information on Mr Rolando C Gapud as required to be furnished pursuant to Rule 720(6) of the Listing Manual of the SGX-ST is also found in the FY2020 Annual Report, under the “Board of Directors” section.

Mr Rolando C Gapud has over 45 years of experience in banking, finance and general management, having worked as CEO of several Philippine companies, notably Security Bank and Trust Company, Oriental Petroleum and Minerals Corp and Greenfield Development Corp. He was also the COO of the joint venture operations of Bankers Trust and American Express in the Philippines. He has served in the Boards of various major Philippine companies, including the Development Bank of the Philippines, the development finance arm of the Philippine Government. Mr Gapud is the Chairman of the Board of Del Monte Foods, Inc, DMPL's US subsidiary, and Executive Chairman of Del Monte Philippines, Inc, DMPL's Philippine subsidiary. He is also a Director of FieldFresh Foods Private Ltd, a joint venture of DMPL with the Bharti Group of India. He holds a Master of Science in Industrial Management degree from the Massachusetts Institute of Technology. He is a member of the Asian Executive Board of the Sloan School of MIT and the Board of Governors of the Asia School of Business, a joint venture between the Sloan School of MIT and Bank Negara, the Central Bank of Malaysia.

Mr Benedict Kwek Gim Song, Lead Independent Director, 73  
(Appointed on 30 April 2007 and last re-appointed on 30 August 2017)  
(Appointed as Lead Director on 11 September 2013)

Mr Benedict Kwek Gim Song, if re-appointed will remain as Chairman of the Audit and Risk Committee, and as a member of the Nominating and Governance Committee and the Remuneration and Share Option Committee, and will be considered independent. In line with Provision 4.4 of the 2018 CG Code: (a) there are no relationships or business relationships which Mr Kwek, his immediate family member, or an organisation which Mr Kwek or his immediate family member is a substantial shareholder, partner (with 5% or more stake), executive officer or director in has with the Company or any of its related corporations, and Mr Kwek's direct association with a substantial shareholder of the Company, in the current and immediate past financial year; and (b) Mr Kwek does not hold directorships in other listed companies and the details of his other principal commitments can be found in the FY2020 Annual Report, under the “Board of Directors” section.

Additional information on Mr Kwek as required to be furnished pursuant to Rule 720(6) of the Listing Manual of the SGX-ST is also found in the FY2020 Annual Report, under the “Board of Directors” section.

Mr Benedict Kwek Gim Song is a Director of Del Monte Foods, Inc, DMPL's US subsidiary. Mr Kwek was Chairman of previously SGX-listed Pacific Shipping Trust from 2008 to 2012. He was also a Director and Chairman of the Audit Committee of listed companies including Ascendas REIT. He has over 30 years of banking experience, having served as the President and CEO of Keppel TatLee Bank. He has held various key positions at Citibank in the Philippines, Hong Kong, New York and Singapore. He holds a Bachelor of Social Science (Economics) degree from the then University of Singapore and attended a management development programme at Columbia University in the United States.

- (ii) The Ordinary Resolution 4 above is to approve the payment of Directors' fees for FY2021, to be paid quarterly in arrears in accordance with the proposed fee structure. The fee structure is based on guidelines recommended by the Singapore Institute of Directors and disclosed in the Corporate Governance Report in the Annual Report. The proposed Directors' fees for FY2021 are commensurate with the onerous responsibilities placed on the Directors and in particular, to better reflect the time and contribution of each Director towards the improved performance of the Company.

The Ordinary Resolution 4 if passed, will authorise the payment of Directors' fees for FY2021, in accordance with the fee structure, amounting up to US\$496,800/- and there is no change from prior year on a per Director basis.

- (iii) The Ordinary Resolution 5 proposed above, if passed, will also authorise the Directors of the Company to fix, increase or vary the emoluments of Directors of up to US\$100,000/- with respect of services to be rendered in any capacity to the Company. This would provide flexibility for the Company to engage or procure the specialist services of Directors as appropriate and as may be required by the Company. In particular, this resolution is meant for the specialist services of Dr Emil Q Javier, for his services rendered to the Company at the plantation and for chairing the Group's Plantation Oversight Committee.

- (iv) The Ordinary Resolution 8 proposed above, if passed, will empower the Directors of the Company, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue Shares, make or grant Instruments convertible into Shares and to issue Shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings in each class) in the capital

of the Company, of which up to 15% may be issued other than on a pro rata basis to Shareholders. For determining the aggregate number of Shares that may be issued, the total number of issued Shares (excluding treasury shares and subsidiary holdings in each class) will be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holdings in each class) in the capital of the Company at the time this Ordinary Resolution is passed, after adjusting for new Shares arising from the conversion or exercise of any convertible securities or share options which are outstanding or subsisting at the time when this Ordinary Resolution is passed, and any subsequent bonus issue, consolidation or subdivision of Shares.

- (v) The Ordinary Resolution 9 proposed above, if passed, will empower the Directors of the Company, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to allot and issue from time to time such number of fully-paid Shares in the capital of the Company, as may be required to be issued pursuant to the exercise of options under the ESOP. The aggregate number of Shares which may be issued pursuant to the ESOP and any other share option plan(s)/ share plan(s) which the Company may have in place shall not exceed ten percent (10%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings in each class) in the capital of the Company from time to time.
- (vi) The Ordinary Resolution 10 proposed above, if passed, will authorise the Interested Person Transactions, as described in the Information Memorandum accompanying the FY2020 Annual Report and recurring in the year; and will empower the Directors to do all acts necessary to give effect to the IPT Mandate. This authority will, unless previously revoked or varied by the Company at a general meeting, expire at the conclusion of the next AGM of the Company.
- (vii) **Dividend Policy for Ordinary Shares**

The Company's dividend payment policy is to distribute a minimum of 33% of full year profit but remains subject to review by the Board.

The dividend payout was 75% from 2006 to 2012 and 50% for 2013, 2016, 2017 and 2019. For FY2020, the Company declared a special dividend of 1.54 US cents (US\$0.0154) despite its net loss position. DMPL completed the sale of a 12% stake in DMPI for US\$120 million to a private equity investor. The transaction generated a net gain of US\$77.0 million for DMPL which was recorded as part of Retained Earnings as at 30 April 2020 and not in the Income Statement.

#### **Notes for Shareholders:**

1. The AGM is being convened, and will be held by way of electronic means pursuant to the COVID-19 (Temporary Measures) Act 2020 released on 7 April 2020 and the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 issued on 13 April 2020.

**Due to the current COVID-19 situation, shareholders will not be able to attend the AGM in person.**

2. Printed copies of this Notice will be sent to shareholders. A copy of this Notice will also be available on the Company's website at the URL [https://www.delmontepacific.com/investors/shareholder-centre#Notice\\_of\\_AGM](https://www.delmontepacific.com/investors/shareholder-centre#Notice_of_AGM) and on the SGX-ST website at the URL <https://www.sgx.com/securities/company-announcements>.
3. Alternative arrangements relating to the (i) attendance at the AGM via electronic means (including arrangements by which the AGM can be electronically accessed via live webcast); (ii) submission of questions to the Chairman of the Meeting ahead of the AGM; and (iii) voting by appointing the Chairman of the Meeting as proxy at the AGM, are set out in the accompanying Company's announcement dated 27 August 2020.
4. Shareholders at record date at the close of business on 15 September 2020 are entitled to attend and vote at the AGM. A Shareholder entitled to attend and vote at the AGM is entitled to appoint the Chairman of the Meeting to attend and vote in his/her/it stead (for Philippines,). The Chairman of the Meeting need not be a Member of the Company. Where a shareholder (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/ she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

The accompanying proxy form and voting instruction form for the AGM may also be accessed at the Company's website at the URL <https://www.delmontepacific.com/investors/news-and-filings> and on the SGX-ST website at the URL <https://www.sgx.com/securities/company-announcements>.

6. If a Depositor wishes to appoint the Chairman of the Meeting to attend, speak and vote at the AGM, then he/she/it must:
  - (a) complete and deposit the Depositor proxy form at the office of the Share Transfer Agent:

- i. in Singapore - Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623
  - ii. in Philippines - BDO Unibank Inc — Trust and Investments Group, at its office address at the Securities Services and Corporate Agencies Department, 15th Floor South Tower, BDO Corporate Centre, 7899 Makati Avenue, Makati City, 0726 Philippines, for the attention of Ms Carla B Salonga, **or**
- (b) submit via email
- i. In Singapore, to [DelMonteAGM@boardroomlimited.com](mailto:DelMonteAGM@boardroomlimited.com)
  - ii. In Philippines, to [bdo-stock-transfer@bdo.com.ph](mailto:bdo-stock-transfer@bdo.com.ph)

In either case, at least forty-eight (48) hours before the time of the AGM.

Due to the current COVID-19 situation, shareholders are **strongly encouraged** to submit the completed proxy forms electronically via email.

7. If the Depositor is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.

### **Submission of questions prior to the AGM**

Shareholders and Investors will not be able to ask questions “live” during the Live Webcast. However, all Shareholders and Investors of the Company may submit questions relating to the resolutions to be tabled for approval at the AGM or the Company’s businesses and operations, no later than 10.00 a.m. on 14 September 2020 via the Pre-registration Website. The Company will endeavour to address questions which are substantial and relevant prior to, or at, the AGM proceedings.

### ***Personal data privacy:***

By submitting an instrument appointing the Chairman of the Meeting as proxy to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member’s personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists (if required), minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the “**Purposes**”), (ii) warrants that where the member discloses the personal data of the member’s proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member’s breach of warranty.

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## NOTICE OF GENERAL MEETING

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### DEL MONTE PACIFIC LIMITED

(incorporated in the British Virgin Islands with limited liability on 27 May 1999)  
(the “Company”)

### NOTICE OF GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a General Meeting (“GM”) of the Company will be held by way of electronic means on 17 September 2020 at 10.00 a.m., for the purpose of considering and, if thought fit, passing with or without modifications, the resolution as set out below.

All capitalised terms used in this Notice of GM which are not defined herein shall, unless otherwise defined herein, have the same meanings ascribed to them in this Circular.

#### **AS AN ORDINARY RESOLUTION**

**THE RATIFICATION OF THE SALE OF ISSUED AND PAID UP ORDINARY SHARES IN DEL MONTE PHILIPPINES, INC., AN INDIRECT SUBSIDIARY OF DEL MONTE PACIFIC LIMITED, TO SEA DINER HOLDINGS (S) PTE. LTD.**

#### **RESOLVED THAT:-**

- (a) the disposal of 12% of the total issued paid-up ordinary share capital of Del Monte Philippines, Inc. to SEA Diner Holdings (S) Pte. Ltd. (the “Investor”) upon the terms and conditions of the Agreement dated 24 January 2020 (“Agreement”) and as amended and supplemented by the Supplemental Agreement dated 30 April 2020 between the Company, CARI, DMPI and the Investor (the “Disposal”), as a major transaction pursuant to Chapter 10 of the Listing Manual of the Singapore Exchange Securities Trading Limited, be and is hereby approved, confirmed and ratified;
- (b) the execution by the Company of the Agreement and the Supplemental Agreement (including without limitation, execution of all such documents as may be required) be and is hereby approved, confirmed and ratified;
- (c) the Directors and each of them be, and is hereby, authorised from time to time to cause the completion and the performance of all acts and things as the Directors or each of them may consider necessary, desirable or expedient to give effect to the approvals given in this Ordinary Resolution, including without limitation to the foregoing, to negotiate, sign, execute and deliver all documents, approve any amendments, alterations or modifications to any instruments, filings, notices, announcements, agreements and any other document(s) (if required) as the Directors or each of them shall think fit and in the interests of the Company; and
- (d) any acts, matters and things done or performed, and/or documents signed, executed, sealed and/or delivered by any Director in connection with the Disposal, the Agreement, the Supplemental Agreement and this Ordinary Resolution be and are hereby approved, confirmed and ratified.

By Order of the Board

Antonio E S Ungson  
Company Secretary  
27 August 2020

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## NOTICE OF GENERAL MEETING

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### Explanatory Notes to Resolution to be passed –

#### Notes for Shareholders:

1. The GM is being convened, and will be held by way of electronic means pursuant to the COVID-19 (Temporary Measures) Act 2020 released on 7 April 2020 and the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 issued on 13 April 2020.

**Due to the current COVID-19 situation, shareholders will not be able to attend the GM in person.**

2. Printed copies of this Notice will be sent to shareholders. A copy of this Notice will also be available on the Company's website at the URL [https://www.delmontepacific.com/investors/shareholder-centre#Notice\\_of\\_AGM](https://www.delmontepacific.com/investors/shareholder-centre#Notice_of_AGM) and on the SGX-ST website at the URL <https://www.sgx.com/securities/company-announcements>.
3. Alternative arrangements relating to the (i) attendance at the GM via electronic means (including arrangements by which the GM can be electronically accessed via live webcast); (ii) submission of questions to the Chairman of the Meeting ahead of the GM; and (iii) voting by appointing the Chairman of the Meeting as proxy at the GM, are set out in the accompanying Company's announcement dated 27 August 2020.
4. Shareholders at record date at the close of business on 15 September 2020 are entitled to attend and vote at the GM. A Shareholder entitled to attend and vote at the GM is entitled to appoint the Chairman of the Meeting to attend and vote in his/her/it stead (for Philippines,). The Chairman of the Meeting need not be a Member of the Company. Where a shareholder (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/ she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

The accompanying proxy form and voting instruction form for the GM may also be accessed at the Company's website at the URL <https://www.delmontepacific.com/investors/news-and-filings> and on the SGX-ST website at the URL <https://www.sgx.com/securities/company-announcements>.

6. If a Depositor wishes to appoint the Chairman of the Meeting to attend, speak and vote at the GM, then he/she/it must:
  - (a) complete and deposit the Depositor proxy form at the office of the Share Transfer Agent:
    - i. in Singapore - Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623
    - ii. in Philippines - BDO Unibank Inc — Trust and Investments Group, at its office address at the Securities Services and Corporate Agencies Department, 15th Floor South Tower, BDO Corporate Centre, 7899 Makati Avenue, Makati City, 0726 Philippines, for the attention of Ms Carla B Salonga, **or**
  - (b) submit via email
    - i. In Singapore, to [DelMonteAGM@boardroomlimited.com](mailto:DelMonteAGM@boardroomlimited.com)
    - ii. In Philippines, to [bdo-stock-transfer@bdo.com.ph](mailto:bdo-stock-transfer@bdo.com.ph)

In either case, at least forty-eight (48) hours before the time of the AGM.

Due to the current COVID-19 situation, shareholders are **strongly encouraged** to submit the completed proxy forms electronically via email.

7. If the Depositor is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.

#### Submission of questions prior to the AGM

Shareholders and Investors will not be able to ask questions "live" during the Live Webcast. However, all Shareholders and Investors of the Company may submit questions relating to the resolutions to be tabled for approval at the AGM or the Company's businesses and operations, no later than 10.00 a.m. on 14 September

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## NOTICE OF GENERAL MEETING

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2020 via the Pre-registration Website. The Company will endeavour to address questions which are substantial and relevant prior to, or at, the AGM proceedings.

### **Personal data privacy:**

By submitting an instrument appointing [the Chairman] as proxy(ies), a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the GM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the GM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.



DEL MONTE PACIFIC LIMITED  
(Incorporated in the British Virgin Islands with limited liability on 27 May 1999)

## PROXY FORM

Due to the current COVID-19 situation, a Shareholder will **NOT** be able to attend the Annual General Meeting (AGM) in person. The Meeting will be held virtually and the Shareholder can attend if he/she/it wishes to but will not be able to speak and vote live. A Shareholder (whether individual or corporate) must complete this Proxy Form to effect the appointment of the Chairman of the Meeting as his/her/its proxy to speak and vote on his/her/its behalf at the Meeting in respect of the Shareholder(s) Shares.

The undersigned, being a shareholder of **DEL MONTE PACIFIC LIMITED** (the “Company”), whose name is in the Register of Members as at 15 September 2020 (“**Record/Cut Off Date**”) hereby constitutes and appoints::

The Chairman of the Meeting, as proxy, to represent, act and vote in his/her name and stead at the AGM of the Company to be held by way of electronic means on 17 September 2020 at 10.00 a.m. and at any adjournment thereof, as fully and to all intents and purposes as the undersigned might do if present and acting in person.

(Please indicate your vote “For” or “Against” or “Abstain” with a tick [✓] within the box provided.)

	Resolutions relating to:	For	Against	Abstain
1	Directors' Statement and Audited Financial Statements for the financial year ended 30 April 2020			
2	Re-appointment of Mr Rolando C Gapud as a Director of the Company			
3	Re-appointment of Mr Benedict Kwek Gim Song as a Director of the Company			
4	Approval of payment of Directors' fees for the financial year ending 30 April 2021			
5	Authority to fix, increase or vary emoluments of Directors			
6	Re-appointment of Ernst & Young LLP as Auditors of the Group			
7	Re-appointment of Sycip Gorres Velayo & Co. (Ernst & Young Philippines) as the Philippine Auditors of the Group			
8	Authority to issue Shares			
9	Authority to allot and issues shares under the Del Monte Pacific Executive Share Option Plan 2016			
10	Renewal of Shareholders' Mandate for Interested Person Transactions			

Printed Name and Signature of Shareholder

Number of Shares Held

Date/Place

### NOTES:

- This Proxy Form should be duly completed, submitted to, and received by, the Company's Philippine Stock Transfer Agent, BDO Unibank Inc — Trust and Investments Group in the following manners:
  - Submit via post on or before **15 September 2020 at 10.00 a.m.**, at its office address at the Securities Services and Corporate Agencies Department, 15th Floor South Tower, BDO Corporate Centre, 7899 Makati Avenue, Makati City, 0726 Philippines, for the attention of, Mr Oliver L Galvez; or
  - Submit via email to [bdo-stock-transfer@bdo.com.ph](mailto:bdo-stock-transfer@bdo.com.ph).

in either case, at least forty-eight (48) hours before the time of the Annual General Meeting.

Due to the current COVID-19 situation, shareholders are strongly encouraged to submit the completed Proxy Forms electronically via email.
- Validation of proxies shall be held on **16 September 2020 at 12:00 p.m.** at the office of the Philippine Share Transfer Agent.
- This proxy, when properly executed, will be voted in the manner as directed herein by the shareholder(s). If no direction is made, this proxy will be voted for the election of all nominees and for the approval of the matters stated above and for such other matters as may properly come before the meeting in the manner described in the information statement and/or as recommended by management or the board of directors.
- A shareholder giving a proxy has the power to revoke it at any time before the right granted is exercised.
- The Company shall be entitled to reject any proxy form which is incomplete, improperly completed or illegible, or where the true intentions of the shareholder are not ascertainable from the instructions of the shareholder specified on any proxy form. It is the shareholder's responsibility to ensure that this proxy form is properly completed.

### PERSONAL DATA PRIVACY

By submitting an instrument appointing the Chairman of the Meeting as a proxy, the Member accept(s) and agree(s) to the personal data privacy terms set out in the Notice of AGM dated 27 August 2020.





DEL MONTE PACIFIC LIMITED  
(Incorporated in the British Virgin Islands with limited liability on 27 May 1999)

## PROXY FORM

Due to the current COVID-19 situation, a Shareholder will **NOT** be able to attend the General Meeting (GM) in person. The Meeting will be held virtually and the Shareholder can attend if he/she/it wishes to but will not be able to speak and vote live. A Shareholder (whether individual or corporate) must complete this Proxy Form to effect the appointment of the Chairman of the Meeting as his/her/its proxy to speak and vote on his/her/its behalf at the Meeting in respect of the Shareholder(s) Shares.

The undersigned, being a shareholder of **DEL MONTE PACIFIC LIMITED** (the “Company”), whose name is in the Register of Members as at 15 September 2020 (“**Record/Cut Off Date**”) hereby constitutes and appoints:

The Chairman of the Meeting, as proxy, to represent, act and vote in his/her name and stead at the GM of the Company to be held by way of electronic means on 17 September 2020 at 10.30 a.m. (or immediately following the conclusion or adjournment of the Annual General Meeting to be held at 10.00 a.m. on the same day) and at any adjournment thereof, as fully and to all intents and purposes as the undersigned might do if present and acting in person.

(Please indicate your vote “For” or “Against” or “Abstain” with a tick [✓] within the box provided.)

	Resolutions relating to:	For	Against	Abstain
1	The Ratification of the Sale of Issued and Paid Up Ordinary Shares in Del Monte Philippines, Inc., and indirect subsidiary of Del Monte Pacific Limited, to Sea Diner Holdings (S) Pte. Ltd.			

Printed Name and Signature of Shareholder

Number of Shares Held

Date/Place

### NOTES:

- This Proxy Form should be duly completed, submitted to, and received by, the Company's Philippine Stock Transfer Agent, BDO Unibank Inc — Trust and Investments Group in the following manners:
  - Submit via post on or before **15 September 2020 at 10.00 a.m.**, at its office address at the Securities Services and Corporate Agencies Department, 15th Floor South Tower, BDO Corporate Centre, 7899 Makati Avenue, Makati City, 0726 Philippines, for the attention of, Mr Oliver L Galvez; or
  - Submit via email to [bdo-stock-transfer@bdo.com.ph](mailto:bdo-stock-transfer@bdo.com.ph).
 in either case, at least forty-eight (48) hours before the time of the Annual General Meeting.
- Due to the current COVID-19 situation, shareholders are strongly encouraged to submit the completed Proxy Forms electronically via email.
- Validation of proxies shall be held on **16 September 2020 at 12:00 p.m.** at the office of the Philippine Share Transfer Agent.
- This proxy, when properly executed, will be voted in the manner as directed herein by the shareholder(s). If no direction is made, this proxy will be voted for the election of all nominees and for the approval of the matters stated above and for such other matters as may properly come before the meeting in the manner described in the information statement and/or as recommended by management or the board of directors.
- A shareholder giving a proxy has the power to revoke it at any time before the right granted is exercised.
- The Company shall be entitled to reject any proxy form which is incomplete, improperly completed or illegible, or where the true intentions of the shareholder are not ascertainable from the instructions of the shareholder specified on any proxy form. It is the shareholder's responsibility to ensure that this proxy form is properly completed.

### PERSONAL DATA PRIVACY

By submitting an instrument appointing the Chairman of the Meeting as a proxy, the Member accept(s) and agree(s) to the personal data privacy terms set out in the Notice of GM dated 27 August 2020.

## INFORMATION REQUIRED IN INFORMATION STATEMENT

### A. GENERAL INFORMATION

#### 1. Date, Time and Place of Meeting of Security Holders.

- a. The Annual General Meeting (“AGM”) of the shareholders of Del Monte Pacific Limited (the “Company”) will be held on 17 September 2020 at 10.00 a.m., and will be convened and held by electronic means.

The mailing address of the Company in Singapore is at c/o 17 Bukit Pasoh Road, Singapore 089831, while its mailing address in the Philippines is at c/o 10<sup>th</sup> Floor, JY Campos Centre, 9<sup>th</sup> Avenue corner 30<sup>th</sup> Street, Bonifacio Global City, Taguig City, 1634 Philippines.

- b. The approximate date on which copies of the Information Statement shall be first sent and given to the shareholders shall be on 26 August 2020.

#### 2. Dissenters' Right of Appraisal

Not applicable.

#### 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

- a. Except for the resolutions stated in Section 15(a)(ii), (iii), (iv), (viii) and (ix) below, none of the Directors or officers of the Company, or any nominee to the Board, or any association of the foregoing persons have any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon during the AGM other than election to office.
- b. None of the Directors have informed the Company in writing that he or she intends to oppose any matter to be acted upon at the AGM.
- c. No cumulative voting rights are available.

### B. CONTROL AND COMPENSATION INFORMATION

#### 4. Voting Securities and Principal Holders Thereof

- a. The Company has a total of 1,943,960,024 outstanding Ordinary Shares, 20,000,000 Series A-1 Preference Shares, and 10,000,000 Series A-2 Preference Shares as of the date of this Information Statement.

Holders of Ordinary Shares are entitled to one vote for each share of stock held as of the established record date. On the other hand, holders of Preference Shares are generally not entitled to (i) attend, speak or vote at any meeting of the members of the Company; or (ii) vote on any resolution of members.<sup>1</sup>

As of 30 June 2020, 95.66% of the total outstanding shares or 1,859,626,165 Ordinary Shares of the Company are foreign-owned shares.

- b. All shareholders as of 15 September 2020 are entitled to attend and vote at the AGM.

In determining the date of shareholders entitled to attend and vote, the Company takes into account the definition of “record date” under the 2015 SRC Rules, and Articles 71(1)(b) and 71(1)(d) of the Company's Articles of Association.

2015 SRC Rule 20.2.1.5 defines “record date” as the date on which the holders of securities *entitled to vote* at the meeting, in person or by written consent or authorization, shall be determined.

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<sup>1</sup> Under the Company's Articles of Association, holders of the preference shares shall have the right to attend, speak and vote at a general meeting convened for any of the following purposes:

- i. Reducing the Company's authorized or issued share capital
- ii. Winding up the Company;
- iii. Sanctioning a sale of the whole or substantially the whole of the business, or undertaking of the Company;
- iv. Where the proposal to be submitted to the general meeting directly affects the rights and privileges of holders of the preference rates.

They also have the right to attend, speak and vote at any general meeting when the dividend on the Series A Preference Shares has been declared by the Board and has not been paid in full when due, and remains unpaid for at least six (6) months.

As a rule, every member is entitled to attend and vote at a general meeting of the Company. However, if a member appoints a proxy, Article 71(1)(b) of the Articles of Association states that the "Depository shall be deemed to have appointed as the Depository's proxies to vote on behalf of the Depository at a general meeting of the Company each of the Depositors who are individuals and whose names are shown on the records of the Depository as at a time not earlier than 48 hours prior to the time of the relevant general meeting." Article 71(1)(d) further provides that "the Company shall reject any CDP proxy form of a nominating depositor if his name is not shown in the records of the Depository as at a time not earlier than 48 hours prior to the time of the general meeting."

c. Security Ownership of Certain Record and Beneficial Owners and Management

i. Security Ownership of Certain Record and Beneficial Owners of More Than 5%

The table below sets forth the security ownership of certain record and beneficial owners of more than 5% of the Company's voting securities as of the date of this Information Statement.

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Common Shares Held	% of Total Outstanding Shares
Ordinary Shares	NutriAsia Pacific Limited (" <b>NAPL</b> ")  Trident Chambers Road Town, Tortola, British Virgin Islands  Shareholder	NAPL is the beneficial and record owner of the shares indicated.*	British Virgin Islands	1,196,539,958 Ordinary Shares	61.55%
Ordinary Shares	HSBC (Singapore) Nom's Pte. Ltd. (" <b>HSBC</b> ")  21 Collyer Quay #13-01 HSBC Building Singapore 049320  Shareholder	Bluebell Group Holdings Limited (" <b>Bluebell</b> ") is the beneficial owner of the shares indicated.*  The shares are held in nominee by HSBC.	British Virgin Islands	189,736,540 Ordinary Shares	10.1%
Ordinary Shares	Lee Pineapple Company Pte. Ltd. (" <b>Lee</b> ")  65 Chulia St, #44-01 OCBC Centre Singapore 049513  Shareholder	Lee is the beneficial and record owner of the shares indicated.**	Singapore	100,422,000 Ordinary Shares	5.17%

Notes:

\* NAPL and Bluebell are beneficially owned by Mr. Joselito D. Campos, Jr. and the Campos family of the Philippines.

\*\* Lee is beneficially owned by the Lee Family of Malaysia.

ii. Security Ownership of Management

The table below sets forth the security ownership of the Company's directors and executive officers as of the date of this Information Statement.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership		Citizenship	Percent of Class
Ordinary	Joselito D. Campos, Jr.	7,621,466	Direct	Filipino	0.39%
Ordinary	Rolando C. Gapud	2,651,203	Direct	Filipino	0.14%
Ordinary	Edgardo M. Cruz, Jr.	2,984,632	Direct	Filipino	0.15%
Ordinary	Emil Q. Javier	611,828	Direct	Filipino	0.03%
Ordinary	Benedict Kwek Gim Song	117,092	Direct	Singaporean	0.01%
Ordinary	Godfrey E. Scotchbrook	117,092	Direct	British	0.01%
Ordinary	Luis F. Alejandro	3,381,600	Indirect	Filipino	0.19%
		299,400	Direct		

Preference		15,000	Direct		0.08%
Ordinary	Ignacio C. O. Sison	1,079,736	Direct	Filipino	0.06%
Preference		8,000	Direct		0.04%
Preference	Parag Sachdeva	15,000	Direct	Indian	0.08%
Ordinary	Antonio E. S. Ungson	597,864	Direct	Filipino	0.03%
Ordinary	Ma. Bella B. Javier	392,359	Direct	Filipino	0.02%
Preference		2,000	Direct		0.02%

d. Voting Trust Holders of 5% or More

There are no persons holding more than 5% of a class of shares of the Company under a voting trust or similar agreement as of the date of this Information Statement.

e. Changes in Control

There are no arrangements which may result in a change in control of the Company as of the date of this Information Statement.

## 5. Directors and Executive Officers

a. Directors, Independent Directors and Executive Officers

i. Directors and Board Committees

The overall management and supervision of the Company, including the exercise of corporate powers and the conduct of the business of the Company, are undertaken by the Board. There are seven members of the Board, three of whom are Executive Directors and the remaining four are Non-Executive Directors who are also Independent Directors.

As of the date of this Information Statement, the composition of the Board is as follows:

Name	Age	Citizenship	Position	Year First Appointed	Year Last Elected (if ID, state no. of years served as ID)
Rolando C. Gapud	78	Filipino	Executive Chairman	2006	2017
Joselito D. Campos, Jr.	69	Filipino	Managing Director & Chief Executive Officer	2006	2006
Edgardo M. Cruz, Jr.	65	Filipino	Executive Director	2006	2018
Benedict Kwek Gim Song	73	Singaporean	Lead Independent Director	2007	2017 (ID:12)
Godfrey E. Scotchbrook	74	British	Independent Director	2000	2018 (ID: 19)
Emil Q. Javier	79	Filipino	Independent Director	2007	2019 (ID: 12)
Yvonne Goh	67	Singaporean	Independent Director	2015	2019 (ID:4)

In this year's AGM, the following are the incumbent Directors of the Company who are retiring pursuant to Article 88 of the Company's Articles of Association and due for re-election:

**Rolando C. Gapud**

Executive Chairman

Appointed on 20 January 2006

Last re-elected on 30 August 2017

**Benedict Kwek Gin Song**

Independent Director

Appointed on 30 April 2007

Last re-elected on 30 August 2017

Under Article 88, all Directors hold office for a maximum period of three (3) years, whereupon they shall retire in accordance with the Company's Articles of Association, but are eligible for re-election.

In reviewing the nomination for the re-election of the retiring Directors, the Nominating and Governance Committee (the “**NGC**”) had considered the contributions and performance of each Director, taking into account his attendance and participation at Board and Board committee meetings, as well as his or her independence.

All Directors retiring have consented to continue in office and have offered themselves for re-election at the Company’s AGM.

Both Mr. Gapud and Mr. Song are not family-related to the other directors, substantial shareholders, or shareholders who own at least 10% of the Company.

The Certification of Independent Director executed by Mr. Song is attached herein as **Annex “A-1”**.

The NGC, on an annual basis, determines whether or not a director is independent, taking into account the definition of the 2012 Code of Corporate Governance of Singapore (the “**2012 Code**”), which defines “independence” to mean that Directors have no relationship with the Company, or its related corporations, its 10% shareholders or its officers that could or be reasonably perceived to interfere with the exercise of the Director’s independent business judgment. Disclosures of Directors’ interests and their interest in transactions are standing agenda items in all Board meetings, and would be circulated and tabled for Board members’ information, as appropriate.

The 2012 Code states that the independence of any Director who has served on the Board beyond nine years from the date of his first appointment should be subject to particularly rigorous review.

Consistent with previous practice, the NGC undertook a rigorous review of the independence of each Independent Director, including those whose tenure had exceeded nine years from the date of their first appointment. Led by the NGC Chairperson and facilitated by Boardroom Corporate & Advisory Services Pte Ltd, the Company’s external corporate secretarial service provider, the assessment was conducted by means of a confidential and incisive questionnaire completed by each Director and confirmation completed by the Independent Directors.

As part of this rigorous review, Board members were asked to share their observations on how the Independent Directors whose tenure had exceeded 9 years, namely Messrs Benedict Kwek Gim Song, Emil Q Javier and Godfrey Scotchbrook, have demonstrated their independence on the Board. Board members were invited to cite, as appropriate, specific instances and examples.

The results were analysed and discussed at the NGC and Board meetings. It was concluded that there is a strong sense of independence amongst all Board members. Management is constantly challenged and questioned on proposals that come before the Board with all Directors engaging in thorough and robust discussion and deliberation, taking into consideration the interest of the Group’s stakeholders.

Based on the assessment, Messrs Benedict Kwek Gim Song (first appointed on 30 April 2007), Emil Q Javier (first appointed on 30 April 2007) and Godfrey E Scotchbrook (first appointed on 28 December 2000) have demonstrated independent mindedness and conduct at Board and Board committee meetings. The NGC is also of the firm view and opinion that these Directors continue to exercise independent judgment in the best interest of the Company in the discharge of their duties as Directors, and their more than nine years of exemplary service on the Board have not in any way affected their independence as throughout their tenure in office they had continually challenged and provided constructive feedback to Management.

Each member of the NGC had abstained from deliberations in respect of the assessment on his own independence.

Management, together with the Board Committees, including the Audit & Risk Committee (“**ARC**”), NGC, and Remuneration and Share Option Committee (“**RSOC**”) support the Board in discharging its responsibilities. The members of the Board Committees are as follows:

<b>Audit and Risk Committee</b>	
Benedict Kwek Gim Song (Lead Independent Director)	ARC Chairman
Godfrey E. Scotchbrook (Independent Director)	Member
Emil Q. Javier (Independent Director)	Member
Yvonne Goh (Independent Director)	Member
<b>Nominating and Governance Committee</b>	
Yvonne Goh (Independent Director)	NCG Chairperson

Benedict Kwek Gim Song (Lead Independent Director)	Member
Godfrey E. Scotchbrook (Independent Director)	Member
Emil Q. Javier (Independent Director)	Member
Rolando C. Gapud (Executive Chairman)	Member
Edgardo M. Cruz (Executive Director)	Member
<b>Remuneration and Share Option Committee</b>	
Godfrey E. Scotchbrook (Independent Director)	RSOC Chairman
Benedict Kwek Gim Song (Lead Independent Director)	Member
Emil Q. Javier (Independent Director)	Member
Yvonne Goh (Independent Director)	Member

ii. Senior Management

As of the date of this Information Statement, the following are the Company's Senior Management:

Name	Age	Citizenship	Position	Year Position was Assumed
Joselito D. Campos, Jr.	69	Filipino	Managing Director and CEO	2006
Luis F. Alejandro	66	Filipino	Chief Operating Officer	2008
Ignacio C. O. Sison	56	Filipino	Chief Corporate Officer	2006
Parag Sachdeva	50	Indian	Chief Financial Officer	2015
Antonio E. S. Ungson	48	Filipino	Chief Legal Counsel and Chief Compliance Officer	2008
			Company Secretary	2015
Ruiz G. Salazar	56	Filipino	Chief Human Resource Officer	2016

b. Significant Employees

The Board and the Senior Management of the Company have been an integral part of its success. Their knowledge, experience, business relationships and expertise greatly contribute to the Company's operating efficiency and financial performance.

The Company maintains that it considers the collective efforts of the Board and all of its employees as instrumental to its overall success. The business of the Company is not dependent on any individual person. No employee is indispensable in the organization. The Company has institutionalized, through documentation, its processes and training to ensure continuity and scalability in the business without relying on any particular employee.

c. Family Relationships

Other than as provided below, there are no other family relationships known to the Company:

Ms. Jeanette Beatrice Campos Naughton is Vice President, Strategic Planning of the Company's U.S. subsidiary, Del Monte Foods, Inc ("**DMFI**"). She is the daughter of Mr. Joselito D Campos, Jr., the Company's Managing Director and CEO, and DMFI's Vice Chairman and Director.

d. Involvement in Certain Legal Proceedings

*As to Directors, Executive Officers and Nominees for Election:*

Except as set out below, the Company is not aware that any of the incumbent Directors and any nominee for election as director, executive officer or control person of the Company has been the subject of any: (a) bankruptcy petition; (b) conviction by final judgment in a criminal proceeding, domestic or foreign; (c) order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and (d) judgment of violation of a securities or commodities law or regulation by a domestic or foreign court of competent jurisdiction, in a civil action, the Philippine SEC or a comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, which has not been reversed, suspended or vacated, for the past five (5) years up to the latest date that is material to the evaluation of his ability or integrity to hold the relevant position in the Company:

Mr. Luis F. Alejandro, the Group's Chief Operating Officer, is not involved in any criminal, bankruptcy or insolvency investigation or any other proceeding against him, except only the libel case pending between GMA Network, Inc and ABS-CBN Broadcasting Corp where he was impleaded eight years ago as co-accused in his capacity as then President and Chief Operating Officer of ABS-CBN Broadcasting Corp.

*As to the Company and its Subsidiaries:*

The Group is the subject of, or a party to, other various suits and pending or threatened litigation. While it is not feasible to predict or determine the ultimate outcome of these matters, the Company believes that none of these legal proceedings will have a material adverse effect on its financial position.

#### e. Certain Relationships and Related Transactions

- a) The following is a summary of Interested Person Transactions ("IPT") entered into by the Company and/or its subsidiaries (the "**Group**") with certain Interested Persons<sup>2</sup> for FY2020 (1 May 2019 to 30 April 2020), FY2019 (1 May 2018 to 30 April 2019), and FY2018 (1 May 2017 to 30 April 2018):

Related Party Transaction	Relationship	Nature	FY2020 US\$'000	FY2019 US\$'000	FY2018 US\$'000
Del Monte Philippines, Inc (DMPI Retirement Fund)	Retirement fund of the Company's subsidiary	Rental to DMPI Retirement Fund	1,662	1,558	1,858
		Security Deposit to DMPI Retirement Fund	(21)	-	-
		Management fees from DMPI Retirement Fund	(4)	(4)	(4)
Del Monte Philippines, Inc (DMPI Provident Fund)	Retirement fund of the Company's subsidiary	Rental to DMPI Provident Fund	-	-	-
NutriAsia Inc (NAI)	Affiliate of the Company	Rental to NAI Retirement Fund	586	545	543
		Security deposit to NAI Retirement Fund	(6)	-	-
		Purchases of Production Materials	29	34	233
		Toll Pack Fees	128	556	572
		Utilities / Parking Space Rental	55	81	160
		Recharge of Inventory Count Shortage	-	-	(33)
		Management fee	-	(92)	(15)
		Shared IT & Other Services from NAI	(177)	(161)	(343)
		Sale of other raw materials with NAI	-	(31)	(1)
		Sale of tomato sauce with NAI	(5)	-	(31)
		Cash Advances	(8,731)	(6,000)	
<b>TOTAL</b>			<b>(6,485)</b>	<b>(3,514)</b>	<b>2,939</b>

#### Review

The Company has an IPT and Related Party Transactions (RPT) policy and manual that set out the definitions, general guidelines, and review and monitoring procedures to be adopted across the Group for IPTs compliance with the Listing Manual of the SGX-ST and the SEC Memorandum Circular No. 10 (Series of 2019) or the *Rules on Material Related Party Transactions for Publicly Listed Companies*. The manual presents a comprehensive view of IPT and RPT and the procedures that all affected Group personnel, including members of senior management, directors and employees in Purchasing, Treasury, Finance, Sales, Legal, Internal Audit, must follow. The policy

<sup>2</sup> Under the SGX-ST Listing Manual, "Interested Person" is defined as: (a) a Director, CEO or Controlling Shareholder of the listed company; or (b) an Associate of any such Director, CEO or Controlling Shareholder. A "Controlling Shareholder" is one who: (a) holds directly or indirectly 15% or more of the nominal amount of all voting shares in the company; or (b) in fact exercises control over a company.

and manual set out materiality thresholds for IPTs and RPTs that could trigger certain approval and disclosure requirements.

The Company established review procedures to ensure that IPTs and RPTs: (i) are carried out on an arm's length basis and on normal commercial terms, consistent with the Group's usual business practices and policies; and (ii) will not be prejudicial to the interests of the Company and its minority shareholders.

In general, the transactions with related parties are carried out based on terms agreed between the parties. Pricing for the sales of products are market driven, less certain allowances. For purchases, the Group's policy is to solicit competitive quotations. Bids from any related party are evaluated on arm's length commercial terms and subject to bidding against third party suppliers. Purchases are normally awarded based on the lowest price.

The ARC reviews the internal audit report on the IPTs and RPTs on a quarterly basis to ascertain that the established review procedures are complied with. If during these periodic reviews, the ARC is of the view that the review procedures as stated above have become inappropriate or insufficient in view of changes to the nature of, or the manner in which, the business activities of the Group are conducted, the Company will revert to its shareholders for a fresh mandate based on a new set of guidelines and review procedures that would ensure compliance with the established standards above.

The Company maintains a register of transactions carried out with Interested Persons, as defined in the IPT manual, and the Company's internal audit plan will incorporate an annual review of all transactions entered into in the relevant financial year pursuant to the IPT mandate.

#### *Approval or Ratification*

The following are the categories of IPTs in the Company's manual:

1. Mandated IPT – refers to an IPT between the Group and any Interested Person pursuant to a shareholders' mandate approved on an annual basis by the Company's shareholders, which is subject to renewal each year at the annual general meeting. However, despite the existence of the shareholders' mandate, Mandated IPTs are still subject to auditors and AC's review.
2. Non-Mandated IPT – refers to purchase or sale of fixed assets, undertakings or businesses, as well as transactions not included under the shareholders mandate, which may require announcements, management approval, Board approval and/or shareholders' approval, depending on the amounts involved.

#### *Monitoring and Recording*

To facilitate recording of IPTs, each Group subsidiary's Controller shall establish two holding accounts that will be used in recording IPTs – one to record Mandated IPTs and the other to record Non-Mandated IPTs. Transactions recorded under these two holding accounts will then be cleared monthly to the proper accounts. The transactions that are recorded under the holding accounts will then be reported on a quarterly basis to the CFO for consolidation which will then be submitted to the ARC for evaluation and review.

- b) Other than standard terms and conditions typical for these kinds of contracts and negotiated at arm's length and upon normal commercial terms with counterparties, there are no other commitments resulting from these arrangements.

Considering the arm's length negotiation of these IPTs and the Company's established IPT review, approval, monitoring and disclosure processes, we do not see any material risks arising from these transactions.

#### **f. Resignation of Directors due to Disagreement**

No Director has resigned from, or declined to stand for re-election to, the Board since the date of the 2018 AGM due to any disagreement with the Company on any matter relating to its operations, policies or practices.

- g. No provision of the Company's Articles of Association, which relates to the selection, nomination and election of Independent Directors, has been recently amended. The Company's selection and election processes for independent directors are in accordance with the Company's Articles of Association and the 2012 Code.



## 6. Compensation of Directors and Executive Officers

The aggregate compensation paid or incurred during the last two fiscal years and estimated to be paid in the ensuing fiscal year to the CEO and senior executive officers of the Company are as follows:

Name and principal position	Year	Salary (in PhP)	Bonus (in PhP)
A. Chief Executive Officer and most highly compensated executive officers*	FY 2020 (Est)	221,618,598	178,941,582
	FY 2019	208,436,679	127,436,023
	FY 2018	188,109,963	100,182,352
B. All other officers and directors as a group unnamed	FY 2020 (Est)	160,407,561	40,097,159
	FY 2019	174,232,939	40,547,278
	FY 2018	154,015,088	43,483,998

\*The CEO and executive officers of the Company are as follows: Managing Director & CEO, Mr. Joselito D Campos, Jr. and the executives (in alphabetical order): Luis F. Alejandro, Parag Sachdeva, Ignacio Carmelo O. Sison, and Antonio Eugenio S. Ungson.

### Standard Arrangement

The Directors receive a fixed remuneration annually based on the following fee structure:

- Board Chairman: US\$79,200 per annum;
- Directors: US\$43,200 per annum;
- ARC Chairman: US\$19,800 per annum;
- RSOC Chairman: US\$9,900 per annum;
- NGC Chairman: US\$9,900 per annum;
- ARC Members: US\$10,800 per annum;
- RSOC Members: US\$5,400 per annum; and
- NGC Members: US\$5,400 per annum.

The Directors do not receive any allowance for attending Board or Board committee meetings.

### Other Arrangements

Dr. Emil Q. Javier has a consultancy agreement with the Company to act as a consultant, amongst other things, to provide guidance and support to the Group on its plantation operations and development of agri-based initiatives.

Except as described above, there are no other arrangements pursuant to which any of the Company's Directors and officers are compensated, or are to be compensated, directly or indirectly.

### Employment Contracts and Termination of Employment and Change-in-Control Arrangements

There are no arrangements for compensation to be received by any executive officer from the Company in the event of a resignation, or termination of the executive officer's employment or a change of control of the Company. The Company, however, provides retirement benefits to qualified employees, including Key Management Personnel.

### Share Options

There are no outstanding share options as of the date of this Information Statement. All unexercised options which were granted pursuant to the Del Monte Pacific Executive Stock Option Plan 1999 had already lapsed on 6 March 2018.

### Share Awards

All share awards granted to Directors had since 20 September 2017 been vested and released to Directors.

Except as disclosed [in the Company's Annual Report], no Director who held office at the end of the financial year had interests in shares, debentures, warrants, share options or share-based incentives of the Company or of related corporations, either at the beginning or at the end of the financial year.

## 7. Independent Public Accountants

- a) The external auditor of the Group for the most recently completed fiscal year is Ernst & Young LLP (“**EY Singapore**”), which is the same accounting firm tabled for re-appointment for the current fiscal year at the AGM of shareholders.

Sycip Gorres Velayo & Co. (“**EY Philippines**”), the Group’s auditors in the Philippines for the most recently completed fiscal year, is likewise tabled for re-appointment for the current fiscal year at the AGM.

- b) Mr. Alvin Phua Chun Yen is the partner-in-charge from EY Singapore for the audited financial statements of the Company and the Group for the fiscal year ended 30 April 2020. Representatives of EY Singapore are expected to be present during the AGM. The representatives may make statements, if they desire to do so, and will be available to respond to appropriate questions raised by the shareholders at the AGM.

Ms. Catherine E. Lopez is the partner-in-charge from EY Philippines<sup>20</sup>.

- c) The aggregate annual external audit fees billed for each of the last two fiscal years for the audit of the Group’s annual financial statements or services that are normally provided by the external auditor are as follows:

	<b>FY2020</b>	<b>FY2019</b>
	<b>in US\$’000</b>	<b>in US\$’000</b>
1. Audit Fees		
Payable to the Company’s auditors	353	345
Payable to other auditors	1,150	998
2. Non-Audit Fees		
Payable to the Company’s auditors	57	3
Payable to other auditors	96	141

## 8. Compensation Plans

Except as stated in Section 9 below, there are no actions to be taken with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed during the AGM.

## C. ISSUANCE AND EXCHANGE OF SECURITIES

### 9. Authorization or Issuance of Securities Other than for Exchange

- a. *Title and Amount of Securities to be Authorized*

**At the AGM**, the following matters shall be submitted for shareholders’ approval:

- i) *Authority to Issue Shares*

*That pursuant to Article 15(2) of the Company’s Articles of Association and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), the Directors of the Company be authorised and empowered to:*

- (a) (i) *issue shares in the Company (“**Shares**”) whether by way of rights, bonus or otherwise; and/or*  
(ii) *make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require Shares to be issued, including, but not limited to, the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,*

*at any time and upon such terms and conditions, and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and*

- (b) *(notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,*

provided that:

- (1) *the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro rata basis to Shareholders of the Company shall not exceed 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);*
- (2) *(subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares) shall be based on the total number of issued Shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:*
  - (a) new Shares arising from the conversion or exercise of any convertible securities;*
  - (b) new Shares arising from the exercise of share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and*
  - (c) any subsequent bonus issue, consolidation or subdivision of Shares;*
- (3) *in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association of the Company; and*
- (4) *unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.*

If passed, this Ordinary Resolution will empower the Directors of the Company, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held, or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue Shares, make or grant Instruments convertible into Shares and to issue Shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 15% may be issued other than on a pro rata basis to Shareholders.

For determining the aggregate number of Shares that may be issued, the total number of issued Shares (excluding treasury shares and subsidiary holdings) will be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution is passed, after adjusting for new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed, and any subsequent bonus issue, consolidation or subdivision of Shares.

ii) *Authority to Allot and Issue Shares under the Del Monte Pacific Executive Share Option Plan 2016*

*That approval be and is hereby granted to the Directors of the Company, acting through its Remuneration and Share Option Committee, to allot and issue from time to time such Shares as may be allotted and issued pursuant to the exercise of the Del Monte Pacific Executive Share Option 2016 ("ESOP"), provided always that the aggregate number of Shares to be allotted and issued pursuant to the ESOP shall not exceed ten percent (10%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings in each class) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.*

If passed, this Ordinary Resolution will empower the Directors of the Company, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held, or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to allot and issue from time to time such number of fully-paid Shares in the capital of the Company, as may be required to be issued, pursuant to the ESOP. The aggregate number of Shares which may be issued pursuant to the ESOP shall not exceed ten percent (10%) of

the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time.

b. *Description of the Company's Securities*

At present, the Company has an authorized capital of U.S.\$630,000,000.00 consisting of 3,000,000,000 Ordinary Shares with a par value of U.S.\$0.01 each, and 600,000,000 Preference Shares with a par value of U.S.\$1.00 each, which may be issued in one or more series.

Out of the authorized capital stock, the Company has (i) 1,943,960,024 Ordinary Shares; (b) 20,000,000 Series A-1 Preference Shares; and (c) 10,000,000 Series A-2 Preference Shares outstanding. The total issued Ordinary Shares are 1,944,935,826 Ordinary Shares, which includes 975,802 Ordinary Shares that are held by the Company as treasury shares.

**10. Modification or Exchange of Securities**

There are no actions to be taken with respect to the modification or exchange of the Company's securities.

**11. Financial and Other Information**

The Management Report discussing the operational, financial and other information of the Company is attached herein as **Annex "B"**.

The consolidated audited financial statements of the Group for the fiscal year ended 30 April 2019 are likewise attached herein as **Annex "C"**.

**12. Mergers, Consolidations, Acquisitions and Similar Matters**

There are no actions to be taken in relation to any merger, acquisition or business combination.

**13. Acquisitions and Investments**

There are no matters to be taken with respect to any merger, consolidation, acquisition of any property.

**14. Restatement of Accounts**

There are no actions to be taken and submitted for shareholders' approval with respect to the restatement of any asset, capital or surplus account of the Company.

**D. OTHER MATTERS**

**15. Action with Respect to Reports and Other Items**

- a) The following shall be submitted for shareholders' approval during the AGM:
- (i) To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company, together with the Auditors' Report thereon, for the financial year ended 30 April 2019. **(Resolution 1)**
  - (ii) To re-appoint the following Directors of the Company who are retiring pursuant to Article 88 of the Company's Articles of Association:
    - a. Mr. Rolando C. Gapud **(Resolution 2)**
    - b. Mr. Benedict Kwek Gim Song **(Resolution 3)**
  - (iii) To approve the payment of Directors' fees of up to US\$496,800/- for the financial year ending 30 April 2021 ("FY2021") (FY2019:496,800/-), to be paid quarterly in arrears. **(Resolution 4)**
  - (iv) To authorize the Directors to fix, increase or vary the emoluments of Directors of up to US\$100,000/- with respect to services to be rendered in any capacity to the Company. **(Resolution 5)**
  - (v) To re-appoint Ernst & Young LLP as the Auditors of the Group, and to authorize the Directors to fix their remuneration. **(Resolution 6)**
  - (vi) To re-appoint Sycip Gorres & Velayo & Co. (Ernst & Young Philippines) as the Philippine Auditors of the Group, and to authorize the Directors to fix their remuneration. **(Resolution 7)**

(vii) To authorize the Directors to issue shares in the Company, whether by way of rights, bonus or otherwise, and/or make grant offers, agreements or options that may or would require the issuance of shares, including, but not limited to, the creation and issue of options, warrants, debentures or other instruments convertible into shares, upon such terms and conditions, and for such purposes as the Directors of the Company may deem fit. **(Resolution 8)**

(viii) To authorize the Directors to allot and issue Shares under the Del Monte Pacific Executive Share Option Plan 2016. **(Resolution 9)**

(ix) To approve the renewal of shareholders' mandate for Interested Person Transactions (IPT). **(Resolution 10)**

The Information Memorandum in relation to the renewal of shareholders' mandate for IPT is incorporated by reference, a copy of which is attached herein as **Annex "D"**.

For details on the foregoing resolutions, please refer to the enclosed Notice of AGM.

b) The following shall be submitted for shareholders' approval during the GM:

(i) The Ratification of the Sale of Issued and Paid Up Ordinary Shares in Del Monte Philippines, Inc., and indirect subsidiary of Del Monte Pacific Limited, to Sea Diner Holdings (S) Pte. Ltd.

For details on the foregoing resolution, please refer to the enclosed Notice of GM.

#### **16. Matters Not Required to be Submitted**

There are no actions to be taken at the AGM with respect to any matter which is not required to be submitted to a vote of security holders.

#### **17. Amendment of Charter, By-laws or Other Documents**

There are no actions to be taken at the AGM with respect to any amendment of the Company's Memorandum of Association and Articles of Association.

#### **18. Other Proposed Action**

No other actions on any matter are proposed to be taken except matters of incidence that may properly arise during the AGM.

#### **19. Voting Procedures**

a) As to vote required:

For "Ordinary Resolutions", a simple majority of votes of the shares which were present at the meeting and entitled to vote thereon and were voted on, and not abstained.

For "Special Resolutions", the following rules shall apply:

- i. A majority of not less than three-fourths of the votes of the shares which were present at the meeting and entitled to vote thereon and were voted and not abstained; or
- ii. A majority of not less than three-fourths of the votes of each class or series of shares which were present at the meeting and entitled to vote thereon as a class or series and were voted and not abstained; or

A resolution consented to in writing by (1) a majority of not less three-fourths of the votes of shares entitled to vote thereon; or (2) a majority of not less than three-fourths of the votes of each class or series of shares entitled to vote thereon as a class or series.

b) As to method: The voting at the AGM in Singapore will be carried out via electronic poll voting. Philippine shareholders who are unable to attend the meeting in Singapore, but can attend the videoconference in Manila, will still be able to vote by manual voting.

c) The Company appointed independent scrutineers, Drewcorp Services Pte. Ltd. and Ortega Bacorro Odulio Calma & Carbonell Law Office, to validate the votes. The scrutineers will be responsible for

counting votes based on the number of shares entitled to vote owned by the shareholders who are present or represented by proxies at the AGM of the shareholders, in the presence of the Group's external auditors.

Upon a written request of a stockholder, the Company undertakes to furnish said stockholder with a copy of the Company's Annual Report or SEC Form 17-A free of charge. Any written request for a copy of the said report shall be addressed to the following:

**DEL MONTE PACIFIC LIMITED**  
c/o JY Campos Centre  
9<sup>th</sup> Avenue corner 30<sup>th</sup> Street  
Bonifacio Global City  
Taguig City

Attention:  
**Mr. Ignacio C. O. Sison**  
Chief Corporate Officer

You may also contact the Company's Investor Relations Officer, Ms. Jennifer Luy at [jluy@delmontepacific.com](mailto:jluy@delmontepacific.com).

#### **SIGNATURE PAGE**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Taguig on 12 August 2020.

**Del Monte Pacific Limited**  
Issuer

By:

  
**Antonio Eugenio S. Ungson**  
Chief Legal Counsel and Chief Compliance Officer





**FOREIGN SERVICE OF THE  
REPUBLIC OF THE PHILIPPINES**

EMBASSY OF THE PHILIPPINES )  
Consular Section ) S.S.  
Singapore )

**CERTIFICATE OF AUTHENTICATION**

I, **LAARNI ZORAYDA S. GANDAROSA, Consul** of the Embassy of  
the Republic of the Philippines to Singapore, duly commissioned and qualified, do  
hereby certify that **MELISSA GOH**  
before whom the annexed instrument has been executed, to wit:

**NOTARIAL CERTIFICATE SIGNED BY TAN MARY**

was at the time he/she signed the same **SINGAPORE ACADEMY OF LAW**  
and that his/her signature affixed thereto is genuine.

The Embassy assumes no responsibility for the contents of the annexed  
instrument.

**IN WITNESS HEREOF**, I have hereunto set my hand and affixed the seal of the  
Embassy of the Philippines in Singapore this day of **12 August 2020**

Service No. : 5841  
O.R. No. : 2392091  
Fee Paid : \$42.50

**LAARNI ZORAYDA S. GANDAROSA**  
Consul







NC0K6408QE

**NOTARIAL CERTIFICATE**

TO ALL TO WHOM these presents shall come

I, Tan Mary, NOTARY PUBLIC duly admitted, authorised to practise in the Republic of Singapore, DO HEREBY CERTIFY

that I was present on the 7<sup>th</sup> day of August, 2020 and did see **BENEDICT KWEK GIM SONG** (holder of Passport No. E2187342H), an Independent Director of **DEL MONTE PACIFIC LIMITED** described in the **CERTIFICATION OF INDEPENDENT DIRECTOR** duly sign, seal and execute the same in my presence and I **FURTHER CERTIFY** that the signature appearing thereon is the proper handwriting of the said **BENEDICT KWEK GIM SONG**.

IN FAITH AND TESTIMONY whereof I the said notary have subscribed my name and set and affixed my seal of office at Singapore, this 7th day of August 2020.



**NOTARY PUBLIC  
SINGAPORE**



**By virtue of Rule 8(3)(c) of the Notaries Public Rules, a Notarial Certificate must be authenticated by the Singapore Academy of Law in order to be valid.**





Verification code:  
**56684864**

This **Authentication Certificate** only certifies the authenticity of the signature and the capacity of the person who signed the Notarial Certificate.

This **Authentication Certificate** is not valid if the seal of the Singapore Academy of Law is removed or altered in any way whatsoever. This Certificate does not authenticate or confirm the content of the Document attached to the annexed Notarial Certificate.

#### Authentication

- |   |               |
|---|---------------|
| 1. Country:                                 | Singapore     |
| 2. This public document has been signed by: | Tan Mary      |
| 3. Acting in the capacity of:               | Notary Public |
| 4. Bears the seal/stamp:                    | Notary Public |

#### Certified

- |                             |                                   |
|-----------------------------|-----------------------------------|
| 5. Authentication Cert No.: | AC0K6802WZ                        |
| 6. At:                      | Singapore Academy of Law          |
| 7. The:                     | 11th August 2020                  |
| 8. By:                      | Melissa Goh, Deputy Director, SAL |
| 9. SAL Certification Seal:  | 10. Signature:                    |

*Melissa Goh*





## CERTIFICATION OF INDEPENDENT DIRECTOR

I, **BENEDICT KWEK GIM SONG**, Singaporean, of legal age and a resident of Singapore, after having been duly sworn in accordance with law, do hereby declare that:

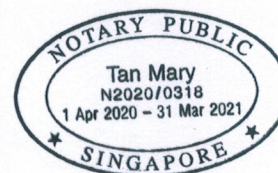
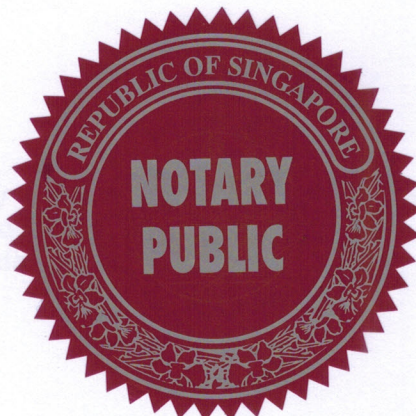
1. I am a nominee for independent director of Del Monte Pacific Limited ("DMPL") and have been its independent director since 2007.
2. I am affiliated with the following companies or organizations (including government-owned and controlled corporations):

Company/Organization	Position/Relationship	Period of Service
Del Monte Foods, Inc.	Independent Director	2014 – present

3. To the best of my knowledge, I possess all the qualifications and none of the disqualifications to serve as an Independent Director of DMPL, as provided for in Section 38 of the Securities Regulation Code ("SRC"), its Implementing Rules and Regulations and other issuances of the Securities and Exchange Commission ("SEC").
4. I am not related to any director, officer or substantial shareholder of DMPL and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the SRC.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the listing rules of the Singapore Exchange Securities Trading Limited, the SRC and its Implementing Rules and Regulations, the SEC Code of Corporate Governance for Publicly Listed Companies and other SEC issuances.
7. I shall inform the Company Secretary of DMPL of any changes in the abovementioned information within five days from its occurrence.

Done this 7 of August 2020 at Singapore.

  
**BENEDICT KWEK GIM SONG**  
Affiant



## MANAGEMENT REPORT

## I. BUSINESS AND GENERAL INFORMATION

Overview

Del Monte Pacific Limited (the “**Company**” or “**DMPL**”) was incorporated as an international business company in the British Virgin Islands on 27 May 1999 under the International Business Companies Act (Cap. 291) of the British Virgin Islands. It was automatically re-registered as a company on 1 January 2007 when the International Business Companies Act was repealed and replaced by the Business Companies Act 2004 of the British Virgin Islands. The registered office of the Company is located at Craigmuir Chambers, Road Town, Tortola, British Virgin Islands.

The principal activity of the Company is that of investment holding. Its operating subsidiaries are principally engaged in growing, processing and selling packaged fruits, vegetable and tomato, fresh pineapples, sauces, condiments, pasta, broth and juices, mainly under the brand names of *Del Monte*, *S&W*, *Today's*, *Contadina*, *College Inn* and other brands. The Company's subsidiaries also produce and distribute private label food products.

On 2 August 1999, the Company was admitted to the Official List of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”). On 10 June 2013, the Ordinary Shares of the Company were also listed on The Philippine Stock Exchange, Inc (the “**PSE**”). On 7 April 2017 and 15 December 2017, the Series A-1 and Series A-2 Preference Shares of the Company were listed on the PSE, respectively.

Subsidiaries

A subsidiary is considered significant, as defined under the SGX-ST Listing Manual, if its net tangible assets represent 20% or more of the Company and its subsidiaries' (the “**Group**”) consolidated net tangible assets, or if its pre-tax profits account for 20% or more of the Group's consolidated pre-tax profits.

The details of the Company's subsidiaries and their principal activities, as of 30 April 2020, are as follows:

<b>Name of subsidiary</b>	<b>Date of Incorporation</b>	<b>Principal activities</b>	<b>Place of incorporation</b>	<b>Effective equity held by the Group</b>
<b><i>Held by the Issuer</i></b>				
Del Monte Pacific Resources Limited (“ <b>DMPRL</b> ”)	21 Dec 1990	Investment holding	British Virgin Islands	100.00%
DMPL India Pte Ltd (“ <b>DMPLI</b> ”)	29 Mar 2004	Investment holding	Singapore	100.00%
DMPL Management Services Pte Ltd	29 Apr 1999	Providing administrative support and liaison services to the Group	Singapore	100.00%
GTL Limited	9 Mar 1998	Trading food products mainly under the brand name “ <i>Del Monte</i> ” and buyer's own labels	Federal Territory of Labuan, Malaysia	100.00%
S&W Fine Foods International Limited (“ <b>S&amp;W</b> ”)	12 Nov 2007	Selling processed and fresh food products under the “ <b>S&amp;W</b> ” trademark; Owner of the “ <b>S&amp;W</b> ” trademark in Asia (excluding Australia and New Zealand), the Middle East, Western Europe, Eastern Europe and Africa	British Virgin Islands	100.00%
DMPL Foods Limited (“ <b>DMPLFL</b> ”)	11 Dec 2013	Investment holding	British Virgin Islands	Approximately 89.43%
<b><i>Held by DMPRL</i></b>				
Central American Resources, Inc. (“ <b>CARI</b> ”)	16 Dec 1971	Investment holding	Panama	100.00%

## ANNEX “B”

Name of subsidiary	Date of Incorporation	Principal activities	Place of incorporation	Effective equity held by the Group
Dewey Limited (“Dewey”) <sup>(a)</sup>	13 Dec 1990	Owner of trademarks in various countries; investment holding	Bermuda	100.00%
<b>Held by CARI</b>				
Del Monte Philippines, Inc (“DMPI”)	11 Jan 1926	Growing, processing and distribution of food products mainly under the brand name “Del Monte”	Philippines	88.00%
South Bukidnon Fresh Trading, Inc.	20 Jun 2014	Growing, packing and sale and export of fresh produce	Philippines	100.00%
<b>Held by DMPI</b>				
Philippines Packing Management Service Corporation	18 Jun 2007	Management, logistics and support services	Philippines	88.00%
Del Monte Txanton Distribution, Inc. (b)	7 Jan 2015	Inactive	Philippines	35.20%
<b>Held by Dewey</b>				
Dewey Sdn Bhd	5 Oct 2009	Owner of various trademarks	Malaysia	100.00%
<b>Held by DMPLI</b>				
DMPL India Limited	12 Aug 2004	Investment holding	Mauritius	Approximately 95.13%
<b>Held by S&amp;W</b>				
S&W Japan Limited	24 April 2017	Support and marketing services for S&W	Japan	100.00%
<b>Held by DMPLFL</b>				
Del Monte Foods Holdings Limited (“DMFHL”)	11 Nov 2013	Investment holding	British Virgin Islands	Approximately 89.43%
<b>Held by DMFHL</b>				
Del Monte Foods Holdings II, Inc. (“DMFHII”)	15 Mar 2018	Investment holding	State of Delaware, U.S.A.	Approximately 89.43%
<b>Held by DMFHII</b>				
Del Monte Foods Holdings, Inc. (“DMFHI”)	2 Jun 2014	Investment holding	State of Delaware, U.S.A.	Approximately 89.43%
<b>Held by DMFHI</b>				
Del Monte Foods, Inc (“DMFI”)	16 Sep 2013	Manufacturing, processing and distributing food, beverages and other related products	State of Delaware, U.S.A.	Approximately 89.43%
<b>Held by DMFI</b>				
Sager Creek Foods, Inc. (formerly Vegetables Acquisition Corp.)	24 Feb 2015	Manufacturing, processing and distributing food, beverages and other related products	State of Delaware, U.S.A.	Approximately 89.43%
Del Monte Andina C.A. (“DM Andina”)	16 Jul 1998	Manufacturing, processing and distributing food, beverages and other related products	Venezuela	-

## ANNEX “B”

Name of subsidiary	Date of Incorporation	Principal activities	Place of incorporation	Effective equity held by the Group
Del Monte Colombiana S.A.	27 Oct 1999	Manufacturing, processing and distributing food, beverages and other related products	Colombia	Approximately 73.31%
Industrias Citricolas de Montemorelos, S.A. de C.V. (ICMOSA)	1 Nov 1974	Manufacturing, processing and distributing food, beverages and other related products	Mexico	Approximately 89.43%
Del Monte Peru S.A.C.	18 Jan 2000	Distribution of food products	Peru	Approximately 89.43%
Del Monte Ecuador DME C.A.	10 Feb 2000	Distribution of food, beverages and other related products	Ecuador	Approximately 89.43%
Hi-Continental Corp.	15 Jul 1959	Distributor of non-Del Monte products	State of California, U.S.A.	Approximately 89.43%
College Inn Foods	17 Jul 1958	Distributor of College Inn brand products	State of California, U.S.A.	Approximately 89.43%
Contadina Foods, Inc	26 Jan 1998	Distributor of Contadina brand products	State of Delaware, U.S.A.	Approximately 89.43%
S&W Fine Foods, Inc.	26 Feb 2001	Distributor of S&W Fine Foods, Inc.	State of Delaware, U.S.A.	Approximately 89.43%
Del Monte Ventures, LLC (“DM Ventures”)	19 June 2017	Investment holding	State of Delaware, U.S.A.	Approximately 89.43%
<b>Held by DM Ventures</b>				
Del Monte Avo, LLC	21 June 2017	Development, production, marketing, sale and distribution of UHP avocado products	State of Delaware, U.S.A.	Approximately 45.61%
Del Monte Chilled Fruit Snacks, LLC	21 June 2017	Development, production, marketing, sale and distribution of processed refrigerated fruit products	State of Delaware, U.S.A.	Approximately 45.61%
<b>Held by DM Andina (Venezuela)</b>				
Del Monte Argentina S.A.	22 Sep 2000	Inactive	Argentina	-

- (a) On 30 April 2019, the Board of Directors of CARI approved the transfer of its outstanding shares in Dewey, as well as all rights, title and interest attributed thereto, to DMPRL.
- (b) In its special meeting held on 22 April 2019, DMTDI's board of directors approved the dissolution and liquidation of DMTDI by shortening its corporate term to 30 April 2019.
- (c) On 21 May 2020, CARI completed the sale of 12% stake in DMPI to Sea Diner. Conditions of the sale were already met as of 30 April 2020, as confirmed by both parties.
- (d) In December 2019, DMPLI invested an additional US\$1.5 million in DMPL India Limited, thereby increasing ownership to 95.13%



**MARKET PRICE INFORMATION**

The Company has been listed on the SGX-ST for nearly 15 years since 1999. The Company also listed its Ordinary- Shares on the PSE in 2013, making DMPL the first entity to be dual-listed on the SGX-ST and the PSE.

The Company’s share price highlights for its Ordinary Shares for the past three years are as follows:

Year	Quarter	PSE (PHP)		SGX (SGD)	
		High	Low	High	Low
2020	2Q 2020	4.50	3.40	0.114	0.090
	1Q 2020	5.40	2.50	0.148	0.079
2019	4Q 2019	6.05	4.82	0.144	0.121
	3Q 2019	6.40	5.40	0.157	0.129
	2Q 2019	6.18	5.30	0.154	0.116
	1Q 2019	6.85	6.00	0.154	0.123
2018	4Q 2018	7.45	6.32	0.188	0.117
	3Q 2018	8.27	6.56	0.195	0.171
	2Q 2018	10.48	7.62	0.24	0.16
	1Q 2018	11.20	10.00	0.29	0.24
2017	4Q 2017	11.80	10.80	0.31	0.28
	3Q 2017	12.00	11.18	0.33	0.29
	2Q 2017	12.40	11.20	0.35	0.32
	1Q 2017	12.80	11.74	0.36	0.33
2016	4Q 2016	13.18	11.74	0.37	0.33
	3Q 2016	13.04	11.46	0.38	0.34
	2Q 2016	12.50	10.60	0.37	0.29
	1Q 2016	13.40	11.00	0.40	0.30

On 7 April 2017 and 15 December 2017, the Company also listed its Series A-1 and Series A-2 Preference Shares, respectively on the PSE. The Company’s share price highlights for its Preference Shares for the past years are as follows:

Series A-1 Preference Shares:

Year	Quarter	PSE (USD)	
		High	Low
2020	2Q 2020	10.30	9.60
	1Q 2020	10.30	10.00
2019	4Q 2019	10.40	10.00
	3Q 2019	10.40	10.10
	2Q 2019	10.40	10.00
	1Q 2019	10.40	10.00
2018	4Q 2018	10.70	10.00
	3Q 2018	10.32	10.00
	2Q 2018	10.30	10.00
	1Q 2018	10.50	10.10
2017	4Q 2017	11.10	10.00
	3Q 2017	11.00	10.50
	2Q 2017	10.90	10.00
	1Q 2017	-	-

Series A-2 Preference Shares:

Year	Quarter	PSE (USD)	
		High	Low
2020	2Q 2020	10.28	9.60
	1Q 2020	10.30	9.70
2019	4Q 2019	10.30	9.90
	3Q 2019	10.50	10.00

	2Q 2019	10.40	10.00
	1Q 2019	10.20	10.00
2018	4Q 2018	10.26	9.70
	3Q 2018	10.26	9.80
	2Q 2018	10.28	10.00
	1Q 2018	10.40	10.00
	4Q 2017	10.30	10.00

The Company has an authorized capital stock of U.S.\$630.0 million consisting of 3,000,000,000 Ordinary Shares, each with a par value of U.S.\$0.01 and 600,000,000 Preference Shares, each with a par value of U.S.\$1.00. Out of the authorized capital stock, the Company has: (i) 1,943,960,024 Ordinary Shares, (ii) 20,000,000 Series A-1 Preference Shares; and (iii) 10,000,000 Series A-2 Preference Shares outstanding.

The number of Ordinary Shares outstanding excludes 975,802 Ordinary Shares held by the Company as treasury shares. The Company has a total of 1,944,935,826 issued Ordinary Shares, including treasury shares.

The top 20 shareholders of the Company's Ordinary Shares, Series A-1 Preference Shares and Series A-2 Preference Shares as of 27 July 2020 are as follows:

a. Ordinary Shares

Rank	Name	No. of Shares	%
1	Nutriasia Pacific Limited	1,196,539,958	61.55
2	HSBC (Singapore) Nominees Pte Ltd	196,399,890	10.10
3	Lee Pineapple Company Pte Ltd	100,422,000	5.17
4	DBS Nominees (Private) Limited	67,353,244	3.46
5	BNP Paribas Nominees Singapore Pte. Ltd.	53,136,290	2.73
6	Raffles Nominees (Pte.) Limited	35,080,105	1.80
7	Government Service Insurance System	15,957,937	0.82
8	Wee Poh Chan Phyllis	15,700,400	0.81
9	Citibank Nominees Singapore Pte Ltd	10,116,779	0.52
10	Col Financial Group, Inc.	9,600,214	0.49
11	United Overseas Bank Nominees (Private) Limited	8,535,280	0.44
12	Joselito Jr Dee Campos	7,621,466	0.39
13	Saw Paik Peng	7,600,000	0.39
14	Pineapples Of Malaya Private Limited	6,432,000	0.33
15	Banco De Oro - Trust Banking Group	6,282,266	0.32
16	Uob Kay Hian Private Limited	5,611,820	0.29
17	OCBC Securities Private Limited	5,583,985	0.29
18	Maybank Kim Eng Securities Pte. Ltd.	4,975,890	0.26
19	CTS Global Equity Group, Inc.	4,652,600	0.24
20	IGC Securities Inc.	4,358,784	0.22
<b>Subtotal (Top 20 Stockholders)</b>		<b>1,761,960,908</b>	<b>90.62</b>
Others		181,999,116	9.38
<b>Total Outstanding</b>		<b>1,943,960,024</b>	<b>100.00</b>

b. Series A-1 Preference Shares

Rank	Name	No. of Shares	%
1	China Banking Corporation - Trust Group	4,359,790	21.80
2	BDO Securities Corporation <sup>2</sup>	3,960,040	19.80
3	Banco De Oro - Trust Banking Group	3,133,560	15.67
4	Citibank N.A.	3,033,290	15.17
5	RCBC Trust & Investment Division - Various Taxable Accts	2,521,660	12.61
6	PNB Trust Banking Group	2,070,550	10.35
7	Sterling Bank Of Asia Trust Group	249,810	1.25
8	RCBC Trust & Investment Division	245,500	1.23
9	China Bank Securities Corporation	180,000	0.90
10	Armstrong Securities, Inc	50,450	0.25
11	Wealth Securities, Inc	47,270	0.24
12	First Metro Securities Brokerage Corporation	30,540	0.15
13	Astra Securities Corporation	27,290	0.14
14	Eastwest Banking Corporation - Trust Division	22,830	0.11
15	Bpi Securities Corporation	22,430	0.11
16	Luis F Alejandro	15,000	0.08
17	Parag Sachdeva	15,000	0.08
18	Philippine Equity Partners, Inc	13,600	0.07
19	Ignacio Carmelo Sison	8,000	0.04



20	AP Securities Incorporated	2,890	0.01
	<b>Subtotal (Top 20 Stockholders)</b>	<b>19,999,500</b>	<b>100.00</b>
	Others	500	0.00
	<b>Total Outstanding</b>	<b>20,000,000</b>	<b>100.00</b>

## c. Series A-2 Preference Shares

Rank	Name	No. of Shares	%
1	BDO Securities Corporation	2,495,110	24.96
2	China Banking Corporation - Trust Group	2,141,420	21.43
3	Citibank N.A.	1,439,510	14.40
4	Banco De Oro - Trust Banking Group	1,373,320	13.74
5	PNB Trust Banking Group	1,292,770	12.93
6	United Coconut Planters Life Assurance Corporation	190,000	1.90
7	RCBC Trust & Investment Division - Various Taxable Accts	187,400	1.87
8	Philippine Equity Partners, Inc	176,260	1.76
9	First Metro Securities Brokerage Corporation	168,530	1.69
10	China Bank Securities Corporation	153,100	1.53
11	Eastwest Banking Corporation - Trust Division	115,420	1.15
12	Standard Chartered Bank	60,000	0.60
13	Sterling Bank Of Asia Trust Group	59,400	0.59
14	Wealth Securities, Inc	56,190	0.56
15	Bpi Securities Corporation	33,510	0.34
16	Astra Securities Corporation	14,900	0.15
17	MBTC - Trust Banking Group	12,960	0.13
18	United Fund, Inc	10,000	0.10
19	The Hongkong And Shanghai Banking Corp. Ltd. -Clients' Acct	9,700	0.10
20	Sunsecurities, Inc	5,280	0.05
	<b>Subtotal (Top 20 Stockholders)</b>	<b>9,994,790</b>	<b>99.95</b>
	Others	5,210	0.05
	<b>Total Outstanding</b>	<b>10,000,000</b>	<b>100.00</b>

## DIVIDENDS

Under the Company's Articles of Association and the terms of the Company's Preference Shares, the Company may, by a resolution of directors, declare and pay dividends on Ordinary Shares provided there are adequate and available funds for dividends on Preference Shares which have priority over Ordinary Shares.

Dividends shall only be declared and paid out of surplus. No dividends shall be declared and paid, unless the Directors determine that, immediately after the payment of the dividends: (a) the Company will be able to satisfy its liabilities as they become due in the ordinary course of its business; and (b) the realizable value of the assets of the Company will not be less than the sum of its total liabilities, other than its deferred taxes, as shown in its books of accounts, and its capital.

	30 April 2020 US\$'000	30 April 2019 US\$'000	30 April 2018 US\$'000
<b>Declared and paid during the financial year:</b>			
<i>Dividends on ordinary shares</i>			
2020: US\$0.0052 (2019: US\$nil; 2018: US\$0.0061)	10,112	-	11,882
<i>Dividends on preference shares</i>			
A-1 preference shares for 2020, 2019 and 2018: US\$0.6625	13,250	13,250	13,250
A-2 preference shares for 2020 and 2019: US\$0.6500 2018: US\$0.20403	6,500	6,500	2,040
	19,750	19,750	15,290
	29,862	19,750	27,172
<b>Proposed but not recognised as a liability as at reporting date:</b>			
<i>Dividends on ordinary shares</i>			
2020: US\$0.0154 (2019: US\$0.0052)	29,937	10,109	-

*Dividends on Ordinary Shares*

The Company's dividend payment policy for Ordinary Shares has been to distribute a minimum of 33% of full year profit. The holders of Ordinary Shares are entitled to receive dividends, as declared from time to time, after dividends of Preference Shares are paid.

On 24 July 2020, the Company declared a special dividend of US\$0.0154 per share to ordinary shareholders on record as at 12 August 2020. The special dividend will be paid on 19 August 2020.

On 20 June 2019, the Company declared dividends of US\$0.0052 per share for ordinary shareholders on record as at 12 July 2019. The final dividend was paid on 19 July 2019.

On 23 August 2017, the Company declared a dividend of US\$0.0061 per share to stockholders on record as at 28 August 2017. The final dividend was paid on 8 September 2017.

*Dividends on Preference Shares*

The holders of Preference Shares are entitled to cash dividends based on the issue price, at the dividend rate per annum from the issue date, payable every 7 October and 7 April of each year following the issue date, upon declaration by the Company.

On 11 March 2020, the Company declared dividends to holders of Series A-1 Preference Shares, at the fixed rate of 6.625% per annum, or equivalent to US\$0.33125 per Series A-1 Preference Share for the six-month period from 8 October 2019 to 7 April 2020. The Company also declared dividends to holders of Series A-2 Preference Shares at the fixed rate of 6.5% per annum, or equivalent to US\$0.32500 per Series A-2 Preference Share for the six-month period from 8 October 2019 to 7 April 2020. The final dividends were paid on 7 April 2020.

On 9 September 2019, the Company declared dividends to the holders of the Series A-1 Preference Shares at the fixed rate of 6.625% per annum, or equivalent to US\$0.33125 per Series A-1 Preference and Series A-2 Preference Shares at the fixed rate of 6.5% per annum, or equivalent to US\$0.32500 per series A-2 Preference Shares for the six-month period from 8 April 2019 to 7 October 2019. The final dividends were paid on 7 October 2019.

The Company endeavours to pay dividends to its shareholders in a timely manner within 30 days after being declared. The dividend policy and terms, including the declaration and payment dates, are provided in the Company's website.

**BOARD OF DIRECTORS AND SENIOR MANAGEMENT**

The following comprises the Company's Board of Directors:

Name	Age	Citizenship	Position
Rolando C. Gapud	78	Filipino	Executive Chairman
Joselito D. Campos, Jr.	69	Filipino	Managing Director & Chief Executive Officer
Edgardo M. Cruz, Jr.	65	Filipino	Executive Director
Benedict Kwek Gim Song	73	Singaporean	Lead Independent Director
Godfrey E. Scotchbrook	74	British	Independent Director
Dr. Emil Q. Javier	79	Filipino	Independent Director <sup>1</sup>
Yvonne Goh	67	Singaporean	Independent Director

The following comprises the Group's Senior Management:

Name	Age	Citizenship	Position
Joselito D. Campos, Jr.	69	Filipino	Managing Director and CEO
Luis F. Alejandro	66	Filipino	Chief Operating Officer

<sup>1</sup>Dr. Emil Q. Javier is an Independent Director, pursuant to Sec. 2.3 of the Monetary Authority of Singapore.

Ignacio C. O. Sison	56	Filipino	Chief Corporate Officer
Parag Sachdeva	50	Indian	Chief Financial Officer
Antonio E.S. Ungson	48	Filipino	Chief Legal Counsel and Chief Compliance Officer, and Company Secretary
Ruiz G. Salazar	56	Filipino	Chief Human Resource Officer
Ma. Bella B. Javier	60	Filipino	Chief Scientific Officer

The following is a brief description of the business experience of the Company's Board of Directors and Senior Management for the past five (5) years.

**Mr Rolando C Gapud**  
**Executive Chairman, 78**

Appointed on 20 January 2006 and last re-elected on 30 August 2017

Mr Rolando C Gapud has over 45 years of experience in banking, finance and general management, having worked as CEO of several Philippine companies, notably Security Bank and Trust Company, Oriental Petroleum and Minerals Corp and Greenfield Development Corp. He was also the COO of the joint venture operations of Bankers Trust and American Express in the Philippines. He has served in the Boards of various major Philippine companies, including the Development Bank of the Philippines, the development finance arm of the Philippine Government. Mr Gapud is the Chairman of the Board of Del Monte Foods, Inc, DMPL's US subsidiary, and Executive Chairman of Del Monte Philippines, Inc, DMPL's Philippine subsidiary. He is also a Director of FieldFresh Foods Private Ltd, a joint venture of DMPL with the Bharti Group of India. He holds a Master of Science in Industrial Management degree from the Massachusetts Institute of Technology. He is a member of the Asian Executive Board of the Sloan School of MIT and the Board of Governors of the Asia School of Business, a joint venture between the Sloan School of MIT and Bank Negara, the Central Bank of Malaysia.

**Mr Joselito D Campos, Jr**  
**Executive Director, 69**

Appointed on 20 January 2006 and last elected on 28 April 2006

Mr Joselito D Campos, Jr is Chairman and CEO of the NutriAsia Group of Companies, a major food conglomerate in the Philippines. He is also Chairman of Fort Bonifacio Development Corp and Chairman of Ayala-Greenfield Development Corp, two major Philippines property developers. He is a Director of San Miguel Corporation, one of the largest and oldest business conglomerates in the Philippines. Mr Campos is the Vice Chairman of Del Monte Foods, Inc, DMPL's US subsidiary, and a Director of Del Monte Philippines, Inc, DMPL's Philippine subsidiary. He is also a Director of FieldFresh Foods Private Ltd, a joint venture of the Company with the Bharti Group of India. He was formerly Chairman and CEO of United Laboratories, Inc and its regional subsidiaries and affiliates. Unilab is the Philippines' largest pharmaceutical company with substantial operations in the Asian region. Mr Campos is the Consul General in the Philippines for the Republic of Seychelles. He is also Chairman of the Metropolitan Museum of Manila, Bonifacio Arts Foundation Inc, The Mind Museum and the Del Monte Foundation, Inc. He is a Trustee and Global Council Member of the Asia Society in the Philippines; a Trustee of the Philippines-China Business Council and the Philippines Center for Entrepreneurship; a National Advisory Council Member of the World Wildlife Fund-Philippines; and a Director of the Philippine Eagle Conservation Program Foundation, Inc. Mr Campos holds an MBA from Cornell University.

**Mr Edgardo M Cruz, Jr**  
**Executive Director, 65**

Appointed on 2 May 2006 and last re-elected on 17 August 2018

Mr Edgardo M Cruz, Jr is a member of the Board of the NutriAsia Group of Companies. Mr Cruz is a Director of Del Monte Foods, Inc, DMPL's US subsidiary, and an Executive Director of Del Monte Philippines, Inc, DMPL's Philippine subsidiary. He is the Chairman of the Board of Bonifacio Gas Corporation, Bonifacio Water Corporation, Bonifacio Transport Corporation and Crescent West Development Corporation. He is a member of the Board of Evergreen Holdings Inc, Fort Bonifacio Development Corporation and the BG Group of Companies. He is also a Board member and Chief Financial Officer of Bonifacio Land Corporation. He sits on the Boards of Ayala Greenfield Development Corporation and Ayala Greenfield Golf and Leisure Club Inc. He is a member of the Board of Trustees of Bonifacio Arts Foundation Inc, The Mind Museum and the Del Monte Foundation, Inc. Mr Cruz earned his MBA degree from the Asian Institute of Management after graduating from De La Salle University. He is a Certified Public Accountant.

**Mr Benedict Kwek Gim Song**  
**Lead Independent Director, 73**

Appointed on 30 April 2007 and last re-elected on 30 August 2017

Appointed as Lead Independent Director on 11 September 2013

Mr Benedict Kwek Gim Song is a Director of Del Monte Foods, Inc, DMPL's US subsidiary. Mr Kwek was Chairman of previously SGX-listed Pacific Shipping Trust from 2008 to 2012. He was also a Director and Chairman of the Audit Committee of listed companies including Ascendas REIT. He has over 30 years of banking experience, having served as the President and CEO of Keppel TatLee Bank. He has held various key positions at Citibank in the Philippines, Hong Kong, New York and Singapore. He holds a Bachelor of Social Science (Economics) degree from the then University of Singapore and attended a management development programme at Columbia University in the United States.

**Mr Godfrey E Scotchbrook**  
**Independent Director, 74**

Appointed on 28 December 2000 and last re-elected on 17 August 2018

Mr Godfrey E Scotchbrook is an independent practitioner in corporate communications, issues management and investor relations with more than 40 years of experience in Asia. In 1990, he founded Scotchbrook Communications and his prior appointments included being an executive director of the then publicly listed Shui On Group. A proponent of good corporate governance, he is an Independent Director of Boustead Singapore Ltd and a Non-Executive Director of Hong Kong-listed Convenience Retail Asia. He is a Fellow of the Hong Kong Management Association and also of the British Chartered Institute of Public Relations. He is also a Director of Del Monte Foods, Inc, DMPL's US subsidiary. Mr Scotchbrook earned his DipCam PR having studied Media and Communications at City University, London.

**Dr Emil Q Javier**  
**Independent Director, 79**

Appointed on 30 April 2007 and last re-elected on 30 August 2016

Dr Emil Q Javier is a Filipino agronomist with a broad understanding of developing country agriculture. He was the first and only developing country scientist to Chair the Technical Advisory Committee of the prestigious Consultative Group for International Agricultural Research (CGIAR), a global consortium led by the World Bank and the Food and Agriculture Organization of the United Nations (FAO). He was Director General of the Asian Vegetable Research and Development Center (AVRDC) based in Taiwan and has served as Chairman of the Board of International Rice Research Institute (IRRI), and as Chairman and Acting Director of the Southeast Asian Regional Center for Graduate Study and Research in Agriculture (SEARCA). In the Philippines at various periods, he had been President of the University of the Philippines, Minister for Science and Technology and President of the National Academy of Science and Technology, Philippines (NAST PHL). In May 2019, he was elected by his peers in NAST as a National Scientist, the highest honour conferred by the President of the Philippines to a Filipino in the field of science and technology. Dr Javier is an Independent Director of Del Monte Foods, Inc, DMPL's US subsidiary, and of Del Monte Philippines, Inc, DMPL's Philippine subsidiary, and is an Independent Director of Philippine-listed Centro Escolar University. He holds doctorate and master's degrees in plant breeding and agronomy from Cornell University and University of Illinois at Urbana-Champaign, respectively. He completed his bachelor's degree in agriculture at the University of the Philippines Los Baños.

**Mrs Yvonne Goh**  
**Independent Director, 67**

Appointed on 4 September 2015 and last re-elected on 30 August 2016

Mrs Goh is a Director of UNLV Singapore Limited, the Singapore campus of the University of Nevada Las Vegas (UNLV), USA. Mrs Goh is also a Director of EQUAL-ARK Singapore Ltd, a charity registered under the Charities Act and an Institution of a Public Character (IPC), assisting at-risk-kids and the elderly through equine-assisted learning and therapy. She also serves on the Board of Del Monte Foods, Inc, DMPL's US subsidiary. Mrs Goh was previously Managing Director of the KCS Group in Singapore, a professional services organisation and Managing Director of Boardroom Limited, a company listed on the SGX. Mrs Goh had served on the Board of WWF Singapore Limited, the Singapore chapter of WWF International, a leading global NGO. She was a Council Member and Vice Chairman of the Singapore Institute of Directors as well as Chairman of its Professional Development Committee. Mrs Goh was also a Director of the Accounting and Corporate Regulatory Authority (ACRA) and a past Chairman of the Singapore Association of the Institute of Chartered Secretaries and Administrators. Mrs Goh is a Fellow of the Singapore Institute of Directors and a Fellow of the Institute of Chartered Secretaries and Administrators, UK.

**Luis F. Alejandro**  
 Chief Operating Officer

Mr Luis F Alejandro has over 30 years of experience in consumer product operations and management. He started his career with Procter & Gamble where he spent 15 years in brand management before joining Kraft Foods Philippines Inc as President and General Manager. Later, he joined Southeast Asia Food Inc and Heinz UFC Philippines, Inc, two leading consumer packaged condiment companies of the NutriAsia Group, as President and

Chief Operating Officer. He then became President and Chief Operating Officer of ABS-CBN Broadcasting Corporation, a leading media conglomerate in the Philippines. Mr Alejandro is a Director of Del Monte Foods, Inc, DMPL's US subsidiary, and Del Monte Philippines, Inc, DMPL's Philippine subsidiary. He is also a Director of FieldFresh Foods Private Ltd, a joint venture of DMPL with the Bharti Group of India. He holds a Bachelor's degree in Economics from the Ateneo de Manila University and an MBA from the Asian Institute of Management.

**Ignacio C. O. Sison**

Chief Corporate Officer

Mr Ignacio C O Sison is DMPL's Chief Corporate Officer responsible for strategic planning, sustainability, risk management and investor relations. He has been with DMPL since 1999 and was the group's Chief Financial Officer for nine years. Mr Sison has nearly 30 years of experience spanning corporate and strategic planning, financial planning, treasury, controllership, corporate sustainability, risk management and investor relations. Before joining Del Monte Pacific, he was CFO of Macondray and Company, Inc, then DMPL's parent company, for three years. Amongst others, he also worked for Pepsi-Cola Products Philippines and SGV & Co, the largest audit firm in the Philippines. Mr Sison holds an MSc degree in Agricultural Economics from Oxford University; an MA, Major in Economics, from the International University of Japan; a BA in Economics, *magna cum laude*, from the University of the Philippines; and an International Baccalaureate from the Lester B Pearson United World College of the Pacific in Canada. In 2010, Mr Sison received the Best CFO award from the Singapore Corporate Awards.

**Parag Sachdeva**

Chief Financial Officer

Mr Parag Sachdeva has 25 years of management and finance experience spanning planning and controllership, performance management, mergers and acquisitions, treasury, IT and human resources. Before joining DMPL, he was with Carlsberg Asia for more than a year and supported efficiency and effectiveness programmes across the Asian and African regions. Prior to Carlsberg, he was with HJ Heinz for 20 years and held leadership positions in Asia Pacific regions in finance, IT and human resources. Mr Sachdeva graduated from the Aligarh Muslim University in India, Major in Accounting and Commerce. He also has an MBA degree, Major in Finance from the same university.

**Antonio E. S. Ungson**

Chief Legal Counsel, Chief Compliance Officer, and Company Secretary

Mr Antonio E S Ungson is Chief Legal Counsel, Chief Compliance Officer and Company Secretary of the Company. He is also Head of the Legal Department of Del Monte Philippines, Inc since March 2007. Prior to joining the Group in 2006, Mr Antonio E S Ungson was a Senior Associate in SyCip Salazar Hernandez & Gatmaitan in Manila, where he served various clients for eight years in assignments consisting mainly of corporate and transactional work including mergers and acquisitions, securities and government infrastructure projects. He also performed litigation work and company secretarial services. Mr Ungson was a lecturer on Obligations and Contracts and Business Law at the Ateneo de Manila University Loyola School of Management. He obtained his MBA from Kellogg HKUST, his Bachelor of Laws from the University of the Philippines College of Law and his undergraduate degree in Economics, *cum laude* and with a Departmental award at the Ateneo de Manila University.

**Ruiz G. Salazar**

Chief Human Resource Officer

Mr Ruiz G Salazar is a Human Resources and Organisation Development Leader with over 25 years of professional career focused on delivering strategic and effective solutions as a value-driven partner to business, most of which was spent with Johnson & Johnson (J&J). He was Regional Human Resources Director of J&J Asia Pacific, where he was responsible for talent management, organisation transformation, succession pipelining and capability development covering mostly J&J's Consumer Division across the region. Prior to J&J, he was also Group Head – Human Resources and Organisation Development of NutriAsia Food, Inc. Mr Salazar completed the J&J's Senior Management Program at the Asian Institute of Management in 1996, and the J&J's Advanced Management Program at the University of California in 1995. He obtained his Bachelor of Arts degree (Major in Economics) from the University of Santo Tomas.

**Ma. Bella B. Javier**  
Chief Scientific Officer

Ms Ma Bella B Javier has more than 30 years of experience in R&D from leading fast moving consumer goods in the food industry. She spent 20 years at Kraft Foods, with her last assignment as the Director for Asia Pacific Beverage Technology and Southeast Asia Development. In her present role, she heads the Consumer Product and Packaging Development and the Quality Assurance functions for the Group. She is driving the Technology Development roadmap for the Company, including plantation research programmes that impact consumer product development. She is a Certified Food Scientist from the Institute of Food Technologists, Chicago, Illinois, USA. Ms Javier is a Licensed Chemist with a Bachelor's degree in Chemistry from the University of the Philippines (UP). She sits in the Board of Trustees of UP's Chemistry Alumni Foundation. Ms Javier was accorded the 2015 UP Distinguished Alumni in the field of Science and Technology.

Directorships in Other Listed Companies

The table below sets forth the directorships in other listed companies, both current and in the past three years:

Name	Position	Company	Date
Joselito D Campos, Jr	Director	San Miguel Corporation	2010 – Present
Emil Q Javier	Independent Director	Centro Escolar University	2002 – Present
Godfrey E Scotchbrook	Independent Director	Boustead Singapore Ltd. (Singapore)	2000 – Present
	Non-Executive Director	Convenience Retail Asia (HK)	2002 – Present

None of the Company's Directors are Chairman in other listed companies.

**INDEPENDENT PUBLIC ACCOUNTANT AND EXTERNAL AUDIT FEES**

- The external auditor of the Company for the most recently completed fiscal year was Ernst and Young LLP (“**EY Singapore**”), which is the same accounting firm tabled for reappointment for the current fiscal year at the AGM of shareholders. Sycip Gorres Velayo & Co. (“**EY Philippines**”), the Group's auditors in the Philippines for the most recently completed fiscal year, is likewise tabled for reappointment for the current fiscal year at the AGM.
- Mr Alvin Phua Chun Yen is the partner-in-charge from EY Singapore for the audited financial statements of the Company and the Group for the fiscal year ended 30 April 2020. On the other hand, Ms Catherine E. Lopez is the partner-in-charge from EY Philippines for the audited financial statements of the Company and the Group for the fiscal year ended 30 April 2020.
- The aggregate annual external audit fees billed for each of the last two fiscal years for the audit of the Company's annual financial statements or services that are normally provided by the external auditor are as follows:

	FY2020 U.S.\$	FY2019 U.S.\$
1. Audit, other Assurance and Related Fees	353,132	345,240

During the Company's two most recent fiscal years or any subsequent interim period:

- No independent accountant who was previously engaged as the principal accountant to audit the Group's financial statements, or an independent accountant on whom the principal accountant expressed reliance in its report regarding a significant subsidiary, has resigned or was dismissed; and
  - There were no disagreements with the former accountant on any matter of accounting principles or policies, financial disclosures, or auditing procedure.
- EY Singapore was first appointed as the external auditors of the Group at the AGM of the Company held on 28 August 2015. EY Philippines was also appointed at the said AGM as the Group's auditors in the Philippines. They were the auditors of the Group for the most recently completed fiscal year.
  - The Audit and Risk Committee (the “**ARC**”) reviews the scope and results of the audit and its cost effectiveness. It also ensures the independence and objectivity of the external auditors. Likewise, it reviews the non-audit services provided by the Company's external auditors. In the year in review, the ARC had reviewed the audit and non-audit services of the external auditors and was satisfied that the auditors continue to be independent.

## II. FINANCIAL INFORMATION

### As of the fiscal year ended 30 April 2020

The financial statements of the Group as of 30 April 2020 are attached and incorporated herein by reference.

## MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

### Impact of COVID-19

Del Monte Pacific Group’s results had been favourably impacted by the pandemic. As consumers stayed home, prepared more meals and consumed more snacks, they purchased trusted brand names and consumed healthier, shelf-stable culinary products. DMPL’s retail business in the USA and Philippines posted higher sales. The Group offers more health and wellness product options to consumers and supports this with campaigns highlighting the functional health benefits of its products.

Amidst the pandemic, operations were ongoing and compliant with COVID-19 precautions for employee protection. Facility safety measures were strictly enforced and flexible work arrangements were adopted across sites. Critically, performance was achieved through focus, dedication and personal sacrifice especially across Plantation, Production, Supply Chain and Sales – to execute despite community quarantine challenges.







### Sales

DMPL generated sales of US\$2.1 billion in FY2020, higher by 9% versus the prior year on higher sales across all geographies - United States, Philippines, S&W Asia and Europe.

### USA

DMPL’s US subsidiary, Del Monte Foods, Inc (DMFI), generated sales of US\$1.5 billion or 72% of Group sales, higher by 8% versus prior year driven by a surge in demand across all categories due to the pandemic. DMFI benefited in the categories and segments with strong leadership positions, as consumers turned to trusted brand names. All principal categories experienced strong growth as consumer behaviour shifted to healthy, shelf-stable products in response to COVID-19 stay-at-home orders. Momentum peaked in mid-March, with volume similar to what was typically seen during holidays, as consumers stocked their pantries.

DMFI maintained its leading market share position for the full year in canned vegetable and fruit.

Strong Market Position in Key Categories in the USA			
Products	Market Share	Market Position	Brands
Canned Vegetable	29.8%	#1	
Canned Fruit	25.3%	#1	
Fruit Cup Snacks	26.0%	#2	
Canned Tomato*	7.5%*	#2	  

Canned market shares are for branded only, ex-private labels

\*Combined share for Del Monte, S&W and Contadina brands

Source: Nielsen Scantrack dollar share, Total xAOC, 12M ending 2 May 2020



In sync with trends for health, snacking and convenience, Del Monte Foods introduced a number of new products in FY2020 in new categories which include fruit parfait, fruit cup with boba, ready-to-eat vegetable bowls and frozen snacks.

In May 2019, Del Monte launched an innovative product, Del Monte Fruit Crunch Parfait, which features layers of non-dairy coconut crème, crunchy granola, a full serving of fruit, plus two billion probiotics to aid digestive health.

Del Monte's first foray into the frozen segment was through Del Monte Veggiesful Bites and Contadina Pizzettas, frozen snacks made with cauliflower crust and a full serving of vegetable in five bites. With Veggiesful Bites, Del Monte sets out to create a healthy snack with vegetables as the primary ingredient.

This was followed in June 2019 with the shipment of Del Monte Bubble Fruit, exciting fruit cups with juicy popping boba great for kids' snacks. DMFI also started shipping new flavours of Del Monte Fruit & Oats - Strawberry Apple and Blueberry Apple, and Del Monte Fruit & Chia Apple Raspberry Cherry.

In August 2019, Del Monte introduced the ready-to-eat Del Monte Veggiesful Bowl which features one serving of vegetables with quinoa blended with whole grain and flavourful sauce.

DMFI also introduced College Inn Culinary Stock with fine artisanal ingredients such as free-range chicken and grass-fed beef, and College Inn Simple Starter, convenient for one pot meals.

New products launched in the past two years contributed US\$77.6 million or 5% to DMFI's retail and foodservice sales in FY2020.

#### Cross-selling

As part of DMPL's growth and globalisation initiative, the distribution of product from the Philippines has extended its reach beyond Asian ethnic market to mainstream grocery channel in the US. To strengthen the Group's global supply chain network, DMFI will continue to work to accelerate the distribution expansion and increase cross-selling effort between the US and Asia by expanding its international product portfolio to meet the growing demand for ethnic food product in the US.

DMFI has continued to export its S&W canned specialty fruits, corn and tomato products to Asia. It has also introduced its Contadina sauces to certain markets in Asia.

#### **Philippines**

The Philippine market sales in FY2020 were US\$338.9 million, up 6.6% and 10.1% in peso and US dollar terms, respectively, mainly on higher volume. Price increase and lower trade promotion spend contributed +2.6% to net sales growth, driven by price increases across all categories mostly in 2019. Sales in the general trade segment (about 50% of Philippines sales) grew by 9.1%, as the Group made progress in improving its distributor business that had impacted results in the prior year. Sales in the modern trade (about 35% of Philippines sales) increased by 14.7%.

On the other hand, the foodservice channel which accounted for 15% of sales pre-COVID, had shifted its focus to e-commerce and community delivery services, partially recouping declines caused by restaurant shutdowns during the lockdown. Even as foodservice rebuilds with the re-opening of malls, this work will also create the foundation for a future increasingly reliant on e-commerce.

Del Monte continued campaigns to drive category relevance (including its new Tomato Sauce “Sauce Special”) and affordable line extensions such as Pineapple Tidbits and Ketchup in pouch designed to expand downline sales.

Amidst the pandemic in the fourth quarter ending April, faster growth was seen across all categories, most especially behind flagship Del Monte brands of 100% Pineapple Juice, Spaghetti Sauce and Tomato Sauce. The relevance and imagery of these iconic Del Monte brands became magnified in a pandemic environment where consumers became more concerned with health, and shifted to home cooking. Digital communications highlighted health and immunity (100% Pineapple Juice ACE), product quality and taste, and meal planning and preparation (Del Monte Kitchenomics), sustaining growth even as the lockdown eased.

Del Monte leads in the major categories it competes in and has improved its market share across most product categories in fiscal year 2020 versus the prior year period.

Market Leader in Various Categories in the Philippines			
Products	Market Share	Market Position	Brands
Packaged Pineapple	86.7%	#1	
Canned Mixed Fruit <sup>1</sup>	71.4%	#1	 
RTD Juices ex-SUP <sup>2</sup>	44.0%	#1	
Tomato Sauce	84.3%	#1	
Spaghetti Sauce <sup>3</sup>	38.7%	#1	  

<sup>1</sup>Combined share for Del Monte and Today's brands

<sup>2</sup>SUP is Stand Up Pouch or what is locally referred to as “doy pack”

<sup>3</sup>Combined share for Del Monte, Today's and Contadina brands

Source: Nielsen Retail Index, 12M to April 2020

### S&W in Asia and the Middle East

Sales of the S&W branded business in Asia reached US\$109.8 million in FY2020, 9% higher than US\$100.6 million in FY2019 driven by higher sales of packaged and mixed fruits in Asia and the Middle East, and fresh pineapples in North Asia on expanded distribution. The fresh segment accounted for 75% of S&W's total sales, while the packaged segment accounted for the balance of 25%.

The Group's Nice Fruit joint venture, utilising patented technology that allows fruits to be picked at their optimal ripeness and frozen for up to 3 years while preserving their nutrients and original properties, launched frozen pineapple spears in 7-Eleven stores in Japan in June 2018. These are produced in Bukidnon, Philippines. Individually packaged and known as Pineapple Stick, it is positioned as an on-the-go healthy snack placed in the store's chiller section. The Group recently launched this frozen Pineapple Stick in Family Mart and other convenience stores in China through Xianfeng and Eachtake.

The Group also continues to supply sliced pineapple to McDonald's and Burger King in China for their burgers.

As part of S&W's master plan to provide high-quality, healthy products globally, it launched the Not From Concentrate (NFC) Pineapple Juice, made of 100% MD2 Pineapple Juice, ie from the premium fresh pineapple variety. It has been rolled out in several markets in Europe and Asia. With the increasing trend on healthy lifestyle and fruit drinks becoming more popular, customers and manufacturers use S&W NFC Juice to delight consumers with pineapple smoothies, ice lollies, flavoured soda or packaged NFC juice.

In Singapore, S&W launched the Pinabar machine offering added value and convenience to consumers. An automated Pinabar machine is placed in the supermarket to cut and peel pineapples which then put the pineapple slices into a container.

### FieldFresh India

Sales at FieldFresh Foods, our Indian joint venture (JV), which are equity accounted and not consolidated, were US\$76.8 million in FY2020, up 1% in Rupee terms but down 1% in US dollar terms, versus prior year. US\$67.0 million came from the Del Monte-branded packaged segment and US\$9.8 million from the FieldFresh-branded fresh segment.

B-to-B accounts for more than 50% of sales of the Group's JV in India. As a result, the pandemic had an unfavourable impact on DMPL's Indian business. DMPL's share of loss was unfavourable at US\$2.0 million from

US\$0.1 million in the prior year period due to lower foodservice volume as impacted by the pandemic in the fourth quarter, higher operating costs mainly from marketing spends for brand advertising and higher raw material cost from tomato paste, soya oil and dairy products partly offset by improved margins from Olive Oil.

The leadership team will mitigate the risks by increasing the share of retail sales, leveraging e-commerce and reducing costs.

### **Gross Profit and Margin**

DMPL generated a gross profit of US\$452.2 million, higher by 14.5% versus the prior year, while gross margin increased to 21.2% from 20.2% in the same period last year.

DMFI generated higher gross profit and margin of 17.6% from 16.4% due to higher volume, more favourable sales mix and better pricing across multiple channels. These improvements were partially offset by the increase in metal packaging costs and higher delivered costs.

DMPL ex-DMFI delivered higher gross margin of 28.1% from 27.3% mainly from higher sales and improved margins from the Philippine market and higher sales of fresh pineapples despite some slowdown in the fourth quarter due to the pandemic.

### **EBITDA and Net Profit**

DMPL generated an EBITDA of US\$142.2 million of which US\$33.2 million came from DMFI and US\$103.3 million from DMPL ex-DMFI. DMPL's EBITDA was slightly lower by 1% mainly due to one-off expenses of US\$83.5 million from the closure/sale of four plants in the United States.

Excluding the one-off expenses, the Group's EBITDA would have been US\$225.7 million, 45% higher versus the recurring EBITDA of US\$156.1 million in the prior year period. DMFI contributed a recurring EBITDA of US\$116.7 million, significantly higher by 80%, while DMPL ex-DMFI generated an EBITDA of US\$103.3 million, higher by 18%, both due to better sales contributing to improved operating results. Group EBITDA was also favourably impacted by the adoption of IFRS 16, Leases. Please refer to Notes no. 3.2 of the Financial Statements for more details.

As part of the Group's strategy to improve operational excellence, reduce fixed costs and increase competitiveness, DMFI closed/sold four of its facilities. Production at rationalised facilities has been transitioned to other DMFI production facilities in the USA as well as to strategic co-packers. These divestitures are enabling DMFI to significantly improve capacity utilisation at the remaining plants in its production network. While DMFI's Asset-Light Strategy has been a complex undertaking, it has been a critical step in repositioning DMFI for the future. Execution of this strategy and other cost saving initiatives should improve the Group's EBITDA by US\$50-60 million over 24 months from November 2019.

In preparation for its capital raising initiatives, DMPL's Philippine subsidiary, Del Monte Philippines, Inc, declared a dividend to its parent in the first quarter which was taxed at 15% amounting to US\$39.6 million. It also booked a deferred tax of US\$7.5 million in relation to future dividends based on the dividend policy.

In view of this and the one-off expenses incurred by DMFI due to plant closures/sale and retirement of loans, the Group reported a net loss of US\$81.4 million in FY2020, unfavourable compared to the prior year period's net profit of US\$20.3 million. DMFI reported a net loss of US\$100.4 million while DMPL ex-DMFI a net income of US\$47.8 million. Last year's Group net profit had also included a one-off gain, net of transaction costs, of US\$16.7 million pre-tax or US\$13.0 million post-tax from the purchase of US\$105.6 million of DMFI's Second Lien Term Loan at a discount in the secondary market.

Without the one-off items, the Group achieved a recurring net profit of US\$32.2 million, significantly higher compared to last year's recurring net profit of US\$15.8 million. DMFI had a recurring net loss of US\$37.0 million versus a loss of US\$43.0 million in the prior year.

Del Monte Philippines, Inc (DMPI), the Group's most profitable business where it is a dominant market leader, generated a net income of US\$67.7 million in FY2020.

Please refer to the following table for the schedule of one-off items.

Non-Recurring Expense/(Income) (in US\$m)	FY2019	FY2020	Booked under
Closure/sale of plants <sup>1</sup>	5.1	79.8	G&A and other income /expense
Severance and others	7.3	3.6	G&A and other income/ expense
Gain due to loan purchase <sup>2</sup>	(16.7)	(1.5)	Interest income
Loan retirement (swap settlement etc)	-	11.2	Interest expense
Total expense/(income) (pre-tax basis)	(4.3)	93.1	
Dividends tax <sup>3</sup>	-	47.1	Tax Expense
Total (net of tax and non-controlling interest of 10.6%)	(4.5)	113.6	

<sup>1</sup>As part of its multiyear restructuring project to streamline operations and improve profitability, the Group closed/sold four plants in the US in FY2020

<sup>2</sup>In FY2019, the Group purchased an additional US\$105.6 million Second Lien Term Loans bringing the total purchased loans to US\$231.4 million out of US\$260 million. These loans were the highest-interest bearing loans for DMFI. The one-off gain of US\$16.7 million pre-tax or US\$13.0 million post-tax booked in FY2019 was a result of principal savings given the purchase discount.

<sup>3</sup>In preparation for its capital raising initiatives, DMPL's Philippine subsidiary, Del Monte Philippines, Inc, declared a dividend to its parent in the first quarter of FY2020 which was taxed at 15%

## INVENTORIES

DMPL's inventories decreased to US\$482.5 million as at 30 April 2020, from US\$664.9 million as at 30 April 2019 mainly due to higher sales in the USA and Philippines.

## CAPEX

Capital expenditures were US\$130.5 million in FY2020, higher than the US\$121.6 million in FY2019. DMFI accounted for US\$20.6 million of Group capex in FY2020, lower than the US\$21.7 million in FY2019 due to reduced projects with plant closures, while DMPL ex-DMFI's capex accounted for US\$109.9 million in FY2020, up from US\$99.9 million in FY2019 due to additions to biological assets.

## CASH FLOW AND DEBT

The Group's cash flow from operations in FY2020 was US\$375.7 million, higher versus prior year's cash flow of US\$180.9 million mainly from higher sales, higher operating profit and increase in trade and other payables.

The Group had negative working capital at the end of the fiscal year amounting to US\$653.7 million. This was mainly driven by the First Lien Term Loan of DMFI that became current in the last quarter of FY2020 and current portion of long-term loans of DMPI and DMPL that were due within FY2021. DMFI has successfully refinanced its loans through senior secured notes amounting to US\$500 million due 2025. DMPL and DMPI are also in the process of refinancing the current portion of long-term loans due in August 2020.

The Group's net debt (borrowings less cash and bank balances) amounted to US\$1.36 billion as at 30 April 2020, lower than US\$1.46 billion as at 30 April 2019 due to significant improvement in cash flow from operations which were used to pay off loans.

Out of the total net debt of US\$1.36 billion, DMFI accounted for US\$706.1 million while DMPL ex-DMFI accounted for US\$656.8 million.

The Group's net debt to equity ratio decreased to 240.8% from 242.4% in the prior year.

#### DMFI REFINANCING

On 15 May 2020, the Group completed the refinancing of Del Monte Foods, Inc. DMFI raised new financing of US\$1.3 billion consisting of a US\$500 million five-year bond issue, a new three-year Asset-Based Loan of US\$450 million, and equity contribution of US\$378 million from DMPL, thereby recapitalising DMFI's balance sheet. DMPL invested US\$150 million in new equity and converted US\$228 million of Second Lien Repurchase Loans into common equity in DMFI. (Please refer to the footnote on Non-Recurring Expenses table above regarding the Second Lien Repurchase Loans).

Bond investors responded positively to DMFI's March-April performance, the success of its asset-light cost management initiatives, and plans for growth and profitability going forward.

#### PRIVATE EQUITY INVESTMENT IN DEL MONTE PHILIPPINES

On 20 May 2020, the Group completed the private equity investment of a 12% stake in DMPI for US\$120 million. This gives an implied valuation of US\$1 billion for DMPI, which attests to its strong franchise and prospects. This is highly commendable amidst a stressed and declining capital market with the PSE index down around 25% from the peak of 2019. This resulted in a net gain of US\$77 million which under IFRS rules had to be booked in retained earnings, instead of recognising it as net income. The proceeds from the private equity investment were used for repayment of DMPL's bank loans.

This transaction is a testament to Del Monte Philippines' solid standing and future prospects for growth as a food company. Del Monte is well-positioned in this environment given its nutritious long shelf-life products which consumers are using to prepare more meals at home as well as build their immunity.

#### REVIEW OF COST OF GOODS SOLD AND OPERATING EXPENSES

% of Turnover	For the year ended 30 April		
	FY2020	FY2019	Explanatory Notes
Cost of Goods Sold	78.8	79.8	Overall impact of increase in sales, than increase in cost of production, resulting to higher margin rate
Distribution and Selling Expenses	10.0	10.4	Total expense is lower versus prior year due to higher variable selling cost as well as higher promotion spending for new product launches. Lower turnover rate is due to overall impact of increase in sales.
G&A Expenses	5.6	5.9	Total admin expense is higher mainly from higher benefits this year. Lower turnover rate is due to overall impact of increase in sales.
Other Operating Expenses (Income)	3.2	(0.2)	Losses incurred on DMFI plant closures

## REVIEW OF OTHER MATERIAL CHANGES TO INCOME STATEMENTS

<i>In US\$'000</i>	For the year ended 30 April			
	<b>FY2020</b>	<b>FY2019</b>	<b>%</b>	<b>Explanatory Notes</b>
Depreciation and amortization	<b>(178,503)</b>	(138,706)	(28.7)	Same as 4Q
Reversal/ (Provision) of asset impairment	<b>(40,746)</b>	(1,262)	(3,128.7)	Impairment relating to closure of plant assets
Reversal/ (Provision) for inventory obsolescence	<b>859</b>	(229)	475.1	Reversals mainly from lower inventory as a result of higher demand this year compared to unmet demand in prior year resulting to provision for obsolescence
Provision for doubtful debts	<b>23</b>	(2,637)	101	Higher provision for trade receivables last year
Net gain/(loss) on disposal of fixed assets	<b>(2,502)</b>	6,158	(140.6)	Same as 4Q
Foreign exchange gain/(loss)- net	<b>(631)</b>	394	(260.2)	Attributed to forex losses from devaluation of Mexican Peso during the year. Last year's forex gain was due to valuation of US\$ denominated receivables on depreciating Philippine Peso
Interest income	<b>2,569</b>	18,125	(85.8)	Higher recognised gain on second lien buyout last year
Interest expense	<b>(114,693)</b>	(96,958)	(18.3)	While there was repayment of loans which reduced borrowing year on year, on the overall, interest was higher due to higher average loan balance during the year
Share in net loss of JV	<b>(2,887)</b>	(983)	(193.7)	Same as 4Q
Taxation Benefit (Expense)	<b>(29,176)</b>	13,524	(315.7)	Final taxes paid on intercompany dividends

## REVIEW OF GROUP ASSETS AND LIABILITIES

Balance Sheet	30 April 2020 (Unaudited)	30 April 2019 (Audited)	30 April 2018 (Audited)	FY20 vs FY19 Variance %	Explanatory Notes
<i>In US\$'000</i>					
<b>ASSETS</b>					
Property, plant and equipment - net	507,497	582,033	610,889	(12.8)	Attributable to DMFI's disposal of its machineries and equipment
Right-of-use assets	166,085	-	-	0.0	Change in accounting policy (IFRS 16)
Investment in joint ventures	22,855	24,212	25,195	(5.6)	Mainly from losses recorded during the year
Intangible assets and goodwill	701,347	707,997	714,651	(0.9)	nm
Other noncurrent assets	34,937	41,622	41,223	(16.1)	Change in accounting policy (IFRS 16) reclassified most deferred rentals to right-of-use assets
Deferred tax assets - net	144,974	106,321	79,829	36.4	Higher tax loss carry forward from DMFI
Pension assets	6,675	8,240	10,607	(19.0)	No actual funding due to over payment of fund in prior years.
Biological assets	63,278	54,002	43,592	17.2	Higher fair value of agricultural growing produce attributed to price changes
Inventories	482,463	664,922	760,981	(27.4)	Due to increase in sales in the US as well all Philippine markets
Trade and other receivables	323,065	149,054	161,627	116.7	Due to increase in sales and timing of collection of sales revenue
Prepaid expenses and other current assets	67,712	34,190	30,782	98.0	Driven by DMFI, due to higher prepayments which were amortized subsequently.
Cash and cash equivalents	33,465	21,636	24,246	54.7	Higher cash inflow from higher operating results and lower inventories and lower receivables
Noncurrent assets held for sale	-	4,465	5,504	(100.0)	Unsold held-for-sale assets repositioned to property and equipment
<b>EQUITY</b>					
Share capital	49,449	49,449	49,449	-	nm
Share premium	478,339	478,339	478,323	-	nm
Retained earnings	60,763	96,074	95,505	(36.8)	Net loss during the year and dividend pay-out
Reserves	(77,474)	(65,827)	(64,082)	(17.7)	Driven by reserve from sale of shares of DMPI
Non-controlling interest	54,820	43,106	49,065	27.2	Share in the losses during the year
<b>LIABILITIES</b>					
Loans and borrowings	1,396,029	1,478,655	1,465,223	(5.6)	Due to loan repayments
Lease liabilities	158,525	-	-	nm	Change in accounting policy (IFRS 16)
Other noncurrent liabilities	23,380	30,015	35,195	(22.1)	Attributable to the decrease in derivative liability of DMFI. Also, lease liabilities are presented separately due to the adoption of IFRS 16
Employee benefits	105,345	91,421	114,550	15.2	Higher liability due to changes in financial assumptions in remeasuring retirement plans
Environmental remediation liabilities	9,587	697	144	1,275.5	Higher provisions related to plant closures
Deferred tax liabilities - net	12,447	6,404	7,128	94.4	Recognition of deferred final tax on undistributed profits of DMPI for the year
Trade and other current liabilities	276,893	188,669	276,618	46.8	Mainly on timing of payment of trade payables and higher accruals driven by DMFI for refinancing activity
Current tax liabilities	6,250	1,692	2,008	269.4	Taxes on Non PEZA activities increased during the year.



### Key Performance Indicators

The following sets forth the explanation why certain performance ratios (i.e. current ratio, debt to equity ratio, net profit margin, return on asset, and return on equity) do not fall within the benchmarks indicated by the Securities and Exchange Commission of the Philippines (the “SEC”).

#### A. Current Ratio

	30-Apr-20	30-Apr-19	Benchmark
<b>Current Ratio</b>	<b>0.6</b>	<b>1.3</b>	<b>Minimum of 1.2</b>

Mainly due to increase current liabilities from loans which have turned current as at fourth quarter of the fiscal year. This was subsequently refinanced in May 2020.

#### B. Debt to Equity

	30-Apr-20	30-Apr-19	Benchmark
<b>Debt to Equity</b>	<b>3.5</b>	<b>3.0</b>	<b>Maximum of 2.5</b>

The increase is due to increase in trade and other payables mainly from timing of payment, as well as increase of lease liability to comply with the new IFRS standard on leases (IFRS 16).

#### C. Net Profit Margin

	30-Apr-20	30-Apr-19	Benchmark
<b>Net Profit/(Loss) Margin attributable to owners of the company</b>	<b>-3.82%</b>	<b>1.04%</b>	<b>Minimum of 3%</b>

The Group generated a net loss margin for the full year of FY2020, largely unfavourable compared to prior year, due to significant expenses incurred due to plant closure losses.

#### D. Return on Asset

	30-Apr-20	30-Apr-19	Benchmark
<b>Return on Asset</b>	<b>-3.67%</b>	<b>0.59%</b>	<b>Minimum of 1.21</b>

The DMPL Group generated a negative return on asset for the full year of FY2020, largely unfavourable compared to prior year, due to significant expenses incurred due to plant closure losses.

#### E. Return on Equity

	30-Apr-20	30-Apr-19	Benchmark
<b>Return on Equity</b>	<b>-16.58%</b>	<b>2.36%</b>	<b>Minimum of 8%</b>

The DMPL Group generated a negative return on equity for the full year of FY2020, largely unfavourable compared to prior year, due to significant expenses incurred due to plant closure losses.

**Material Changes in Accounts****A. Cash and cash equivalent**

Increase is due to higher cash inflow from higher operating results and lower inventories and lower receivables.

**B. Inventories**

Decrease in inventory is mainly due to increase in sales in the US as well all Philippine markets.

**C. Prepaid and other current assets**

Increase is due to higher prepayments which were amortized subsequently.

**D. Biological assets**

Increase is higher fair value of agricultural growing produce attributed to price changes.

**F. Deferred tax assets**

Due to higher future tax benefits from loss carry-forwards of DMFI.

**G. Trade & Other Payables**

Increase in trade and other payable is mainly on timing of payment of trade payables and higher accruals driven by DMFI for refinancing activity.

**H. Employee benefits– non-current**

Higher liability due to changes in financial assumptions in remeasuring retirement plans.

**I. Other noncurrent liabilities**

Decrease is attributable to the decrease in derivative liability of DMFI. Also, lease liabilities are presented separately due to the adoption of IFRS 16.

### Review of Operating Performance for FY2019 vs FY2018







#### **Sales**

DMPL generated sales of US\$2.0 billion in FY2019, lower by 11% versus the prior year as higher sales in S&W in Asia were offset by lower sales in the United States, Philippines and Europe.

#### **USA**

DMPL's US subsidiary, Del Monte Foods, Inc (DMFI), generated sales of US\$1.4 billion or 73% of Group sales, lower by 14% versus prior year due to the divestiture of the Sager Creek vegetable business in September 2017, and lower volume of retail branded products due to price increase and reduced promotional spend. There was also a decline in non-branded products which was in line with DMFI's strategy, partially offsetting lower retail trade spend.

DMFI maintained its leading market share position for the full year in canned vegetable and fruit. Business fundamentals remain on solid ground with strong shelving, new innovation and sustained marketing investments.

<b>Strong Market Position in Key Categories in the USA</b>			
<b>Products</b>	<b>Market Share</b>	<b>Market Position</b>	<b>Brands</b>
Canned Vegetable	29.4%	#1	
Canned Fruit	37.8%	#1	
Fruit Cup Snacks	31.1%	#2	
Canned Tomato*	8.4%*	#2	  

*Canned market shares are for branded only, ex-private labels*

*\*Combined share for Del Monte, S&W and Contadina brands*

*Source: Nielsen Scantrack dollar share, Total US Grocery + WalMart, 12M ending 27 April 2019*

#### Campaigns

A new, integrated master brand campaign “Growers of Good” was launched in September 2018 promoting Del Monte as an advocate for doing what is good – Del Monte nurtures Earth's goodness today to grow a healthier and more hopeful tomorrow. Bibie Wu, DMFI's Chief Marketing Officer said, “Growers of Good tells multiple stories about our product line. It will feel very big because it will have the scale of an effective campaign, but also be able to highlight different parts of our portfolio”.

DMFI relaunched the *Contadina* brand with national marketing support. In 2018, *Contadina* celebrated its 100<sup>th</sup> Anniversary. To honour its 100-year-history of being in the kitchen of confident female cooks, *Contadina* – which is Italian for “woman in the field” – celebrated 100 years of women in the culinary field. As part of the programme, *Contadina* partnered with Cherry Bombe, a bi-annual magazine that champions women and food, for the launch of The Cherry Bombe 100, its inaugural list of 100 women who are making unique and lasting contributions to the food industry.

#### New Products - Retail

Three years ago, to meet the unique snacking needs of on-the-go adults, DMFI introduced *Del Monte Fruit Refreshers*, the first-ever adult fruit cup. This won the 2017 Product of the Year Award in the Healthy Snacking category in the USA. Two years ago, DMFI expanded the adult fruit cup snacking segment with the launch of *Del Monte Fruit & Chia*, combining fruit with wholesome chia. Nearly 50% of US food consumption is in snacking, hence, the exciting potential in the fruit cup segment.

DMFI's thrust on innovation accelerated in FY2019 with entry into new categories. Following the success of *Del Monte Fruit Refreshers* and *Del Monte Fruit & Chia*, DMFI entered a new segment with the launch of innovative *Del Monte Fruit & Oats* in June 2018. It is the first shelf stable ready-to-eat oatmeal item combining healthy fruit

and wholesome oats in a cup, is delicious, filling as well as convenient for breakfast and snack. *Del Monte Fruit & Oats* was voted 2019 Product of the Year in the Breakfast category in the USA, backed by votes of 40,000 consumers in a national representative survey, conducted by research firm Kantar, a global leader in consumer research.

In synch with trends for health, snacking and convenience, and to diversify beyond the declining centre-of-store canned goods aisle, Del Monte introduced four products in the growing refrigerated produce and frozen categories - *Del Monte Citrus Bowls*, *Del Monte Fruit Crunch Parfaits*, *Del Monte Veggieful Bites* and *Contadina Pizzettas*.

DMFI launched *Del Monte Citrus Bowls* in the refrigerated produce section in February 2019. These are grapefruit and citrus salad in 100% juice with a longer shelf life than fresh cut fruit, and without any preservatives. Del Monte entered a new category and introduced, *Del Monte Fruit Crunch Parfaits*, which feature layers of non-dairy coconut crème, crunchy granola, a full serving of fruit, plus two billion probiotics to aid digestive health.

Del Monte's first foray into the frozen segment was through *Del Monte Veggieful Bites* and *Contadina Pizzettas*, frozen snacks made with cauliflower crust, with no artificial flavours or preservatives. Both of these come with a full serving of vegetable in five bites, making eating vegetables easier and crave-worthy! “With *Veggieful Bites*, we set out to create a healthy snack with vegetables as the primary ingredient,” said DMFI's CEO Gregory Longstreet. “In fact,” he adds, “we are the only brand in the frozen snack space that can list vegetables as the largest ingredient in the recipe, with veggies in the filling and the dough. This meets consumers' desire for quick, convenient, delicious snacks that are wholesome and nutritious.”

#### New Products - Foodservice

For the foodservice channel, DMFI also entered new product categories with *Riced Cauliflower* and other vegetables with broadly positive industry reception. These are pre-cut, recipe ready vegetables which provide easy and tasty alternative to high carbohydrate-sides. Del Monte is the first national player in this rapidly-growing new category. Items are now stocked nationally throughout the United States.

One foodservice operator, Clean EatZ (with over 50 locations) offers as an alternative to rice to provide healthy menu options. Its commissary prepares contracted meals sold through Gold's Gym as well. Selection was based on Del Monte's higher quality and consistency versus the fresh products in the market.

*Del Monte Nice Fruit Fresh Frozen Pineapple* from the Philippines had also been placed within the College and University segment in the USA at Stanford University as well as University of California Davis. With the patented Nice Fruit freezing technology, frozen pineapple retains cellular integrity and when thawed, retains fresh-quality colour, taste and texture.

DMFI introduced grab-and-go singles for foodservice and vending operators. These are single-serve fruit cups with 'sporks' in the lid, for convenient snacking on the go perfect for college students. Aramark is a contract foodservice management company. Del Monte placed its Adult Fruit Cup singles with Aramark's college and university division and initial shipment will put the cups into 500 locations across the USA.

Response was positive from distributors and operators, especially on the *Del Monte Fruit Crunch Parfaits*, due to the micro-mart need for diverse offerings and extended shelf life.

DMFI's foodservice team has also realigned and reinforced its relationship with Vistar, the leading nationwide distributor for Vending, Concessions and Hospitality. Its partnership with Vistar is expected to increase the availability of its products to operators across the USA.

DMFI's foodservice teams are focusing efforts and Broker attention on key channels where it has the strongest opportunity to succeed: College and University, Healthcare and Lodging channels. Del Monte product benefits (branded quality, healthy ingredients, labour solutions, grab and go snacking occasions) resonate most with the needs of these channels, and these operators are drawn to Del Monte's new innovative products.

#### Cross-selling

As part of DMPL's growth and globalisation initiative, the distribution of imported product from the Philippines has extended its reach beyond Asian ethnic market to mainstream grocery channel in the US. To strengthen the Group's global supply chain network, DMFI will work to increase the cross-selling effort between the US and Asia by expanding its international product portfolio to meet the growing demand of ethnic food product in the US.





DMFI has continued to export its *S&W* canned specialty fruits, corn and tomato products to Asia. It has also introduced its *Contadina* sauces and *College Inn* broth to certain markets in Asia.

## Philippines

The Philippine market sales in FY2019 were US\$307.8 million, down 4.2% and 8.0% in peso and US terms, respectively. Decline was mainly in the general trade and mixed fruit categories as a result of operational issues and distributor transition. Decline in sales was further driven by unfavourable sales mix and higher direct promotion spending. These were partly offset by price increases implemented across several categories in line with inflation.

Specific to distributor operations, FY2019 was a year of transformation as the Group worked to upgrade operations and processes. As some of its legacy distributors have lagged in terms of modernisation required, the Group felt it necessary to transition out of these distributors and replace them with those that could support the level of expansion that the Group expects, particularly in a fast-changing, highly competitive environment. While the transition impacted Philippine market sales in FY2019, the Group believes it will help set up a stronger base for future growth. Improvements are expected to be seen beginning in the first quarter of FY2020.

Despite operational issues, DMPL continues to lead in market share position in most categories it competes in.

Market Leader in Various Categories in the Philippines			
Products	Market Share	Market Position	Brands
Packaged Pineapple	85.3%	#1	
Canned Mixed Fruit <sup>1</sup>	70.3%	#1	 <b>Today's</b>
Canned and Carton RTD Juices	83.1%	#1	
Tomato Sauce	82.9%	#1	
Spaghetti Sauce <sup>2</sup>	39.3%	#1	 <b>Today's</b> 

<sup>1</sup>Combined share for Del Monte and Today's brands

<sup>2</sup>Combined share for Del Monte, Today's and Contadina brands

Source: Nielsen Retail Index, 12M to April 2019

Some of the highlights for the Philippine retail market in FY2019 were the following:

- Expanded successful 1-litre carton packaging format to the *Del Monte 100% Pineapple Juice* line as Filipinos' way of building their immunity (ACE variant), detoxify daily (Fibre-Enriched variant) or manage cholesterol (Heart Smart variant) in a more affordable and convenient format.
- Drove continued improvements in consumption metrics for its base Tomato-Based Sauces category behind impactful campaigns and relevant in-trade value packs, even as we expanded *Del Monte Culinary's* footprint amongst working moms via *Del Monte Quick 'n Easy* and amongst millennials and culinary hobbyists behind *Contadina's* Gourmet Made Easy campaign.
- Penetrated Culinary Schools with sampling and school partnerships with Contadina.
- Continued to build consumption for *Del Monte Pineapple* behind a successful national ad campaign, banner preference for Pina-Adobo amongst 3 out of 4 kids, even as we worked to improve consumption in Visayas and Mindanao with a Sweet & Sour Fish recipe highlight.
- Expanded beyond traditional media with a stronger push on digital, collaborating heavily with Facebook and Google on hackathons, training and executions.
- Recognition received include the following: being one of only 3 food and beverage brands in the Campaign Asia Pacific Top 20 Brands in the Philippines, as well as PANAta Awards for Excellence in Marketing Innovation (Silver), Excellence in Brand Positioning (Bronze) (please also refer to the Awards section).

Foodservice sales in the Philippines remained strong, riding on the rapid expansion of quick service restaurants and convenience stores, as well as Del Monte Philippines' growth of its juice dispensers, meal partnerships and customised products.

Del Monte Philippines supplies Jollibee, the largest local fast food chain, with their pineapple juice requirements, and supplies Greenwich, the Philippines' largest pizza chain, with all their pineapple tidbits requirements. Moreover, *Del Monte 100% Pineapple Juice* is available in all of Cebu Pacific's flights, while it continues to supply Philippine Airlines for all their international flights.

The Group will continue to drive dispenser juice and condiments sachet expansion to grab opportunities in convenience stores as emerging channel for ready-to-eat meals amongst young, urban professionals. It will expand portfolio range via ready-to-eat recipe ideations with convenience store commissaries.

### **S&W in Asia**

Sales of the S&W business in Asia reached US\$115.4 million in FY2019, 9% higher than the US\$106.1 million in FY2018, a record for this brand since the Group acquired it in 2007. The fresh segment accounted for 79% of S&W's total sales, while the packaged segment accounted for the balance 21%.

Improved sales were driven by the robust 19% growth of the *S&W Sweet 16* fresh pineapple mainly in China on the back of increased distribution of fresh pineapple in Tier 1-3 cities.

However, the packaged segment's sales were lower mostly in Turkey, Korea and Indonesia. Turkey was impacted by currency devaluation and political instability, while North Asia suffered from increased competition from cheaper canned pineapple products from Thailand and Indonesia, partly offset by new customers.

The Group's Nice Fruit joint venture, utilising patented technology that allows fruits to be picked at their optimal ripeness and frozen for up to 3 years, while preserving its nutrients and original properties, successfully launched frozen pineapple spears in 7-Eleven stores in Japan in June 2018. These are produced in Bukidnon, Philippines. Individually packaged and known as *Pineapple Stick*, it is positioned as an on-the-go healthy snack placed in the store's chiller section. The joint venture followed this with the launch of frozen pineapple chunks called *Golden Pineapple* in the same convenience store chain in November.

### **FieldFresh India (equity accounted)**

Sales at FieldFresh Foods, our Indian joint venture (JV), which are equity accounted and not consolidated, were US\$77.5 million in FY2019, 10% and 2% higher in rupee and US\$ terms, respectively, versus prior year. US\$69.3 million came from the *Del Monte*-branded packaged segment and US\$8.2 million from the *FieldFresh*-branded fresh segment.

The *Del Monte* business in India was up 12% in rupee terms on continued product innovation, as well as trade, marketing and digital campaigns.

Tapping into the growing consumer trend for healthier snacking alternatives amongst young working adults, Del Monte extended its dried fruit range, adding variants like *Dried Cherries*, *Cherry Berry Mix* and *Nutty Cruiser Trail Mix*. The latter is a delicious and healthy blend of almonds, cashews, dried cranberries and black raisins. Del Monte also started working with fitness and running communities to promote this range and an overall healthier lifestyle.

October saw the relaunch of *Del Monte* gourmet pasta sauces. The range was revamped to include two tomato-based sauces, *Napoletana & Puttanesca*, and one vegetarian *Alfredo* sauce with real cheese (a first for the Indian market). Also, in line with its desire to move to cleaner products and labels, these sauces contain no added preservatives, making *Del Monte* the only brand to offer preservative-free pasta sauces in India.

The year also saw Del Monte introduce a range of low unit priced-SKUs like Mayonnaise 80g and Tomato Ketchup 200g to expand its presence in traditional trade outlets in India. On the back of these introductions, Del Monte managed to increase its distribution in top metros like Delhi and Mumbai by 20%.

Del Monte joined Aahar, India's largest B2B food exhibition in New Delhi with 100,000+ footfalls over 5 days and with 10,000+ visits to the Del Monte stall.

FieldFresh sustained its positive EBITDA, growing by double-digit, while DMPL's share of loss in the FieldFresh joint venture in India was lower at US\$0.1 million from US\$0.3 million in the prior year on higher sales and margins.

### **Gross Profit and Margin**

DMPL generated a gross profit of US\$395.0 million, lower by 9% versus the prior year, while gross margin increased to 20.2% from 19.7% in the same period last year.

DMFI's gross margin increased to 16.4% from 15.0% driven by lower trade spend, increase in retail list prices, higher USDA pricing and favourable sales mix, partially offset by higher costs.

DMPL ex-DMFI gross margin was 27.3% from 30.4% due to lower, cyclical pineapple juice concentrate pricing, unfavourable sales mix and higher product costs. These were partly offset by price increases in the Philippine market in line with inflation.

### EBITDA and Net Profit

DMPL generated an EBITDA of US\$143.7 million of which US\$52.5 million came from DMFI and US\$87.9 million from DMPL ex-DMFI. DMPL's EBITDA improved by 40.5% due to a net one-off gain of US\$4.5 million in FY2019 versus a net one-off expense of US\$48.5 million in the prior year.

As part of the Group's strategy to improve operational excellence and streamline operations, DMFI divested its underperforming Sager Creek vegetable business in FY2018. This resulted in incremental one-off expenses for the year ended. Please refer to the table below for the schedule of one-off items.

Non-Recurring Expense/(Income) (in US\$m)	FY2018	FY2019	Booked under
Closure of plants <sup>1</sup>	55.1	6.2	CGS, G&A and other income /expense
Gain due to loan purchase <sup>2</sup>	(33.6)	(16.7)	Interest income
Severance and others	7.6	6.2	G&A expense and other income/ expense
<b>Total expense/(income) (pre-tax basis)</b>	<b>29.1</b>	<b>(4.3)</b>	
Write-off of Deferred Tax Asset at DMFI	39.8 <sup>3</sup>	-	Tax expense
<b>Total (net of tax and non-controlling interest of 10.6%)</b>	<b>48.5</b>	<b>(4.5)</b>	

<sup>1</sup>As part of its multiyear restructuring project to streamline operations and improve profitability, the Group closed two plants in the US in FY2018-2019.

<sup>2</sup>Please refer to the “Cash Flow and Debt” section in the next page for the purchase of loan in the USA.

<sup>3</sup>The Group wrote off US\$39.8m of deferred tax assets at DMFI due to the change in Federal income tax rate from 35% to 21%. Other companies in the US with deferred tax assets have similar write-offs due to the reduction in income tax rates. However, this should be more than offset by the reduced tax rates in future years which will be substantial.

Excluding one-off expenses, the Group's EBITDA would have been US\$156.1 million, 5% lower versus the recurring EBITDA of US\$165.0 million in the prior year. DMFI contributed an EBITDA of US\$64.9 million, higher by 21% mainly from lower marketing and general and administrative (G&A) expenses while DMPL ex-DMFI generated an EBITDA of US\$87.9 million, lower by 17% due to reduced sales in the Philippines.

The Group reported a net income of US\$20.3 million for the full year, favourable compared to the prior year's net loss of US\$36.5 million. Of the US\$20.3 million of Group income, DMFI reported a loss of US\$51.5 million while DMPL ex-DMFI reported a net income of US\$41.9 million. This year's one-off adjustments from DMFI's continued restructuring initiatives and sale of Sager Creek were more than offset by the one-off gain worth US\$16.7 million pre-tax or US\$13.0 million post-tax from the additional purchase of US\$105.5 million of DMFI's second lien loan at a discount in the secondary market. Total loans bought back including that of FY2018 amounted to US\$231 million out of the total US\$260 million.

Without the one-off items, the Group achieved a recurring net income of US\$15.8 million as compared to last year's net income of US\$12.0 million. DMFI had a recurring net loss of US\$43.0 million from a loss of US\$57.7 million in the prior year mainly due to lower sale of branded fruits and vegetables and sale of Sager residual inventory. However, DMFI's recurring loss was reduced versus prior year loss due to increased list price, lower trade promotion, marketing and G&A expenses. DMPL ex-DMFI had no one-off expenses and as such, its reported net income of US\$41.9 million was also its recurring net income.

### INVENTORIES

DMPL's inventories decreased to US\$664.9 million as at 30 April 2019, from US\$761.0 million as at 30 April 2018 mainly due to lower level of inventories in its USA subsidiary, DMFI.

### CAPEX



Capital expenditures (capex) were US\$121.6 million in FY2019, lower than the US\$148.2 million in the prior year. DMFI accounted for US\$21.7 million of Group capex in FY2019, lower than the US\$37.3 million in FY2018 due to timing, while DMPL ex-DMFI's capex accounted for US\$99.9 million, down from US\$110.8 million in FY2018 due to lower spending on capital projects.

### CASH FLOW AND DEBT

The Group's cash flow from operations in FY2019 was US\$180.9 million, lower versus prior year's cash flow of US\$357.0 million mainly driven by lower trade and other payables.

In FY2018, the Group purchased from certain lenders US\$125.9 million worth of principal amount of DMFI's Second Lien Term Loans at a 30% discount to par value in the secondary market. In FY2019, the Group purchased an additional US\$105.5 million bringing the total purchased loans to US\$231.4 million out of US\$260 million. The Second Lien Term Loans are the highest-interest bearing loans for DMFI with an interest rate of LIBOR or 1%, plus 7.25% (10.15% p.a. until 24 June 2019 and 9.47% thereafter) and will mature in August 2021.

While the Second Lien Term Loans that have been acquired currently remain on DMFI's balance sheet as an obligation, the intercompany holdings of the loans and related interest expense is eliminated upon consolidation of the DMPL Group, thereby resulting in a reduction of leverage for the Group.

This loan purchase is in line with the Company's plan to delever its balance sheet and improve the capital structure and profitability of the DMPL Group, through a reduction in effective interest expense of over US\$10 million per annum and savings from the purchase price discount for the Second Lien Term Loans. The one-off gain of US\$16.7 million pre-tax or US\$13.0 million post-tax booked in FY2019, and the US\$33.6 million pre-tax or US\$25.3 million post-tax booked in FY2018 was a result of principal savings given the purchase discount.

The Group's net debt (cash and bank balances less borrowings) amounted to US\$1.46 billion as at 30 April 2019, slightly higher than the US\$1.44 billion as at 30 April 2018 due to additional loans obtained during the year. This is just a timing difference to augment working capital needs.

Out of the total net debt of US\$1.46 billion, DMFI accounted for US\$823 million while DMPL ex-DMFI accounted for US\$634 million.

The Group's net debt to equity ratio increased to 242% from 237% in the prior year.

### DIVIDENDS

In October 2018 and April 2019, respectively, the Company paid dividends to holders of the Series A-1 Preference Shares at the fixed rate of 6.625% per annum, or equivalent to US\$0.33125 per Series A-1 Preference Share for the six-month period from 8 April 2018 to 7 October 2018 and US\$0.33125 for the six-month period 8 October 2018 to 7 April 2019. The Series A-1 Preference Shares were listed on the Philippine Stock Exchange on 7 April 2017.

In October 2018 and April 2019, respectively, the Company paid dividends to holders of the Series A-2 Preference Shares at the fixed rate of 6.5% per annum, or equivalent to US\$0.325 per Series A-2 Preference Share for the six-month period from 8 April 2018 to 7 October 2018 and US\$0.325 for the six-month period 8 October 2018 to 7 April 2019. The Series A-2 Preference Shares were listed on the Philippine Stock Exchange on 15 December 2017.

Under the Company's Articles of Association and the terms of the Preference Shares, the Company may declare and pay dividends on Common Shares provided there are adequate and available funds for dividends on Preference Shares which have priority over Common Shares. Subject to the foregoing, the Board approved a final dividend of 0.52 US cents (US\$0.0052) or 0.706 Singapore cents (S\$0.00706) per share representing 50% of FY2019 net profit.

	For the fiscal year ended 30 April	
	2019	2018
Name of dividend	Final Ordinary	Final Ordinary
Type of dividend	Cash	Cash
Rate of dividend	<b>US\$0.0052 per ordinary share</b>	<b>Nil</b>
Tax rate	Nil	Nil
Book closure date	12 July 2019	Nil
Payable date	19 July 2019	Nil

### REVIEW OF COST OF GOODS SOLD AND OPERATING EXPENSES

% of Turnover	For the three months ended 30 April			For the year ended 30 April		
	FY2019	FY2018	Comments	FY2019	FY2018	Comments
Cost of Goods Sold	81.1	82.6	Driven by lower sales of DMPL ex-DMFI and release of inventory reserve for DMFI	79.8	80.3	Same as Q4
Distribution and Selling Expenses	10.2	10.1	Due to higher distribution and provision for doubtful accounts	10.4	10.1	Same as Q4
G&A Expenses	3.5	6.4	Lower personnel cost, lower facilities expense	5.9	7.4	Lower personnel cost, lower IT fees due to reversal of accruals from prior years; lower facilities expense
Other Operating Expenses	-0.4	2.9	Lower miscellaneous expense due to assets written off last year on closed plants	-0.2	0.8	Same as Q4

## REVIEW OF OTHER MATERIAL CHANGES TO INCOME STATEMENTS

in US\$'000	For the full year ended 30 April			
	FY2019	FY2018	%	Comments
Depreciation and amortization	(138,706)	(147,845)	6.2	Mainly due to lower depreciation from lower asset base
Reversal/(Provision) of asset impairment	(2,037)	(24,534)	91.7	Impairment loss mainly on Sager Creek assets which was higher in FY2018
Reversal/(Provision) for inventory obsolescence	(6,165)	(21,823)	71.7	Due to reversal of provision
Provision for doubtful debts	(2,646)	(502)	(427.1)	Provided for doubtful accounts in Q4
Net gain/(loss) on disposal of fixed assets	6,158	11,317	(45.6)	Mainly on sale of Sager Creek assets from last year
Foreign exchange gain/(loss)- net	394	3,379	(88.3)	Lower favourable impact of peso devaluation for the year
Interest income	18,125	34,763	(47.9)	Due to one-off gain on second lien loan purchased at a discount in the secondary market from last year
Interest expense	(96,958)	(102,323)	5.2	Lower level of borrowings
Share in net loss of JV	(983)	(1,552)	(36.7)	FieldFresh losses was higher last FY2018 than in FY2019
Taxation	13,524	(14,844)	191.1	Write off of non-cash deferred tax assets of US\$39.8m at DMFI, partially offset by DMFI's higher net operating loss from last year

## REVIEW OF GROUP ASSETS AND LIABILITIES

Extract of Accounts with Significant Variances	30 April 2019	30 April 2018	30 April 2017	Comments
<b>in US\$'000</b>				
Deferred tax assets	<b>106,321</b>	79,829	92,786	Due to higher future tax benefits from loss carryforwards of DMFI
Other assets	<b>39,096</b>	41,223	27,112	Reclassification of receivable from sale of Sager Creek vegetable business to current assets
Biological assets	<b>54,002</b>	43,592	45,767	Favourable fair value adjustment in biological assets
Inventories	<b>664,922</b>	760,981	916,892	Lower inventory level at DMFI
Prepaid and other current assets	<b>36,176</b>	30,782	43,046	Due to increase in prepaid input VAT and downpayments to contractors in DMPI and higher prepaid slotting expense for DMFI.
Cash and cash equivalents	<b>21,636</b>	24,246	37,571	Due to repayments of payables, partially offset by better working capital management mainly on lower inventories
Other non-current liabilities	<b>30,015</b>	35,195	44,018	Lower workers compensation
Employee benefits– non-current	<b>63,781</b>	76,905	87,599	Due to lower employee retirement plan
Trade and other payables	<b>188,669</b>	263,026	299,545	Due to lower trade and accrued expenses

**Key Performance Indicators**

The following sets forth the explanation why certain performance ratios (i.e. current ratio, debt to equity ratio, net profit margin, return on asset, and return on equity) do not fall within the benchmarks indicated by the Securities and Exchange Commission of the Philippines (the “SEC”).

**A. Current Ratio**

	30-Apr-19	30-Apr-18	Benchmark
<b>Current Ratio</b>	<b>1.3</b>	<b>1.3</b>	<b>Minimum of 1.2</b>

Decrease in inventories was mainly due to lower level of inventories in its USA subsidiary, DMFI.

**B. Debt to Equity**

	30-Apr-19	30-Apr-18	Benchmark
<b>Debt to Equity</b>	<b>3.0</b>	<b>3.1</b>	<b>Maximum of 2.5</b>

The decrease in the debt to equity is mainly due to timing difference.

**C. Net Profit Margin**

	30-Apr-19	30-Apr-18	Benchmark
<b>Net Profit/(Loss) Margin attributable to owners of the company</b>	<b>1.04%</b>	<b>-1.66%</b>	<b>Minimum of 3%</b>

The Group generated a net profit margin of 1.04% for the full year of FY2019, largely favourable compared to prior year, due to significant expenses incurred due to plant closure losses and deferred tax asset write off incurred in FY2018.

**D. Return on Asset**

	30-Apr-19	30-Apr-18	Benchmark
<b>Return on Asset</b>	<b>0.59%</b>	<b>-2.04%</b>	<b>Minimum of 1.21</b>

The DMPL Group generated a return on asset of 0.59% for the full year of FY2019, largely favourable compared to prior year, due to significant expenses incurred due to plant closure losses and deferred tax asset write off incurred in FY2018.

**E. Return on Equity**

	30-Apr-19	30-Apr-18	Benchmark
<b>Return on Equity</b>	<b>2.36%</b>	<b>-8.40%</b>	<b>Minimum of 8%</b>

The DMPL Group generated a return on equity of 2.37% for the full year of FY2019, largely favourable compared to prior year, due to significant expenses incurred due to plant closure losses and deferred tax asset write off incurred in FY2018.

**Material Changes in Accounts****A. Cash and cash equivalent**

Due to repayments of payables, partially offset by better working capital management mainly on lower inventories

**B. Inventories**

Decrease in inventory is mainly due to lower inventory level at DMFI.

**C. Prepaid and other current assets**

Due to increase in prepaid input VAT and downpayments to contractors in DMPI and higher prepaid slotting expense for DMFI.

**D. Biological assets**

Due to favourable fair value adjustment in biological assets.

**F. Deferred tax assets**

Due to higher future tax benefits from loss carryforwards of DMFI.

**G. Trade & Other Payables**

Decrease in trade and other payable is mainly due to lower trade and accrued expenses.

**H. Employee benefits– non-current**

Due to lower employee retirement plan

**I. Other noncurrent liabilities**

Due to lower workers' compensation

**Supplementary Schedule of Financial Soundness Indicator**  
**Ratio**
**Formula**

30 April 2020

30 April 2019

30 April 2018

## (i) Liquidity Analysis Ratios:

Current Ratio or  
Working Capital Ratio

Current Assets / Current Liabilities

0.6

1.3

1.3

Quick Ratio

(Current Assets - Inventories - Prepaid  
expenses and other current assets -  
Biological Assets – Noncurrent assets  
held for sale) / Current Liabilities

0.2

0.2

0.2

## (ii) Solvency Ratio

Total Assets / Total Liabilities

1.3

1.3

1.3

Financial Leverage  
Ratios:

Debt Ratio

Total Debt/Total Assets

0.8

0.7

0.7

Debt-to-Equity Ratio

Total Debt/Total Stockholders' Equity

3.5

3.0

3.1

## (iii) Asset to Equity Ratio

Total Assets / Total Stockholders' Equity

4.5

4.0

4.1

## (iv) Interest Coverage

Earnings Before Interest and Taxes (EBIT)  
/ Interest Charges

0.4

0.8

0.3

## (v) Debt/EBITDA Ratios

Total Debt/ Earnings Before Interest,  
Taxes, Depreciation and Amortization  
(EBITDA)

12.5

18.6

## (vi) Profitability Ratios

Gross Profit Margin

Revenue - Cost of Sales / Revenue

21.24%

20.21%

19.68%

Net Profit Margin  
attributable to owners  
of the company

Net Profit attributable to owners / Revenue

-3.82%

1.04%

(1.66)%

Net Profit Margin

Net Profit / Revenue

-4.41%

0.73%

(2.32)%

Return on Assets

Net Profit / Total Assets

-3.67%

0.59%

(2.04)%

Return on Equity

Net Profit / Total Stockholders' Equity

-16.58%

2.36%

(8.40)%

**BUSINESS OUTLOOK**

As the demand for its trusted, healthy shelf-stable products is sustained, the Group will continue to operate its production facilities while implementing strict safety measures and protecting its people. The strategy is to strengthen the core business and expand the product portfolio, in line with market trends for health and wellness, and grow its branded business while reducing non-strategic business segments.

The Group will continue to strengthen its product offerings and enter new categories. It will continue to focus on business segments which are on-trend, pursue innovation to address growing consumer needs for more convenient, healthy and flavourful solutions, as well as build its distribution base in emerging channels.

While DMFI's Asset-Light Strategy has been a complex undertaking, it has been a critical step in repositioning DMFI for the future. Execution of this strategy and other cost saving initiatives should improve the Group's EBITDA margin by an estimated 225–275 basis points (US\$50 to 60 million) over the next 24 months starting November 2019. In the fourth quarter of FY2020, the Group recognised cost savings of US\$5 to 6 million which favourably impacted profitability. DMFI is expected to achieve 95% capacity utilisation for vegetable in the next pack season this year, up from 50%.



A portion of these improved cost savings will be reinvested in the growth and expansion of DMFI's iconic brands. DMFI is capitalising on growing consumer desire for convenient, healthy and tasty plant-based foods. It is expanding its brands beyond center store grocery into higher growth categories such as frozen, produce and deli.

“The restructuring is a necessary step for us to remain competitive in a rapidly changing marketplace,” said DMPL Managing Director and Chief Executive Officer Joselito D Campos, Jr. “Our asset-light strategy will lead to more efficient and lower cost operations,” he added.

The Group will continue to expand its existing branded business in Asia, through the Del Monte brand in the Philippines, where it is a dominant market leader. S&W, both packaged and fresh, will continue to gain more traction as it leverages its distribution expansion in Asia and the Middle East.

The Nice Fruit frozen pineapple plant is in operation, with shipments to the USA, Japan, China and South Korea. We expect to make Nice Fruit frozen pineapple available across more markets.

The Group has been exploring e-commerce opportunities for its range of products across markets.

Barring unforeseen circumstances, the Group is expected to remain profitable in FY2021.

### **III. COMPLIANCE WITH LEADING PRACTICES ON CORPORATE GOVERNANCE**

#### **Evaluation System for Compliance**

The Company is committed to the highest standards of corporate governance and supports the principles of openness, integrity and accountability advocated by the SGX-ST, which are similarly upheld by the PSE and the SEC.

The Board of Directors (Board) and Management are also committed to use their best endeavours to align the Company's governance framework with the recommendations of the 2018 Code of Corporate Governance issued on 6 August 2018 by the Monetary Authority of Singapore (MAS) (2018 Code) and the SEC Code of Corporate Governance for Publicly Listed Companies which took effect on 1 January 2017 (SEC CG Code), as well as the Singapore Governance and Transparency Index (SGTI) and the ASEAN Corporate Governance Scorecard (ACGS).

The Company confirms that it has adhered to the principles and provisions set out in the 2018 Code and principles and recommendations set out in the SEC CG Code, where applicable, and has identified and explained areas of non-adherence in this report (Report).

This Report describes the Company's corporate governance policies and practices with specific reference made to each of the principles and provisions of the 2018 Code in compliance with the Listing Manual of the SGX-ST.

#### **Measures Undertaken to Comply with Leading Practices on Good Corporate Governance**

The Company adheres to the principles and guidelines set out in the 2018 Code and the SEC CG Code, where applicable, and has identified and explained areas of non-compliance in its Annual Report, as well as in its Integrated Annual Corporate Governance Report. The Company's Annual Report describes the Company's corporate governance policies and practices with specific reference made to each of the principles of the 2018 Code (where stated) in compliance with the Listing Manual of the SGX-ST. (Please see Corporate Governance section excerpted from the FY2020 Annual Report.)

In addition, to improve the Company's score in the SGTI and the ACGS, and in compliance with the SEC CG Code, the Company has undertaken the following measures, among others:

- a) The Company has adopted a Manual on Corporate Governance which contains the framework of principles and guidelines, all the policies implemented by the Group, and terms of reference that govern the performance by the Board and Management of their responsibilities, in a manner that serve both the corporate objectives and long-term interests of the Company's shareholders and other stakeholders.
- b) The Company implements a Board Diversity Policy which recognizes the importance of diversity. The Board believes that its effectiveness and decision-making will be enhanced as it harnesses the variety of skills, industry and business experiences, gender, age, ethnicity and culture, geographical background and nationalities, tenure of service, and other distinguishing qualities of its own diverse Board. The NGC is responsible for administering this policy and for evaluating it annually.

- c) The Board shall be responsible for approving the selection and assessing Management’s performance led by the Chief Executive Officer, and control functions led by their respective heads, Chief Risk Officer and the Chief Compliance Officer.
- d) The Board has adopted a policy on acquisitions which states that the Company shall make a full, fair, accurate and timely disclosure to the public of any event that has a material impact on the Company and its business, including, but not limited to, the acquisition or disposal of significant assets which could adversely affect the viability of the Company or the interest of its shareholders and other stakeholders.
- e) The Board annually reviews the Company’s vision and strategy.
- f) The NGC undertakes the process of identifying the quality of directors aligned with the Company’s strategic directions. The NGC evaluates the suitability of a prospective candidate based on his or her qualification and experience, ability to commit time and effort in the effective discharge of duties and responsibilities.
- g) The Company’s Chief Financial Officer acts as the Chief Risk Officer who leads the implementation of the Company’s risk management system, and reports to the Board on identified risks and measures being undertaken by Management to mitigate these.
- h) The Company has formalized a long established and practiced policy on conflict of interest whereby a Director with material interest in any transaction affecting the Company shall be barred from participating in any deliberation or voting on such transaction.
- i) The Company has adopted and implemented, and continues to strengthen, its Securities Dealings Policy (which replaces and incorporates the guidelines set out in the Best Practices on Securities Transactions adopted by the Company in 2003) to govern dealings by the Directors, Key Management Personnel and certain designated employees in the Company’s securities. With this policy, these individuals are required to seek the approval of the Chairman or the Board before dealing in the Company’s shares. Directors and key executive officers are also required to report their dealings in the Company’s shares at least three (3) business days from the date of transaction; and
- j) For FY2020, the Company declared special cash dividends to its holders of Ordinary Shares which were paid within 30 days from the date of declaration. The Company also paid dividends to its holders of Preference Shares within 30 days from the date of declaration.
- k) The Company has published its Sustainability Report in line with the SGX-ST’s Sustainability Guidelines and the Global Reporting Initiative (GRI) framework.

#### **Deviation from Compliance**

- a) Consistent with previous practice, the NGC had undertaken a rigorous review of the independence of each Independent Director, including those whose tenure had exceeded nine years from the date of their first appointment. Led by the NGC Chairperson and facilitated by Boardroom Corporate & Advisory Services Pte Ltd, the Company’s external corporate secretarial service provider, the assessment was conducted by means of a confidential and incisive questionnaire completed by each Director and a declaration completed by each of the Independent Directors.

As part of this rigorous review, Board members were asked to share their observations on how the Independent Directors whose tenure had exceeded nine years, namely Messrs Benedict Kwek Gim Song, Emil Q Javier and Godfrey E Scotchbrook, have demonstrated their independence on the Board. Board members were invited to cite, as appropriate, specific instances and examples.

The results were analysed and discussed at the NGC and Board meetings. It was concluded that there is a strong sense of independence among all Board members. Management is constantly challenged and questioned on proposals that come before the Board with all Directors engaging in thorough and robust discussion and deliberation, taking into consideration the interest of the Group’s stakeholders.

Based on the assessment, Messrs Benedict Kwek Gim Song (first appointed on 30 April 2007), Emil Q Javier (first appointed on 30 April 2007) and Godfrey E Scotchbrook (first appointed on 28 December 2000) have demonstrated independent mindedness and conduct at Board and Board Committee meetings. The NGC is also of the firm view and opinion that these Directors continue to exercise independent judgement in the best interest of the Company in the discharge of their duties as Directors, and their more than nine years of exemplary service on the Board have not in any way affected their independence as throughout their tenure in office they had continually challenged and provided constructive feedback to Management.

- b) The remuneration of Directors, the CEO and the immediate family member of the CEO are disclosed in bands of S\$250,000/- with a maximum disclosure band of S\$500,000/- and above.

The remuneration of the top five Key Management Personnel are similarly disclosed in bands of S\$250,000/- with a maximum disclosure band of S\$500,000/- and above.

Although the disclosure is not in compliance with provision 8.1 of 2018 Code and the SEC CG Code, the Board is of the view that it is in the best interest of the Company not to disclose such remuneration information in detail, given the confidentiality and commercial sensitivity (within the industry and within the Group itself) attached to remuneration matters and for personal security reasons, disclosure in bands of S\$250,000/- in excess of S\$500,000/- is not provided. As for personal security reasons, the names of, and the aggregate remuneration paid to, the Company's top five Key Management Personnel is not disclosed. Similarly, the aggregate remuneration paid to the Executive Directors is not disclosed.

- c) While the Company Secretary is not a separate individual from the Chief Compliance Officer, the Company Secretary remains responsible to the Company and its shareholders, and not to the Chairman or the President. Having one person occupy these positions do not diminish the focus in discharging these offices' functions.
- d) The Board does not have a Board Charter. The Company is of the view that its Manual of Corporate Governance, which was based on the Singapore and Philippine models of governance, serves the purpose and function of a Board Charter.
- e) The SEC CG Code requires the establishment of a Corporate Governance Committee that should be composed of at least three members, all of whom should be independent directors, including the Chairman. Only a majority of the NGC members are independent. The Company, however, is of the view that the participation and contribution of its Executive Directors add value to, and complements the work of, the NGC.
- f) The Company does not have a Related Party Transactions Committee as its functions are already served by the ARC which is composed of four members, all of whom, including the ARC Chairperson, are independent directors.
- g) All Independent Directors meet the qualifications required; however, it is noted that Dr. Emil Javier, as requested by Management and the Board, provides advice to the Company's subsidiary on its plantation matters and development of agri-based initiatives.

#### **Improvement on Corporate Governance Practices**

To improve its corporate governance practices, the Company will carry out the following:

- a) To implement its Board diversity policy, the Board aims to finalize measurable objectives that would further improve the diversity among its directors and consequently enhance decision making by the Board.
- b) The Board will continue to review the Company's vision and strategy on a regular basis.
- c) The Board will continue to review the effectiveness of the Group's succession planning program for directors, key officers and Management.
- d) The Company will endeavour to upload the minutes of the general meetings within five (5) business days from date of meeting.
- e) The Company undertakes to review and update, as necessary, its current policy on Interested Person Transactions to ensure compliance with the rules prescribed under SEC Memorandum Circular No. 10 (2019) on material related party transactions.

# COVER SHEET

for  
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

D	E	L		M	O	N	T	E		P	A	C	I	F	I	C		L	I	M	I	T	E	D		A	N	D	
S	U	B	S	I	D	I	A	R	I	E	S																		

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

C	R	A	I	G	M	U	I	R		C	H	A	M	B	E	R	S	,		P	O		B	O	X		7	1	
R	O	A	D		T	O	W	N	,		T	O	R	T	O	L	A		B	R	I	T	I	S	H				
V	I	R	G	I	N		I	S	L	A	N	D	S																

Form Type

A	A	F	S
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Department requiring the report

C	R	M	D
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Secondary License Type, If  
Applicable

			-
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## COMPANY INFORMATION

Company's Email Address

[www.delmontepacific.com](http://www.delmontepacific.com)

Company's Telephone Number

+65 6324 6822

Mobile Number

-

No. of Stockholders

7,548

Annual Meeting (Month / Day)

September 17

Fiscal Year (Month / Day)

April 30

## CONTACT PERSON INFORMATION

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

Name of Contact Person

Antonio E.S. Ungson

Email Address

UngsonAES@delmonte-phil.com

Telephone Number/s

(02) 8856-2888

Mobile Number

-

## CONTACT PERSON'S ADDRESS

JY Campos Centre, 9<sup>th</sup> Avenue corner 30<sup>th</sup> Street, Bonifacio Global City, Taguig City

**NOTE1 :** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

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



## INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders  
Del Monte Pacific Limited  
Craigmuir Chambers  
PO Box 71 Road Town, Tortola  
British Virgin Islands

### Opinion

We have audited the accompanying consolidated financial statements of Del Monte Pacific Limited and its Subsidiaries (the Group) and the separate financial statements of Del Monte Pacific Limited (the Company), which comprise the statements of financial position as at 30 April 2020 and 2019, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended 30 April 2020, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Group and the Company present fairly, in all material respects, the financial position of the Group and the Company as at 30 April 2020 and 2019, and their financial performance and their cash flows for each of the three years in the period ended 30 April 2020 in accordance with International Financial Reporting Standards (IFRSs).

### Basis for Opinion

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.



We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

*Applicable to the audit of the consolidated financial statements of the Group*

Fair value of biological assets

Why significant	How our audit addressed the matter
<p>As at 30 April 2020, the Group's biological assets amounted to US\$63.3 million. The gain on changes in the fair value of produce prior to harvest and harvested produce amounted to US\$57.6 million for the year ended 30 April 2020.</p> <p>The valuation of biological assets was significant to our audit because the estimation process is complex, involves significant management estimate, and is based on assumptions that can be affected by natural phenomena. The key assumptions for the fair value of harvested produce include selling prices and gross margins. The key assumptions for the fair value of produce prior to harvest include expected selling prices, gross margin, estimated tonnage of harvests and future growing costs.</p> <p>The Group's disclosures relating to biological assets and sources of estimation uncertainty are included in Note 11 to the financial statements.</p>	<p>We obtained an understanding of management's fair value measurement methodology and their process in fair valuation of the biological assets. We assessed the appropriateness of the methodology used in estimating the fair value. We tested the key assumptions used in the valuation, which include expected selling prices and gross margin for harvested produce; and expected selling prices, gross margin, estimated tonnage of harvests and future growing costs for produce prior to harvest, by comparing them to external data such as selling prices in the principal market and historical information.</p> <p>We also reviewed the adequacy of the related disclosures related to biological assets.</p>





## Recoverability of goodwill and indefinite life trademarks

Why significant	How our audit addressed the matter
<p>As at 30 April 2020, the Group carries goodwill of US\$203.4 million and indefinite life trademarks of US\$408.0 million, representing 13% and 26% of the total noncurrent assets, respectively.</p> <p><i>a. Goodwill and indefinite life trademarks allocated to Del Monte Foods, Inc. and its subsidiaries</i></p> <p>The Group's goodwill is allocated to a Cash Generating Unit (CGU), Del Monte Foods, Inc. and its subsidiaries. Included within the CGU are the indefinite life trademarks "Del Monte" and "College Inn" in the United States of America (USA) amounting to US\$394.0 million. The Group uses the value in use calculation to estimate the recoverable value of the CGU for the purposes of assessing whether there is any impairment to be recognized.</p> <p>The annual impairment test is significant to our audit because the valuation is complex, involves significant management judgement particularly given the changes in the market and economic conditions brought by the COVID-19 pandemic, and is dependent on certain estimates such as expected cash flow covering a five-year period and the long-term growth rate and discount rate of the CGU.</p> <p>The Group's disclosures relating to the goodwill and indefinite life trademarks allocated to Del Monte Foods, Inc. and its subsidiaries, sources of estimation uncertainty and sensitivity of the recoverable amounts are included in Note 8 to the financial statements.</p>	<p>We obtained an understanding of the Group's impairment assessment process and the related controls including management's consideration of the potential impact that COVID-19 pandemic has on the Group's operations. We tested the reasonableness of the key assumptions, which include revenue growth rate, gross margin, EBITDA margin, discount rate and long-term growth rate by comparing them against management plans, historical data and available market information in light of current market and economic conditions. We also performed independent sensitivity analysis on the key assumptions to consider the extent of reasonable change in these assumptions that individually or collectively would result in the impairment of assets. We involved our internal specialist in evaluating the assumptions and methodology used.</p> <p>We also focused on the adequacy of the Group's disclosures in Note 8 to the financial statements, about those assumptions to which the outcome of the impairment test was most sensitive, that is, those that have the most significant effect on the determination of the recoverable amount of the CGU.</p>



Why significant	How our audit addressed the matter
<p><i>b. Other indefinite life trademarks</i></p> <p>As at 30 April 2020, other indefinite life trademarks comprising of “Del Monte” in the Philippines and India, “S&amp;W” in Asia, and “Todays” in the Philippines are carried at US\$14.0 million.</p> <p>The annual impairment tests are significant to our audit because the valuation process is complex, involves significant management judgment particularly given the changes in market and economic conditions brought by the COVID-19 pandemic and is dependent on certain estimates that can be affected as well as trademark and royalty rates in the market.</p> <p>The Group used the Relief from Royalty methodology in valuing its Philippines and Asia S&amp;W trademarks. This approach relies on the forecasted revenue for the related brand or trademark and applies the royalty rates in the market. For the India trademark, the Group used the discounted cash flow of the related CGU. This method relies on forecasted financial results which uses significant assumptions such as revenue growth rates, EBITDA and long-term margins, terminal value growth rate and discount rate.</p> <p>The Group’s disclosures relating to its other indefinite life trademarks, sources of estimation uncertainty and sensitivity of the recoverable amounts are included in Notes 7 and 8 to the financial statements.</p>	<p>We assessed the reasonableness of the forecasted revenue and royalty rates used to derive the recoverable value of the brand and trademarks by comparing against available market and historical information.</p> <p>We also evaluated the significant assumptions used in the financial forecast of the CGU, which include revenue growth rates, EBITDA and long-term margins, terminal value growth rate and discount rate, by comparing them against management plans and historical and available market information in light with the current market and economic conditions. We involved our internal specialist in evaluating the assumptions and methodology used.</p> <p>We performed independent sensitivity analysis on the key assumptions to consider the extent of change in assumptions that individually or collectively would result in impairment of these assets.</p>



### Recoverability of deferred tax assets

Why significant	How our audit addressed the matter
<p>As at 30 April 2020, the Group has recognized net deferred tax assets of US\$145.0 million, of which US\$144.4 million was recognized by Del Monte Foods, Inc., a subsidiary in the USA.</p> <p>The recoverability of the deferred tax asset was significant to our audit because it involves significant management judgment and is based on assumptions that are affected by future market or economic conditions. The key assumptions in the taxable income forecast include revenue growth rates and gross and EBITDA margins.</p> <p>The Group's disclosures relating to deferred tax and sources of estimation uncertainty are included in Note 9 to the financial statements.</p>	<p>We assessed the recognition of deferred tax assets by comparing it to the taxable income forecast. We tested the key assumptions in the taxable income forecast such as revenue growth rates and gross and EBITDA margins against available market information, management plans, historical performance and industry/market outlook in light of current market and economic conditions. We compared the consistency of management's taxable income forecasts with those included in the budget approved by the Board of Directors.</p> <p>We assessed the robustness of management's forecasting process by comparing the actual results of the subsidiary against the forecast used in prior year forecast.</p> <p>We involved our internal tax specialist in reviewing the deductibility of the temporary differences.</p>

### Valuation of defined benefit liability

Why significant	How our audit addressed the matter
<p>As at 30 April 2020, the Group has defined benefit plans in the USA giving rise to defined benefit liability of US\$77.4 million, which are measured using projected unit credit valuation methods.</p> <p>We considered this to be a key audit matter because of the magnitude of the amounts, management's judgement in the use of assumptions such as future salary increases, discount rates, mortality rates and health care trends and technical expertise required to determine these amounts.</p> <p>The Group's disclosures relating to its defined benefit liability and asset, sources of estimation are included in Note 21 to the financial statements.</p>	<p>Our procedures included, among others, involving our internal specialist to assist us in reviewing the valuation methodology and the actuarial and demographic assumptions used by management to value the Group's various pension obligations. We evaluated the competence, capabilities and objectivity of management's specialist.</p> <p>We evaluated the key actuarial assumptions such as future salary increases, discount rates, mortality rates and health care trends by comparing them to market data and historical information.</p> <p>We tested the employees' payroll data on a sample basis, and reviewed the reconciliation of the membership census data used in the actuarial models to the payroll data of the Group.</p>



## **Other Information**

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended 30 April 2020, but does not include the financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended 30 April 2020 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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


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



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

The engagement partner on the audit resulting in this independent auditor's report is Catherine E. Lopez.

SYCIP GORRES VELAYO & CO.



Catherine E. Lopez

Partner

CPA Certificate No. 86447

SEC Accreditation No. 0468-AR-4 (Group A),

February 19, 2019, valid until February 18, 2022

Tax Identification No. 102-085-895

BIR Accreditation No. 08-001998-65-2018,

February 26, 2018, valid until February 25, 2021

PTR No. 8125249, January 7, 2020, Makati City

12 August 2020



# Del Monte Pacific Limited and its Subsidiaries

## Statements of financial position As at 30 April 2020 and 2019

(In US\$'000)

		<----- Group ----->	<----- Company ----->		
	Note	30 April 2020	30 April 2019	30 April 2020	30 April 2019
<b>Noncurrent assets</b>					
Property, plant and equipment – net	5	507,497	582,033	—	—
Right-of-use assets	24	166,085	—	—	—
Investments in subsidiaries	6	—	—	620,027	830,855
Investments in joint ventures	7	22,855	24,212	—	766
Intangible assets and goodwill	8	701,347	707,997	—	—
Deferred tax assets - net	9	144,974	106,321	40	27
Biological assets	11	2,118	1,682	—	—
Pension assets	21	6,675	8,240	—	—
Other noncurrent assets	10	34,937	41,622	—	—
Due from a related company	38	—	—	228,683	202,471
		1,586,488	1,472,107	848,750	1,034,119
<b>Current assets</b>					
Biological assets	11	61,160	52,320	—	—
Inventories	12	482,463	664,922	—	—
Trade and other receivables	13	323,065	149,054	95,131	3,187
Prepaid expenses and other current assets	14	67,712	34,190	180	192
Cash and cash equivalents	15	33,465	21,636	766	886
		967,865	922,122	96,077	4,265
Noncurrent assets held for sale	16	—	4,465	—	—
		967,865	926,587	96,077	4,265
<b>Total assets</b>		2,554,353	2,398,694	944,827	1,038,384
<b>Equity</b>					
Share capital	17	49,449	49,449	49,449	49,449
Share premium	18	478,339	478,339	478,478	478,478
Retained earnings	18	60,763	96,074	60,763	96,074
Reserves	18	(77,474)	(65,827)	(77,474)	(65,827)
<b>Equity attributable to owners of the Company</b>	39	511,077	558,035	511,216	558,174
<b>Non-controlling interests</b>	39	54,820	43,106	—	—
<b>Total equity</b>		565,897	601,141	511,216	558,174
<b>Noncurrent liabilities</b>					
Loans and borrowings	19	97,737	985,915	75,000	241,015
Lease liabilities	24	127,696	—	—	—
Employee benefits	21	82,398	63,781	221	148
Environmental remediation liabilities	22	9,587	697	—	—
Deferred tax liabilities - net	9	12,447	6,404	—	—
Other noncurrent liabilities	20	23,380	30,015	—	—
		353,245	1,086,812	75,221	241,163
<b>Current liabilities</b>					
Loans and borrowings	19	1,298,292	492,740	291,282	135,070
Lease liabilities	24	30,829	—	—	—
Employee benefits	21	22,947	27,640	—	—
Trade and other current liabilities	23	276,893	188,669	67,108	103,977
Current tax liabilities		6,250	1,692	—	—
		1,635,211	710,741	358,390	239,047
<b>Total liabilities</b>		1,988,456	1,797,553	433,611	480,210
<b>Total equity and liabilities</b>		2,554,353	2,398,694	944,827	1,038,384

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.





# Del Monte Pacific Limited and its Subsidiaries

## Income statements

Years ended 30 April 2020, 2019 and 2018

(In US\$'000)

		<----- Group ----->			<----- Company ----->		
	Note	Year ended 30 April 2020	Year ended 30 April 2019	Year ended 30 April 2018	Year ended 30 April 2020	Year ended 30 April 2019	Year ended 30 April 2018
Revenue	25, 30	<b>2,128,343</b>	1,954,842	2,197,309	—	—	—
Cost of sales		<b>(1,676,186)</b>	(1,559,857)	(1,764,835)	—	—	—
<b>Gross profit</b>		<b>452,157</b>	394,985	432,474	—	—	—
Distribution and selling expenses		<b>(213,414)</b>	(202,839)	(221,433)	—	—	—
General and administrative expenses		<b>(120,010)</b>	(115,540)	(163,378)	<b>(11,099)</b>	(10,685)	(8,823)
Other (expenses) income - net		<b>(67,745)</b>	3,516	(18,162)	<b>1,524</b>	1,234	839
<b>Results from operating activities</b>		<b>50,988</b>	80,122	29,501	<b>(9,575)</b>	(9,451)	(7,984)
Finance income	27	<b>7,738</b>	21,985	41,472	<b>22,111</b>	20,231	1,086
Finance expense	27	<b>(120,493)</b>	(100,424)	(105,653)	<b>(16,323)</b>	(17,518)	(16,275)
Net finance (expense) income		<b>(112,755)</b>	(78,439)	(64,181)	<b>5,788</b>	2,713	(15,189)
Share in net (loss) income of joint ventures and subsidiaries	7	<b>(2,887)</b>	(983)	(1,552)	<b>(77,592)</b>	27,060	(13,303)
<b>(Loss) profit before taxation</b>	26	<b>(64,654)</b>	700	(36,232)	<b>(81,379)</b>	20,322	(36,476)
Tax (expense) credit - net	28	<b>(29,176)</b>	13,524	(14,844)	<b>(15)</b>	(2)	(16)
<b>(Loss) profit for the year</b>		<b>(93,830)</b>	14,224	(51,076)	<b>(81,394)</b>	20,320	(36,492)
<b>(Loss) profit attributable to:</b>							
Owners of the Company	29	<b>(81,394)</b>	20,319	(36,492)	<b>(81,394)</b>	20,320	(36,492)
Non-controlling interests		<b>(12,436)</b>	(6,095)	(14,584)	—	—	—
		<b>(93,830)</b>	14,224	(51,076)	<b>(81,394)</b>	20,320	(36,492)
<b>(Loss) Earnings per share</b>							
Basic (loss) earnings per share (US cents)	29	<b>(5.20)</b>	0.03	(2.70)			
Diluted (loss) earnings per share (US cents)	29	<b>(5.20)</b>	0.03	(2.70)			

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.



**Del Monte Pacific Limited and its Subsidiaries**

**Statements of comprehensive income**  
**Years ended 30 April 2020, 2019 and 2018**  
(In US\$'000)

	Note	Year ended 30 April 2020	Year ended 30 April 2019	Year ended 30 April 2018
<b>Group</b>				
<b>(Loss) profit for the year</b>		<b>(93,830)</b>	14,224	(51,076)
<b>Other comprehensive income (loss)</b>				
<b>Items that will or may be reclassified subsequently to profit or loss:</b>				
Currency translation differences		5,401	(1,838)	(13,428)
Effective portion of changes in fair value of cash flow hedges		962	462	9,330
Tax impact on share in cash flow hedges		(236)	(113)	(4,098)
		<b>6,127</b>	(1,489)	(8,196)
<b>Items that will not be reclassified to profit or loss:</b>				
Remeasurement of retirement plans	21	(28,993)	(2,513)	23,326
Tax impact on remeasurement of retirement plans	9	6,113	2,127	(5,469)
Gain on property revaluation	5	4,066	—	—
Tax impact on revaluation reserve	9	(1,220)	—	—
		<b>(20,034)</b>	(386)	17,857
<b>Other comprehensive (loss) income for the year, net of tax</b>		<b>(13,907)</b>	(1,875)	9,661
<b>Total comprehensive (loss) income for the year</b>		<b>(107,737)</b>	12,349	(41,415)
<b>Total comprehensive (loss) income attributable to:</b>				
Owners of the Company		(93,041)	18,194	(28,824)
Non-controlling interests		(14,696)	(5,845)	(12,591)
		<b>(107,737)</b>	12,349	(41,415)

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*



**Del Monte Pacific Limited and its Subsidiaries**

**Statements of comprehensive income**  
**Years ended 30 April 2020, 2019 and 2018**

(In US\$'000)

	Year ended 30 April 2020	Year ended 30 April 2019	Year ended 30 April 2018
<b>Company</b>			
<b>(Loss) profit for the year</b>	<b>(81,394)</b>	20,319	(36,492)
<b>Other comprehensive income (loss)</b>			
<b>Items that will or may be reclassified subsequently to profit or loss:</b>			
Share in currency translation differences of subsidiaries	5,378	(1,860)	(13,428)
Share in effective portion of changes in fair value of cash flow hedges of a subsidiary	860	425	8,777
Tax impact on share in cash flow hedges	(210)	(113)	(4,098)
	<b>6,028</b>	<b>(1,548)</b>	<b>(8,749)</b>
<b>Items that will not be reclassified to profit or loss:</b>			
Share in remeasurement of retirement plans of subsidiaries	(26,014)	(1,812)	21,448
Tax impact on share in remeasurement of retirement plans	5,493	1,235	(5,031)
Share in the revaluation reserve of a subsidiary	4,066	–	–
Tax impact on share in the revaluation reserve of a subsidiary	(1,220)	–	–
	<b>(17,675)</b>	<b>(577)</b>	<b>16,417</b>
<b>Other comprehensive (loss) income for the year, net of tax</b>	<b>(11,647)</b>	<b>(2,125)</b>	<b>7,668</b>
<b>Total comprehensive (loss) income for the year</b>	<b>(93,041)</b>	<b>18,194</b>	<b>(28,824)</b>

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*



**Del Monte Pacific Limited and its Subsidiaries**

**Statements of changes in equity**  
**Years ended 30 April 2020, 2019 and 2018**

(In US\$'000)

		Attributable to owners of the Company										Non-controlling interests	Total equity
		Share capital	Share premium	Translation reserve	Revaluation reserve	Remeasure-ment of retirement plans	Hedging reserve	Share option reserve	Reserve for own shares	Retained earnings	Total		
Group	Note												
<b>2020</b>													
At 30 April 2019		49,449	478,339	(93,375)	10,885	17,648	(2,452)	1,753	(286)	96,074	558,035	43,106	601,141
Effect of adoption of IFRS 16, <i>Leases</i>	3	–	–	–	–	–	–	–	–	(1,013)	(1,013)	–	(1,013)
<b>Total comprehensive loss for the year</b>		49,449	478,339	(93,375)	10,885	17,648	(2,452)	1,753	(286)	95,061	557,022	43,106	600,128
Loss for the year		–	–	–	–	–	–	–	–	(81,394)	(81,394)	(12,436)	(93,830)
<b>Other comprehensive income (loss)</b>													
Currency translation differences		–	–	5,378	–	–	–	–	–	–	5,378	23	5,401
Gain on property revaluation, net of tax		–	–	–	2,846	–	–	–	–	–	2,846	–	2,846
Remeasurement of retirement plans, net of tax	21	–	–	–	–	(20,521)	–	–	–	–	(20,521)	(2,359)	(22,880)
Effective portion of changes in fair value of cash flow hedges, net of tax		–	–	–	–	–	650	–	–	–	650	76	726
<b>Total other comprehensive income (loss)</b>		–	–	5,378	2,846	(20,521)	650	–	–	–	(11,647)	(2,260)	(13,907)
<b>Total comprehensive income (loss) for the year</b>		–	–	5,378	2,846	(20,521)	650	–	–	(81,394)	(93,041)	(14,696)	(107,737)
<b>Transactions with owners of the Company recognised directly in equity</b>													
<b>Contributions by and distributions to owners of the Company</b>													
Sale of shares of a subsidiary	6	–	–	–	–	–	–	–	–	76,958	76,958	26,410	103,368
Dividends	18	–	–	–	–	–	–	–	–	(29,862)	(29,862)	–	(29,862)
<b>Total contributions by and distributions to owners</b>		–	–	–	–	–	–	–	–	47,096	47,096	26,410	73,506
At 30 April 2020	17, 18	49,449	478,339	(87,997)	13,731	(2,873)	(1,802)	1,753	(286)	60,763	511,077	54,820	565,897



**Del Monte Pacific Limited and its Subsidiaries**

**Statements of changes in equity (cont'd)**

**Years ended 30 April 2020, 2019 and 2018**

**(In US\$'000)**

<----- Attributable to owners of the Company ----->													
	Note	Share capital	Share premium	Translation reserve	Revaluation reserve	Remeasure-ment of retirement plans	Hedging reserve	Share option reserve	Reserve for own shares	Retained earnings	Total	Non-controlling interests	Total equity
Group 2019													
At 30 April 2018		49,449	478,323	(91,515)	10,885	18,225	(2,764)	1,373	(286)	95,505	559,195	49,065	608,260
Total comprehensive income (loss) for the year													
Profit for the year		—	—	—	—	—	—	—	—	20,319	20,319	(6,095)	14,224
Other comprehensive income (loss)													
Currency translation differences	21	—	—	(1,860)	—	—	—	—	—	—	(1,860)	22	(1,838)
Remeasurement of retirement plans, net of tax		—	—	—	—	(577)	—	—	—	—	(577)	191	(386)
Effective portion of changes in fair value of cash flow hedges, net of tax		—	—	—	—	—	312	—	—	—	312	37	349
Total other comprehensive income (loss)		—	—	(1,860)	—	(577)	312	—	—	—	(2,125)	250	(1,875)
Total comprehensive income (loss) for the year		—	—	(1,860)	—	(577)	312	—	—	20,319	18,194	(5,845)	12,349
Transactions with owners of the Company recognised directly in equity													
Contributions by and distributions to owners of the Company													
Refund of transaction costs from issue of preference shares in FY2018		—	16	—	—	—	—	—	—	—	16	—	16
Value of employee services received for issue of share options	26	—	—	—	—	—	—	380	—	—	380	(114)	266
Dividends	18	—	—	—	—	—	—	—	—	(19,750)	(19,750)	—	(19,750)
Total contributions by and distributions to owners		—	16	—	—	—	—	380	—	(19,750)	(19,354)	(114)	(19,468)
At 30 April 2019	17, 18	49,449	478,339	(93,375)	10,885	17,648	(2,452)	1,753	(286)	96,074	558,035	43,106	601,141



**Del Monte Pacific Limited and its Subsidiaries**  
**Statements of changes in equity (cont'd)**  
**Years ended 30 April 2020, 2019 and 2018**  
(In US\$'000)

		<----- Attributable to owners of the Company ----->											
						Remeasure -ment of							
	Note	Share capital	Share premium	Translation reserve	Revaluation reserve	retirement plans	Hedging reserve	Share option reserve	Reserve for own shares	Retained earnings	Total	Non- controlling interests	Total equity
Group 2018													
At 30 April 2017		39,449	390,320	(78,087)	10,885	1,808	(7,443)	1,779	(802)	159,169	517,078	61,477	578,555
<b>Total comprehensive loss for the year</b>													
Loss for the year		—	—	—	—	—	—	—	—	(36,492)	(36,492)	(14,584)	(51,076)
<b>Other comprehensive income (loss)</b>													
Currency translation differences		—	—	(13,428)	—	—	—	—	—	—	(13,428)	—	(13,428)
Remeasurement of retirement plans, net of tax		—	—	—	—	16,417	—	—	—	—	16,417	1,440	17,857
Effective portion of changes in fair value of cash flow hedges, net of tax		—	—	—	—	—	4,679	—	—	—	4,679	553	5,232
<b>Total other comprehensive income (loss)</b>		—	—	(13,428)	—	16,417	4,679	—	—	—	7,668	1,993	9,661
<b>Total comprehensive income (loss) for the year</b>		—	—	(13,428)	—	16,417	4,679	—	—	(36,492)	(28,824)	(12,591)	(41,415)
<b>Transactions with owners of the Company recognised directly in equity</b>													
<b>Contributions by and distributions to owners of the Company</b>													
Issuance of preference shares	17	10,000	90,000	—	—	—	—	—	—	—	100,000	—	100,000
Transaction costs from issue of preference shares		—	(2,085)	—	—	—	—	—	—	—	(2,085)	—	(2,085)
Share options expired		—	138	—	—	—	—	(138)	—	—	—	—	—
Release of share awards	17	—	(50)	—	—	—	—	(466)	516	—	—	—	—
Value of employee services received for issue of share options	26	—	—	—	—	—	—	198	—	—	198	179	377
Dividends	18	—	—	—	—	—	—	—	—	(27,172)	(27,172)	—	(27,172)
<b>Total contributions by and distributions to owners</b>		10,000	88,003	—	—	—	—	(406)	516	(27,172)	70,941	179	71,120
At 30 April 2018	17, 18	49,449	478,323	(91,515)	10,885	18,225	(2,764)	1,373	(286)	95,505	559,195	49,065	608,260



**Del Monte Pacific Limited and its Subsidiaries**  
**Statements of changes in equity (cont'd)**  
**Years ended 30 April 2020, 2019 and 2018**  
(In US\$'000)

Company	Note	Share capital	Share premium	Share in translation reserve of subsidiaries	Share in revaluation reserve of subsidiaries	Share in remeasurement of retirement plans of subsidiaries	Share in hedging reserve of a subsidiary	Share option reserve	Reserve for own shares	Retained earnings	Total equity
<b>2020</b>											
At 30 April 2019		49,449	478,478	(93,375)	10,885	17,648	(2,452)	1,753	(286)	96,074	558,174
Effect of adoption of IFRS 16, <i>Leases</i>	3	–	–	–	–	–	–	–	–	(1,013)	(1,013)
		49,449	478,478	(93,375)	10,885	17,648	(2,452)	1,753	(286)	95,061	557,161
<b>Total comprehensive loss for the year</b>											
Loss for the year		–	–	–	–	–	–	–	–	(81,394)	(81,394)
<b>Other comprehensive income (loss)</b>											
Currency translation differences		–	–	5,378	–	–	–	–	–	–	5,378
Gain on property revaluation, net of tax		–	–	–	2,846	–	–	–	–	–	2,846
Remeasurement of retirement plans, net of tax	21	–	–	–	–	(20,521)	–	–	–	–	(20,521)
Effective portion of changes in fair value of cash flow hedges, net of tax		–	–	–	–	–	650	–	–	–	650
<b>Total other comprehensive income (loss)</b>		–	–	5,378	2,846	(20,521)	650	–	–	–	(11,647)
<b>Total comprehensive income (loss) for the year</b>		–	–	5,378	2,846	(20,521)	650	–	–	(81,394)	(93,041)
<b>Transactions with owners of the Company recognised directly in equity</b>											
<b>Contributions by and distributions to owners of the Company</b>											
Sale of shares of a subsidiary	6	–	–	–	–	–	–	–	–	76,958	76,958
Dividends	18	–	–	–	–	–	–	–	–	(29,862)	(29,862)
<b>Total contributions by and distributions to owners</b>		–	–	–	–	–	–	–	–	47,096	47,096
At 30 April 2020	17, 18	49,449	478,478	(87,997)	13,731	(2,873)	(1,802)	1,753	(286)	60,763	511,216





**Del Monte Pacific Limited and its Subsidiaries**  
**Statements of changes in equity (cont'd)**  
**Years ended 30 April 2020, 2019 and 2018**  
(In US\$'000)

Company	Note	Share capital	Share premium	Share in translation reserve of subsidiaries	Share in revaluation reserve of subsidiaries	Share in remeasurement of retirement plans of subsidiaries	Share in hedging reserve of a subsidiary	Share option reserve	Reserve for own shares	Retained earnings	Total equity
<b>2019</b>											
At 30 April 2018		49,449	478,462	(91,515)	10,885	18,225	(2,764)	1,373	(286)	95,505	559,334
<b>Total comprehensive income (loss) for the year</b>											
Profit for the year		–	–	–	–	–	–	–	–	20,319	20,319
<b>Other comprehensive income (loss)</b>											
Currency translation differences		–	–	(1,860)	–	–	–	–	–	–	(1,860)
Remeasurement of retirement plans, net of tax	21	–	–	–	–	(577)	–	–	–	–	(577)
Effective portion of changes in fair value of cash flow hedges, net of tax		–	–	–	–	–	312	–	–	–	312
<b>Total other comprehensive income (loss)</b>		–	–	(1,860)	–	(577)	312	–	–	–	(2,125)
<b>Total comprehensive income for the year</b>		–	–	(1,860)	–	(577)	312	–	–	20,319	18,194
<b>Transactions with owners of the Company recognised directly in equity</b>											
<b>Contributions by and distributions to owners of the Company</b>											
Refund of transaction costs from issue of preference shares in FY2018		–	16	–	–	–	–	–	–	–	16
Value of employee services received for issue of share options	26	–	–	–	–	–	–	380	–	–	380
Dividends	18	–	–	–	–	–	–	–	–	(19,750)	(19,750)
<b>Total contributions by and distributions to owners</b>		–	16	–	–	–	–	380	–	(19,750)	(19,354)
At 30 April 2019	17, 18	49,449	478,478	(93,375)	10,885	17,648	(2,452)	1,753	(286)	96,074	558,174



**Del Monte Pacific Limited and its Subsidiaries**  
**Statements of changes in equity (cont'd)**  
**Years ended 30 April 2020, 2019 and 2018**  
(In US\$'000)

	Note	Share capital	Share premium	Share in translation reserve of subsidiaries	Share in revaluation reserve of subsidiaries	Share in remeasurement of retirement plans of subsidiaries	Share in hedging reserve of a subsidiary	Share option reserve	Reserve for own shares	Retained earnings	Total equity
<b>Company</b>											
<b>2018</b>											
At 30 April 2017		39,449	390,459	(78,087)	10,885	1,808	(7,443)	1,779	(802)	159,169	517,217
<b>Total comprehensive loss for the year</b>											
Loss for the year		–	–	–	–	–	–	–	–	(36,492)	(36,492)
<b>Other comprehensive income (loss)</b>											
Currency translation differences		–	–	(13,428)	–	–	–	–	–	–	(13,428)
Remeasurement of retirement plans, net of tax		–	–	–	–	16,417	–	–	–	–	16,417
Effective portion of changes in fair value of cash flow hedges, net of tax		–	–	–	–	–	4,679	–	–	–	4,679
<b>Total other comprehensive income (loss)</b>		–	–	(13,428)	–	16,417	4,679	–	–	–	7,668
<b>Total comprehensive income (loss) for the year</b>		–	–	(13,428)	–	16,417	4,679	–	–	(36,492)	(28,824)
<b>Transactions with owners of the Company recognised directly in equity</b>											
<b>Contributions by and distributions to owners of the Company</b>											
Issuance of preference shares	17	10,000	90,000	–	–	–	–	–	–	–	100,000
Transaction costs from issue of preference shares		–	(2,085)	–	–	–	–	–	–	–	(2,085)
Value of employee services received for issue of share options	26	–	–	–	–	–	–	198	–	–	198
Share options expired		–	138	–	–	–	–	(138)	–	–	–
Release of share awards		–	(50)	–	–	–	–	(466)	516	–	–
Dividends	18	–	–	–	–	–	–	–	–	(27,172)	(27,172)
<b>Total contributions by and distributions to owners</b>		10,000	88,003	–	–	–	–	(406)	516	(27,172)	70,941
At 30 April 2018	17, 18	49,449	478,462	(91,515)	10,885	18,225	(2,764)	1,373	(286)	95,505	559,334

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*



# Del Monte Pacific Limited and its Subsidiaries

## Statements of cash flows

Years ended 30 April 2020, 2019 and 2018

(In US\$'000)

		<----- Group ----->			<----- Company ----->		
	Note	Year ended 30 April 2020	Year ended 30 April 2019	Year ended 30 April 2018	Year ended 30 April 2020	Year ended 30 April 2019	Year ended 30 April 2018
<b>Cash flows from operating activities</b>							
Profit (loss) for the year		(93,830)	14,224	(51,076)	(81,394)	20,319	(36,492)
Adjustments to reconcile profit (loss) for the year to net cash flows:							
Amortisation of intangible assets	8	6,650	6,654	7,784	—	—	—
Depreciation of property, plant and equipment	5	136,674	132,052	140,061	—	—	—
Amortisation of right-of-use assets	24	35,179	—	—	—	—	—
Impairment loss (reversal of impairment) of property, plant and equipment	5	40,746	1,262	24,534	—	—	—
Loss (gain) on disposal of property, plant and equipment	26	2,502	(6,158)	(11,317)	—	—	—
Equity-settled share-based payment transactions		—	266	377	—	—	30
Share in losses (earnings) of joint ventures and subsidiaries	7	2,887	983	1,552	77,592	(27,060)	13,303
Finance income		(7,738)	(18,132)	(38,567)	(22,111)	(20,231)	(1,086)
Finance expense		119,198	100,363	104,992	16,317	17,518	16,275
Unrealised foreign exchange gain (loss)		1,295	(3,792)	(2,244)	6	—	—
Tax expense - current	28	55,424	11,721	11,701	21	7	25
Tax credit - deferred	9, 28	(26,248)	(25,245)	3,143	(6)	(5)	(9)
Ineffective portion of cash flow hedges		941	264	846	—	—	—
Impairment losses on noncurrent assets held for sale		—	775	—	—	—	—
		<b>273,680</b>	<b>215,237</b>	<b>191,786</b>	<b>(9,575)</b>	<b>(9,452)</b>	<b>(7,954)</b>
Changes in:							
Other assets		(28,447)	6,281	(5,169)	—	—	—
Inventories		182,344	104,077	147,643	—	—	—
Biological assets		(7,505)	(10,650)	(537)	—	—	—
Trade and other receivables		(48,956)	12,043	12,716	(29)	(24)	(1)
Prepaid expenses and other current assets		(6,922)	(4,083)	10,600	(17)	30	(143)
Employee benefits		14,144	3,304	16,298	17	—	—
Trade and other payables		44,377	(138,454)	(11,777)	1,837	(5,481)	(6,833)
Operating cash flows		<b>422,715</b>	<b>187,755</b>	<b>361,560</b>	<b>(7,767)</b>	<b>(14,927)</b>	<b>(14,931)</b>
Taxes paid		(46,982)	(6,830)	(4,574)	(22)	(31)	(22)
<b>Net cash flows provided by (used in) operating activities</b>							
		<b>375,733</b>	<b>180,925</b>	<b>356,986</b>	<b>(7,789)</b>	<b>(14,958)</b>	<b>(14,953)</b>



# Del Monte Pacific Limited and its Subsidiaries

## Statements of cash flows (cont'd) Years ended 30 April 2020, 2019 and 2018 (In US\$'000)

		<----- Group ----->			<----- Company ----->		
	Note	Year ended 30 April 2020	Year ended 30 April 2019	Year ended 30 April 2018	Year ended 30 April 2020	Year ended 30 April 2019	Year ended 30 April 2018
<b>Cash flows from investing activities</b>							
Interest received		756	715	550	1	–	5
Proceeds from disposal of property, plant and equipment and noncurrent assets held for sale		29,238	16,206	41,241	–	–	–
Acquisitions of property, plant and equipment		(130,864)	(123,479)	(144,776)	–	–	–
Investments in joint ventures	7	(1,530)	–	(950)	–	–	(949)
Advances to joint ventures		–	–	–	(140)	(950)	(1,570)
Repayments from joint ventures		–	–	–	–	–	6,013
Advances to related company		–	–	–	(235,388)	(89,232)	(97,335)
Dividend received		–	–	–	230,474	33,000	57,989
<b>Net cash flows used in investing activities</b>		<b>(102,400)</b>	<b>(106,558)</b>	<b>(103,935)</b>	<b>(5,053)</b>	<b>(57,182)</b>	<b>(35,847)</b>
<b>Cash flows from financing activities</b>							
Interest paid		(94,648)	(87,494)	(94,961)	(15,637)	(15,927)	(12,370)
Proceeds from borrowings	40	788,696	886,279	807,822	105,000	227,841	154,570
Repayment of borrowings	40	(891,423)	(860,631)	(1,053,042)	(115,000)	(187,670)	(145,500)
Proceeds from issuance of share capital	17	–	–	100,000	–	–	100,000
Refund (payment) of transaction costs related to issuance of share capital		–	16	(2,085)	–	16	(2,085)
Repayments of advances from related companies		–	–	–	(46,864)	–	(281,994)
Advances from related companies		–	–	–	115,036	65,866	262,025
Payment of debt related costs		–	(146)	(4,515)	–	–	(730)
Payments of lease liability	24	(34,427)	–	–	–	–	–
Dividends paid	18	(29,862)	(19,750)	(27,172)	(29,862)	(19,750)	(27,172)
<b>Net cash flows (used in) provided by financing activities</b>		<b>(261,664)</b>	<b>(81,726)</b>	<b>(273,953)</b>	<b>12,673</b>	<b>70,376</b>	<b>46,744</b>



**Del Monte Pacific Limited and its Subsidiaries**

**Statements of cash flows (cont'd)**  
**Years ended 30 April 2020, 2019 and 2018**  
(In US\$'000)

		<----- Group ----->			<----- Company ----->		
	Note	Year ended 30 April 2020	Year ended 30 April 2019	Year ended 30 April 2018	Year ended 30 April 2020	Year ended 30 April 2019	Year ended 30 April 2018
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>11,669</b>	<b>(7,359)</b>	<b>(20,902)</b>	<b>(169)</b>	<b>(1,764)</b>	<b>(4,056)</b>
Effect of exchange rate changes on cash and cash equivalents held in foreign currency		<b>160</b>	<b>4,749</b>	<b>7,577</b>	<b>49</b>	<b>(59)</b>	<b>(2)</b>
Cash and cash equivalents at beginning of year		<b>21,636</b>	<b>24,246</b>	<b>37,571</b>	<b>886</b>	<b>2,709</b>	<b>6,767</b>
<b>Cash and cash equivalents at end of year</b>	15	<b>33,465</b>	<b>21,636</b>	<b>24,246</b>	<b>766</b>	<b>886</b>	<b>2,709</b>

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*



## **Del Monte Pacific Limited and its Subsidiaries**

### **Notes to the financial statements For the financial year ended 30 April 2020**

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These notes form an integral part of the financial statements.

The accompanying financial statements were approved and authorised for issuance by the Board of Directors (the “Board” or “BOD”) on 12 August 2020.

#### **1. Domicile and activities**

Del Monte Pacific Limited (the “Company”) was incorporated as an international business company in the British Virgin Islands on 27 May 1999 under the International Business Companies Act (Cap. 291) of the British Virgin Islands. It was automatically re-registered as a company on 1 January 2007 when the International Business Companies Act was repealed and replaced by the Business Companies Act 2004 of the British Virgin Islands.

The registered office of the Company is located at Craigmuir Chambers, Road Town, Tortola, British Virgin Islands.

The principal activity of the Company is that of investment holding. Its subsidiaries are principally engaged in growing, processing, and selling packaged fruits, vegetable and tomato, fresh pineapples, sauces, condiments, pasta, broth and juices, mainly under the brand names of “Del Monte”, “S&W”, “Today’s”, “Contadina”, “College Inn” and other brands. The Company’s subsidiaries also produce and distribute private label food products.

The immediate holding company is NutriAsia Pacific Limited (“NAPL”) whose indirect shareholders are NutriAsia Inc. (“NAI”) and Well Grounded Limited (“WGL”), which at 30 April 2020, 2019 and 2018, held 57.8% and 42.2% interests in NAPL, respectively, through their intermediary company, NutriAsia Holdings Limited. NAPL, NAI and WGL were incorporated in the British Virgin Islands. The ultimate holding company is HSBC International Trustee Limited.

On 2 August 1999, the Company was admitted to the Official List of the Singapore Exchange Securities Trading Limited (“SGX-ST”). The Ordinary Shares of the Company were also listed on the Philippine Stock Exchange Inc. (“PSE”) on 10 June 2013. The first tranche of the Company’s Preference Shares was listed on 7 April 2017 and the second tranche on 15 December 2017.

On 6 August 2010, the Company established DM Pacific Limited-ROHQ (“ROHQ”), the regional operating headquarters of the Company in the Philippines. The ROHQ is registered with and licensed by the Securities and Exchange Commission (“SEC”) to engage in general administration and planning, business planning and coordination, sourcing and procurement of raw materials and components, corporate financial advisory, marketing control and sales promotion, training and personnel management, logistics services, research and product development, technical support and maintenance, data processing and communication, and business development. The ROHQ commenced its operations in October 2015.

The financial statements of the Group as at and for the year ended 30 April 2020 comprise the Company and its subsidiaries (together referred to as the “Group”, and individually as “Group entities”), and the Group’s interests in joint ventures.



**2. Going concern**

As at 30 April 2020, the Group and the Company's current liabilities exceeded its current assets by US\$667.3 million and US\$262.3 million (2019: net current assets of US\$215.8 million and US\$234.8 million), respectively. As disclosed in Note 19, the Group's and the Company's total loans and borrowings amounted to US\$1,396.0 million and US\$366.3 million (2019: US\$ 1,478.7 million and US\$376.1 million), of which US\$1,298.3 million and US\$291.3 million (2019: US\$492.7 million and US\$135.1 million) were classified as current liabilities. This was mainly driven by the Secured First Lien Term Loan of Del Monte Foods, Inc. ("DMFI") and current portion of long-term loans of Del Monte Philippines, Inc. ("DMPI") and the Company that will be due within fiscal year 2021.

Management believes that the Group, collectively, will be able to pay its liabilities as and when they fall due. Accordingly, the use of going concern assumption is appropriate taking into account the following:

- DMFI has successfully refinanced the Secured First Lien Term Loan through senior secured notes amounting to US\$500.0 million due in 2025.
- The Company and DMPI are in the process of refinancing the current portion of long-term loans that are falling due in August 2020.
- The Group has sufficient credit lines available for draw down and as such, management believes that the Group will have sufficient working capital to enable to meet its objectives and future financial obligations.
- The Group generated net operating cash flows of US\$375.7 million (30 April 2019: US\$180.9 million). Management expects that the operating costs will be further reduced in the succeeding years as the Group further reviews its manufacturing and distribution footprint in the US as well as streamline its operations to further improve operational efficiency with the intent of increasing future operating cash flows.

**3. Basis of preparation**

**3.1 Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

**3.2 Basis of measurement**

The financial statements have been prepared on historical cost basis except as otherwise described in the succeeding notes below.

**3.3 Functional and presentation currency**

The financial statements are presented in United States Dollars (US\$) which is the Company's functional currency. All financial information presented in US Dollars has been rounded to the nearest thousand, unless otherwise stated.





**3. Basis of preparation (cont'd)**

**3.4 Use of estimates and judgements**

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual **results** may differ from these estimates.

***Judgements***

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements are included in the following notes:

- Note 6 – Determination of control over subsidiaries
- Note 6 – Deconsolidation of Del Monte Andina C.A.
- Note 6 – Debt versus equity classification
- Note 8 – Assessment of intangible assets with indefinite useful life
- Note 16 – Classification of assets held for sale
- Note 24 – Determination of lease term of contracts with renewal options
- Note 37 – Contingencies

***ESTIMATES AND UNDERLYING ASSUMPTIONS***

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk resulting in a material adjustment within the next financial year are included in the following notes:

- Note 5 – Useful lives of property, plant and equipment, revaluation of freehold land, estimate of harvest for bearer plant's depreciation
- Note 5 – Impairment of property, plant and equipment
- Note 6 – Recoverability of investments in subsidiaries
- Note 6 – Obligation to deliver additional Redeemable and Convertible Preferred Shares ("RCPS")
- Note 6 – Fair valuation of derivative liability
- Note 7 – Recoverability of investments in joint ventures
- Note 8 – Useful lives of intangible assets and impairment of goodwill and intangible assets
- Note 9 – Realisability of deferred tax assets
- Note 11 – Future cost of growing crops and fair value of livestock, harvested crops, and produce prior to harvest and future volume of harvest
- Note 12 – Allowance for inventory obsolescence and net realisable value
- Note 13 – Impairment of trade and nontrade receivables
- Note 21 – Measurement of employee benefit obligations
- Note 22 – Estimation of environmental remediation liabilities
- Note 23 – Estimation of trade promotion accruals
- Note 24 – Determination of incremental borrowing rate for lease liabilities
- Note 28 – Measurement of income tax
- Note 35 – Determination of fair values
- Note 37 – Contingencies



**3. Basis of preparation (cont'd)**

**3.5 *Measurement of fair value***

Fair value is the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value 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 most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Group.

The fair value of an asset or 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.

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised 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 prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.



**3. Basis of preparation (cont'd)**

**3.6 Adoption of New or Revised Standards, Amendments to Standards and Interpretations**

The Group applied for the first time certain pronouncements, effective 1 May 2019. Adoption of these pronouncements did not have a significant impact to the financial statements of the Group and the Company unless otherwise stated.

- **IFRS 16, Leases**

IFRS 16 supersedes IAS 17, *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise the most leases on the consolidated statement of financial position.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings as at 1 May 2019. Accordingly, the comparative information presented for fiscal year 2019 has not been restated. In relation to those leases under IFRS 16, the Group recognised depreciation and interest costs, instead of operating lease expense.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risk and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases, except for some short-term and low-value assets.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 May 2019. The right-of-use assets on lease agreements of some office buildings and warehouses were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate (IBR) at the date of initial application. For other leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments outstanding at the date of transition.

For leases classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at 1 May 2019 were determined at the carrying amount of lease asset and lease liability under IAS 17 immediately before that date. The Group has no finance leases under IAS 17.

Right-of-use assets and lease liabilities are presented separately in the consolidated statement of financial position.



3. Basis of preparation (cont'd)

3.6 *Adoption of New or Revised Standards, Amendments to Standards and Interpretations (cont'd)*

• IFRS 16, *Leases* (cont'd)

The impact of adoption of IFRS 16 on the consolidated statement of financial position as at 1 May 2019 is as follows:

	As at 1 May 2019 US\$'000
<b>Assets</b>	
Prepaid expenses and other current assets	(9,234)
Right-of-use assets - net	209,170
Other noncurrent assets	(17,972)
	<u>181,964</u>
<b>Liabilities and Equity</b>	
Lease liabilities	192,283
Other noncurrent liabilities	(7,609)
Deferred tax liabilities - net	(1,697)
	<u>182,977</u>
Retained earnings	(1,013)
	<u>181,964</u>

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

Based on the above, as at 1 May 2019:

- Right-of-use assets of US\$209.2 million were recognised and presented separately in the statement of financial position.
- Lease liabilities of US\$192.3 million were recognised.
- Other noncurrent assets of US\$18.0 million, prepaid assets of US\$9.2 million and other noncurrent liabilities of US\$7.6 million related to previous operating leases arising from straight-lining under IAS 17 were derecognised.
- Deferred tax liabilities decreased by US\$1.7 million because of the deferred tax impact of the changes in assets and liabilities.
- The net effect of these adjustments was adjusted to retained earnings amounting to US\$1.0 million.



3. Basis of preparation (cont'd)

3.6 *Adoption of New or Revised Standards, Amendments to Standards and Interpretations (cont'd)*

- IFRS 16, *Leases* (cont'd)

The lease liabilities as at 1 May 2019 can be reconciled to the operating lease commitments as at 30 April 2019 as follows:

	US\$'000
<b>Operating lease commitments as at 30 April 2019</b>	<b>248,188</b>
Less: Present value discount using the Group's IBR	(47,985)
<b>Discounted operating lease commitments as at 1 May 2019</b>	<b>200,203</b>
Less: Commitments relating to short term leases/seasonal leases	(12,853)
Add: Payments in extension periods and lease contracts not recognised as at 30 April 2019	4,933
<b>Lease liabilities as at 1 May 2019</b>	<b>192,283</b>

The IBR applied to the lease liabilities on 1 May 2019 ranges between 5.0% to 7.0% depending on the remaining lease term.

Due to the adoption of IFRS 16, the Group's operating profit in 2020 improved, while its interest expense increased. This is due to the change in the accounting for rent expense related to leases that were classified as operating leases under IAS 17.

The adoption of IFRS 16 had impact on total equity as at 1 May 2019 since the Group elected to measure right-of-use assets on certain contracts specifically for lease agreements on office building and improvement, included as part of right-of-use assets under modified retrospective approach wherein right-of-use assets are measured at carrying amount as if the standard had been applied since the commencement date and lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The resulting difference between right-of-use assets and lease liabilities was closed to retained earnings.

As a result of the adoption of IFRS 16, the Company recognised adjustment to retained earnings amounting to US\$1.01 million which pertains to the adjustment in investment in subsidiary accounted at equity method in the Company financial statements.



**3. Basis of preparation (cont'd)**

**3.6 Adoption of New or Revised Standards, Amendments to Standards and Interpretations (cont'd)**

- **IFRIC 23, *Uncertainty over Income Tax Treatment***

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12, *Income taxes*. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group and the Company is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The Group and the Company shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the Group and the Company concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, the Group and the Company shall reflect the effect of the uncertainty for each uncertain tax treatment using the method it expects to better predict the resolution of the uncertainty.

Upon adoption of the interpretation, the Group has assessed whether it has uncertain tax position. The Group applied significant judgement in identifying uncertainties over its income tax treatments. The Group determined, based on its assessment, that it is probable that its income tax treatments will be accepted by the taxation authority. Accordingly, the Interpretation did not have significant impact on the consolidated financial statements of the Group.

Based on the Company's assessment, it has no (or no material) uncertain tax treatments, accordingly, the adoption of this Interpretation has no (or no significant) impact on the Company's financial statements.

- **Amendments to IAS 28, *Long-term interests in associates and joint ventures***

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28.



**3. Basis of preparation (cont'd)**

**3.6 Adoption of New or Revised Standards, Amendments to Standards and Interpretations (cont'd)**

- Amendments to IAS 28, *Long-term interests in associates and joint ventures (cont'd)*

These amendments are not applicable to the Group and the Company since interests in joint ventures is accounted for using the equity method.

- Amendments to IFRS 9, *Prepayment Features with Negative Compensation*

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income ("FVOCI"), provided that the contractual cash flows are "solely payments of principal and interest on the principal amount outstanding" (the "SPPI criterion") and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The basis for conclusions to the amendments clarified that the early termination can result from a contractual term or from an event outside the control of the parties to the contract, such as a change in law or regulation leading to the early termination of the contract.

- Amendments to IAS 19, *Plan Amendment, Curtailment or Settlement*

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

As of 30 April 2020, there were amendments to the employee benefit plans and these amendments to IAS 19 were considered (see Note 21).





**3. Basis of preparation (cont'd)**

**3.6 Adoption of New or Revised Standards, Amendments to Standards and Interpretations (cont'd)**

- *Annual Improvements to IFRSs 2015-2017 Cycle*

This cycle of improvements contains amendments to the following standards relevant to the Group and the Company:

- *Amendments to IFRS 3, Business Combination and IFRS 11, Joint Arrangements, Previously Held Interest in a Joint Operation*

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation, might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

- *Amendments to IAS 12, Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income ("OCI") or equity according to where the entity originally recognised those past transactions or events.

In fiscal year 2020, the Group recognised a total tax expense of US\$47.2 million, as income tax consequence of dividends paid by subsidiaries (see Note 28). This amount includes the US\$39.7 million final taxes paid on dividends paid from accumulated earnings of prior years, as well as the deferred tax expense of US\$7.5 million from undistributed share in subsidiaries' profits (see Note 9).

- *Amendments to IAS 23, Borrowing Costs, Borrowing Costs Eligible for Capitalization*

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.



#### **4. Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, except as explained in Note 3.6, which addresses the changes in accounting policies.

##### **4.1 Basis of consolidation**

###### **(i) Business combination**

Business combinations are accounted for using the acquisition method in accordance with IFRS 3, *Business Combinations*, as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in the income statement.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the income statement.

Any contingent consideration payable is recognised at fair value at the acquisition date and included in the consideration transferred. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in the income statement.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. The measurement basis taken is elected on a transaction-by-transaction basis. All other components of non-controlling interests are measured at acquisition-date fair value unless another measurement is required by another standard.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.



**4. Significant accounting policies (cont'd)**

**4.1 Basis of consolidation (cont'd)**

*(i)* Business combination (cont'd)

If the initial accounting for a business combination is incomplete by the end of the reporting period it occurs, provisional amounts for the items for which the accounting is incomplete is reported in the financial statements. During the measurement period, which is not more than one year from acquisition date, the provisional amounts recognised are retrospectively adjusted, and any additional assets or liabilities recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date. Comparative information for prior periods are revised, as needed.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in the income statement. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

*(ii)* Investments in subsidiaries

Subsidiaries are entities controlled by the Group. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through power over the investee. Specifically, the Company controls an investee if and only if the Company has:

- power over the investee (i.e., existing rights that give the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Company has less than majority of the voting rights or similar rights to an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Company's voting rights and potential voting rights.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Subsidiaries are fully consolidated from the date control is transferred to the Company and cease to be consolidated from the date control is lost. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the income statement from the date the Company gains control until the date the Company ceases to control the subsidiary.



**4. Significant accounting policies (cont'd)**

**4.1 Basis of consolidation (cont'd)**

*(ii)* Investments in subsidiaries (cont'd)

Profit or loss and each component of OCI are attributed to the equity holders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Company's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Company are eliminated in full on consolidation.

*(iii)* Acquisition under common control

The formation of the Group in 1999 was accounted for as a reorganisation of companies under common control using merger accounting. The financial statements therefore reflect the combined financial statements of all companies that form the Group as if they were a Group for all periods presented. The assets and liabilities of Del Monte Pacific Resources Limited and its subsidiaries contributed to the Company have been reflected at predecessor cost in these financial statements.

*(iv)* Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in the income statement.

*(v)* Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill on initial recognition, see Note 8.

*Subsequent measurement*

Goodwill is measured at cost less accumulated impairment losses. In respect of the joint ventures, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the joint ventures.

Impairment of goodwill is discussed in Note 4.11.

*(vi)* Investments in joint ventures

Joint ventures are those entities in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. Joint control is the contractually sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.



**4. Significant accounting policies (cont'd)**

**4.1 Basis of consolidation (cont'd)**

**(vi) Investments in joint ventures (cont'd)**

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Investments in joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transactions costs.

Subsequent to the initial recognition, the financial statements include the Group's share of profit or loss and other comprehensive income of the joint ventures, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in joint ventures, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

Impairment of investments in joint ventures is discussed in Note 4.11.

**(vii) Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the financial statements. Unrealised gains arising from transactions with joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

**(viii) Investments in subsidiaries and joint ventures in the separate financial statements**

Interest in subsidiaries and joint ventures are accounted for using the equity method. It is initially recognised at cost, which includes transactions costs. Subsequent to the initial recognition, the financial statements include the Company's share of profit or loss and other comprehensive income of the equity-accounted investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

When the Company's share of losses exceeds its interest in subsidiaries and joint ventures, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Company has an obligation to fund the investee's operations or has made payments on behalf of the investee.



**4. Significant accounting policies (cont'd)**

**4.2 Foreign currency**

*(i)* Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognised in the income statement, except for differences which are recognised in OCI arising on the retranslation of qualifying cash flow hedges to the extent the hedge is effective.

*(ii)* Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to US Dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to US Dollars using monthly average exchange rates.

Foreign currency differences are recognised in OCI and presented in the foreign currency translation reserve ("translation reserve") in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to the income statement.

When the settlement of a monetary item that is a receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in OCI, and presented in the translation reserve in equity.



**4. Significant accounting policies (cont'd)**

**4.3 Current versus Noncurrent Classification**

The Group presents assets and liabilities in the statement of financial position based on current and noncurrent classification. An asset is current when:

- It is expected to be realised or intended to be sold or consumed in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is expected to be realised within 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 12 months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and deferred tax liabilities are classified as noncurrent assets and liabilities, respectively.

**4.4 Intangible assets**

**(i) Indefinite useful life intangible assets**

Intangible assets are measured at cost less accumulated impairment losses.

The Group assess intangible assets as having indefinite useful life if there is no foreseeable limit to the period over which the assets are expected to generate cash inflows for the entity.

**(ii) Research and development**

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in the income statement as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.



**4. Significant accounting policies (cont'd)**

**4.4 Intangible assets (cont'd)**

(iii) Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

(iv) *Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the income statement as incurred.

(v) Amortisation

Amortisation is calculated based on the cost of the asset.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and, from the date that they are available for use. The estimated useful lives for the current period and comparative years are as follows:

Trademarks	-	10 to 20 years
Customer relationships	-	20 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**4.5 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.

*Initial Recognition and Subsequent Measurement Prior to the Adoption of IFRS 9*

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss ("FVTPL"), held-to-maturity ("HTM") financial assets, loans and receivables and available-for-sale ("AFS") financial assets. The Group classifies non-derivative financial liabilities into the following categories: financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Classification is determined at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date. The Group has no financial assets and liabilities at FVTPL and HTM financial assets as at 30 April 2018.

(i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.





**4. Significant accounting policies (cont'd)**

**4.5 Financial instruments (cont'd)**

*(i) Non-derivative financial assets (cont'd)*

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise 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 the Group and all of the counterparties.

Non-derivative financial assets comprise of loans and receivables.

*Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise of due from a related party, note receivable under "Other noncurrent assets", trade and other receivables, refundable deposits, and cash and cash equivalents. Cash and cash equivalents comprise of cash on hand, cash in banks and short-term placements.

*(ii) Non-derivative financial liabilities*

Financial liabilities are recognised initially on the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, are cancelled or expire.

When a financial liability (or part of a liability) is extinguished, the difference between the carrying amount of the financial liability (or part of a liability) and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in income statement. If the Group repurchases only a part of a financial liability, it calculates the carrying value of the part disposed of by allocating the previous carrying amount of the financial liability between the part that continues to be recognised and the part that is derecognised based on the relative fair values of those parts on the date of the repurchase.



**4. Significant accounting policies (cont'd)**

**4.5 Financial instruments (cont'd)**

*(ii)* Non-derivative financial liabilities (cont'd)

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 the Group and all of the counterparties.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Non-derivative financial liabilities comprise loans and borrowings, and trade and other payables.

*(iii)* Derivative financial instruments, including hedge accounting

The Group uses derivative financial instruments for the purpose of managing risks associated with interest rates, currencies, and certain commodities. The Group does not trade or use derivative instruments with the objective of earning financial gains on fluctuations in the derivative instrument alone, nor does it use derivative instruments where there are no underlying exposures. All derivative instruments are recorded in the statement of financial position at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether the instrument has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship.

For those derivative instruments that are not designated as hedging instruments, changes in fair value subsequent to initial recognition are recognised in the income statement.

For those derivative instruments that are designated and qualify as hedging instruments, the Group designates the hedging instrument based upon the exposure being hedged, as a fair value hedge, cash flow hedge, or a hedge of a net investment in a foreign operation.

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be 'highly effective' in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80 - 125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.



**4. Significant accounting policies (cont'd)**

**4.5 Financial instruments (cont'd)**

*(iii)* Derivative financial instruments, including hedge accounting (cont'd)

*Cash flow hedges*

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the income statement.

The amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period or periods during which the hedged item affects profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to the income statement.

*Starting May 1, 2018, the Group has adopted IFRS 9.*

*(i)* Recognition and measurement

Financial instruments are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset, unless it is a trade receivable without a financing component, or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price determined under IFRS 15, *Revenue from Contracts with Customers*.

*(ii)* Classification and subsequent measurement

*Financial assets*

On initial recognition, the Group classifies its financial assets into the following categories: financial assets at amortised cost, financial assets at FVTPL, and financial assets at FVOCI. The classification depends on the Group's business model for managing financial instruments and the contractual cash flow characteristics of the financial instruments. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.



**4. Significant accounting policies (cont'd)**

**4.5 Financial instruments (cont'd)**

(ii) Classification and subsequent measurement (cont'd)

*Financial assets (cont'd)*

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL: (1) it is held within a business model whose objective is to hold assets to collect contractual cash flows; and (2) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated at FVTPL: (1) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and (2) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

The Group's financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Group has insignificant investment in club shares classified and measured at FVOCI.

*Financial assets at amortised cost*

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Impairment losses on trade receivables are recognised under selling expenses. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets at amortised cost comprise cash in banks and cash equivalents, trade and other receivables, due from related party, refundable deposits and note receivables.



**4. Significant accounting policies (cont'd)**

**4.5 Financial instruments (cont'd)**

(ii) Classification and subsequent measurement (cont'd)

*Business model assessment*

The business model refers to how an entity manages its financial assets in order to generate cash flows. It determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Group makes an assessment of the objective of the business model in which financial assets held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

the policies and objectives in managing the Group's financial assets for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior period, the reasons for such sales and expectations about future sales activity.



**4. Significant accounting policies (cont'd)**

**4.5 Financial instruments (cont'd)**

(ii) Classification and subsequent measurement (cont'd)

*Assessment Whether Contractual Cash Flows are SPPI*

For the purposes of this assessment, “principal” is defined as the fair value of the financial asset on initial recognition. “Interest” is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group’s claim to cash flows from specified assets (e.g., non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

*Financial liabilities*

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.



**4. Significant accounting policies (cont'd)**

**4.5 Financial instruments (cont'd)**

(ii) Classification and subsequent measurement (cont'd)

*Financial liabilities (cont'd)*

Financial liabilities at amortised cost comprise bank loans, trade and other payables.

*Classification of Financial Instruments between Debt and Equity*

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

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

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

(ii) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. Repurchases of a portion of a financial liability result in the allocation of the original carrying value of the financial liability between the portion that continues to be recognised and the portion that was repurchased based on the relative fair values on the date of the repurchase.



**4. Significant accounting policies (cont'd)**

**4.5 Financial instruments (cont'd)**

(iii) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise 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 the Group and all of the counterparties.

(iv) Derivative financial instruments, including hedge accounting

The Group uses derivative financial instruments for the purpose of managing risks associated with interest rates, currencies, and certain commodities. The Group does not trade or use instruments with the objective of earning financial gains on fluctuations in the derivative instrument alone, nor does it use instruments where there are no underlying exposures. All derivative instruments are recorded in the statement of financial position at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether the instrument has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship. For those derivative instruments that are not designated as hedging instruments, changes in fair value subsequent to initial recognition are recognised in the income statement. For those derivative instruments that are designated and qualify as hedging instruments, the Group designates the hedging instrument as a fair value hedge, cash flow hedge, or a hedge of a net investment in a foreign operation based upon the exposure being hedged.

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are generally expected to offset each other. To qualify for hedge accounting, the hedging relationship has to meet the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship;
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item; and





**4. Significant accounting policies (cont'd)**

**4.5 Financial instruments (cont'd)**

(v) Derivative financial instruments, including hedge accounting (cont'd)

- the hedged item and the hedging instrument are not intentionally weighted to create hedge ineffectiveness, whether recognised or not, to achieve an accounting outcome that would be inconsistent with the purpose of hedge accounting.

For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

*Cash flow hedges*

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the income statement.

The amount accumulated in equity is retained in OCI and reclassified to the consolidated income statement in the same period or periods during which the hedged item affects the consolidated income statement, except when a hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, in which case the amount retained in OCI is included directly in the initial cost of the non-financial item when it is recognised.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in OCI remains in equity until, for hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to the income statement in the same period or periods as the hedged expected future cash flows affect the income statement. If a hedged forecast transaction is no longer expected to occur, then the amount accumulated in equity is immediately reclassified to the income statement. If a hedged forecast transaction is no longer expected to occur, then the amount accumulated in equity is immediately reclassified to the consolidated income statement.

**4.6 Property, plant and equipment**

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses except for freehold land, which are stated at its revalued amounts. The revalued amount is the fair value at the date of revaluation less any subsequent accumulated impairment losses. Revaluation is carried out by independent professional valuers regularly such that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the reporting date.



**4. Significant accounting policies (cont'd)**

**4.6 Property, plant and equipment (cont'd)**

Any increase in the revaluation amount is recognised in OCI and presented in the revaluation reserve in equity unless it offsets a previous decrease in value of the same asset that was recognised in the income statement. A decrease in value is recognised in the income statement where it exceeds the increase previously recognised in the revaluation reserve. Upon disposal, any related revaluation reserve is transferred from other comprehensive income to retained earnings.

A bearer plant is a pineapple and papaya living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Costs related to bearer plants are capitalised up to point of maturity of the bearer plants, including costs during the ratoon crop cycle. These costs include land preparation, cultural, spraying and plantation overhead costs.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, estimated costs of dismantling and removing the items and restoring the site on which they are located (when the Group has an obligation to remove the asset or restore the site), and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Construction in-progress represents plant and properties under construction or development and is stated at cost. This includes cost of construction, plant and equipment, borrowing costs directly attributable to such asset during the construction period and other direct costs. Construction in-progress is not depreciated until such time when the relevant assets are substantially completed and available for its intended use.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item, and is recognised net within other income/other expenses in the income statement.

**(ii) Subsequent costs**

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.



**4. Significant accounting policies (cont'd)**

**4.6 Property, plant and equipment (cont'd)**

*(iii)* Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation (except bearer plants) is recognised in the income statement on a straight-line basis over their estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Freehold land is not depreciated.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current period and comparative years are as follows:

Buildings, land improvements and -	3 to 50 years or lease term,
leasehold improvements	whichever is shorter
Machineries and equipment -	3 to 30 years

For bearer plants, units of production method is used. Depreciation is charged according to the cost of fruits harvested at plant crop and ratoon crop harvest months.

Bearer plants are depreciated based on the ratio of actual quantity of harvest over the estimated yield for both plant crop and ratoon crop harvests. Plant crop harvest usually occurs within 16 to 18 months after planting while ratoon crop harvest occurs at the 32<sup>nd</sup> to 34<sup>th</sup> month after planting. Depreciation is determined on a per field basis.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.



**4. Significant accounting policies (cont'd)**

**4.7 Biological assets**

The Group's biological assets include: (a) agricultural produce consisting of pineapple and papaya; (b) breeding and dairy herd; (c) growing herd; and (d) cattle for slaughter. Agricultural produce include: (a) harvested and unharvested pineapple and papaya fruits from the Group's bearer plants; and (b) cut meat from the cattle for slaughter.

The Group's biological assets are accounted for as follows:

***Bearer Plants***

Bearer plants are measured at cost less accumulated depreciation recognised at point of harvest. Bearer plants are presented as part of property, plant and equipment. Costs to grow include purchase cost of various chemicals and fertilizers, land preparation expenses and direct expenses during the cultivation of the primary ratoon crop and, if needed, re-ratoon crops. The accumulated costs are deferred and are amortised as raw product costs upon harvest. Raw product cost is recognised as depreciation based on the actual volume of harvest in a given period (see Note 4.6).

***Breeding and Dairy Herd***

The breeding and dairy herd are measured at cost. The breeding and dairy herd have useful lives of 3 ½ to 6 years. The cost method was used since fair value cannot be measured reliably. The breeding and dairy herd have no active markets and no similar assets are available in the relevant markets. In addition, existing sector benchmarks are irrelevant and estimates necessary to compute for the present value of expected net cash flows comprise a wide range of data which will not result in a reliable basis for determining the fair value. Breeding and dairy herd are classified as noncurrent assets in the statement of financial position of the Group.

***Growing Herd***

Growing herd is measured at cost. The cost method was used since the fair value cannot be measured reliably. Growing herd has no defined active market since it has not yet been identified if this will be for breeding or for slaughter. Growing herd is classified as noncurrent assets in the statement of financial position of the Group.

***Cattle for Slaughter***

Cattle for slaughter is measured at each reporting date at their fair value less point-of-sale costs. Gains and losses arising from changes in fair values are included in profit or loss for the period in which they arise. Cattle for slaughter is classified as noncurrent assets in the statements of financial position of the Group.

The Group's agricultural produce are accounted for as follows:

***Agricultural Produce***

The Group's growing produce are measured at their fair value from the time of maturity of the bearer plant until harvest. The Group uses the future selling prices and gross margin of finished goods, less future growing cost as the basis of fair value and adjusted for margin and associated costs related to production. The Group's harvested produce are measured at fair value at the point of harvest based on the estimated selling prices reduced by cost to sell.



**4. Significant accounting policies (cont'd)**

**4.7 Biological assets (cont'd)**

*Cutmeat*

Cutmeat is measured at each reporting date at their fair value less point-of-sale costs. Gains and losses arising from changes in fair values are included in profit or loss for the period in which they arise.

**4.8 Leases**

Starting May 1, 2019, the Group has adopted IFRS 16

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date. The arrangement is assessed for whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

*Group as a lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liability to make lease payments and right-of-use asset representing the right to use the underlying asset.

*Right-of-use Asset*

The Group recognises right-of-use asset at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use asset is measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liability. The cost of right-of-use asset includes the amount of lease liability recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use asset is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The estimated useful lives are as follows:

Buildings, land improvements and -	2 to 6 years
leasehold improvements	
Land -	2 to 26 years
Machineries and equipment -	2 to 17 years

The right-of-use asset is presented separately in the statement of financial position.



**4. Significant accounting policies (cont'd)**

**4.8 Leases (cont'd)**

*Lease liabilities*

At the commencement date of the lease, the Group recognises 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 recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

*Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases that are considered of low value (i.e., personal computers). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Initial Recognition and Subsequent Measurement Prior to the Adoption of IFRS 16

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- (a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
- (b) A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
- (c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or
- (d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).



**4. Significant accounting policies (cont'd)**

**4.8 Leases (cont'd)**

A series of transactions that involve the legal form of a lease is linked and is accounted for as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. This is the case, for example, when the series of transactions are closely interrelated, negotiated as a single transaction, and takes place concurrently or in a continuous sequence. This requires an evaluation of the substance of the lease arrangement, including the conveyance of the right to use an asset for an agreed period of time.

*Group as Lessee*

Leases where the lessor retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

*Lease Payments*

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expenses, over the term of the lease.

Rent expense is being recognised on a straight-line basis over the life of the lease. The difference between rent expense recognised and rental payments, as stipulated in the lease, is reflected as deferred rent in the statements of financial position.

**4.9 Inventories**

Inventories are measured at the lower of cost and net realisable value.

The cost of raw materials, packaging materials, traded goods, cost of production materials and storeroom items is based on the FIFO (First-in First-out) method. Cost of processed inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The costs of conversion include costs directly related to the units of production, and a systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods.

The allocation of fixed production overheads is based on the normal capacity of the production facilities. Normal capacity is the production expected to be achieved on average for the periods or seasons under normal circumstances, taking into account the seasonal business cycle of the Group.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of growing crops transferred from biological assets is its fair value less cost to sell at the date of harvest.

**4.10 Cash and cash equivalents**

Cash and cash equivalents consist of cash and short-term, highly liquid investments that are readily convertible to known amount of cash with original maturities of three months or less that are subject to insignificant risk of change in value.



**4. Significant accounting policies (cont'd)**

**4.11 Impairment (cont'd)**

*(i) Non-derivative financial assets*

Impairment of non-derivative financial assets prior to the adoption of IFRS 9

A financial asset not classified at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event(s) have occurred after the initial recognition of the asset, and that the loss event(s) had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, or economic conditions that correlate with defaults.

*Loans and receivables*

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in the income statement and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised.

When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through the income statement.





**4. Significant accounting policies (cont'd)**

**4.11 Impairment (cont'd)**

*(i)* Non-derivative financial assets (cont'd)

Impairment of non-derivative financial assets upon adoption of IFRS 9

The Group recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost.

ECLs are probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive), discounted at the effective interest rate of the financial asset, and reflects reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions.

Impairment loss allowances are measured on either lifetime ECLs or 12-month ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date, or a shorter period if the expected life of the instrument is less than 12 months.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for debt securities that are determined to have low credit risk at the reporting date and other debt securities and bank balances for which credit risk has not increased significantly since initial recognition, which are measured at 12-month ECLs.

Impairment loss allowances for trade receivables without a significant financing component are measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held), or when the financial asset is more than 90 days past due.

The Group considers a debt security to have a low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade".



**4. Significant accounting policies (cont'd)**

**4.11 Impairment (cont'd)**

*(i)* Non-derivative financial assets (cont'd)

Impairment of non-derivative financial assets upon adoption of IFRS 9

At each reporting date, the Group assesses whether financial assets at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired may include significant financial difficulty of the debtor, a breach of contract such as a default, the restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that the debtor or issuer will enter bankruptcy or other financial reorganisation, the disappearance of an active market for that financial asset because of financial difficulties, adverse changes in the payment status of borrowers or issuers, or economic conditions that correlate with defaults.

Impairment loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets in the statement of financial position. The gross carrying amount of a financial asset is written-off when the Group has no realistic prospects of recovery of the asset.

*(ii)* Non-financial assets

The carrying amounts of the Group's non-financial assets, other than biological assets, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value-in-use ("VIU") and its fair value less costs to sell. In assessing VIU, 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 or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

Impairment losses are recognised in the income statement. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.



**4. Significant accounting policies (cont'd)**

**4.11 Impairment (cont'd)**

(ii) Non-financial assets (cont'd)

An impairment loss recognised in prior periods for an asset other than goodwill 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 amortisation, if no impairment loss had been recognised.

*Joint ventures and investments in subsidiaries*

An impairment loss in respect of joint ventures is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in the income statement. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

*Goodwill*

Goodwill that forms part of the carrying amount of an investment in a joint venture is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in a joint venture is tested for impairment as a single asset when there is objective evidence that the investment in a joint venture may be impaired.

When conducting the annual impairment test for goodwill, the Group compares the estimated fair value of the CGU containing goodwill to its recoverable amount.

Goodwill is allocated to a CGU or group of CGUs that represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. The recoverable amount is computed using two approaches: the VIU approach, which is the present value of expected cash flows, discounted at a risk adjusted weighted average cost of capital; and the fair value less cost to sell approach, which is based on the Income Approach, which indicates the recoverable amount of an asset based on the value of the cash flows that the asset can be expected to generate in the future.

Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.



**4. Significant accounting policies (cont'd)**

**4.11 Impairment (cont'd)**

(ii) Non-financial assets (cont'd)

*Goodwill (cont'd)*

An impairment loss in respect of goodwill attributable to acquisition of a subsidiary is not reversed.

Intangible assets with indefinite useful lives, are components of the CGU containing goodwill and the impairment assessment is as described above.

**4.12 Noncurrent assets held for sale**

Noncurrent assets held for sale are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on re-measurement are recognised in the income statement of the Group. Once classified as held-for-sale, property, plant and equipment are no longer depreciated. If it is no longer highly probable that an asset will be recovered primarily through sale, the asset ceases to be classified as held-for-sale and is measured at the lower of its carrying amount before the asset was classified as held-for-sale adjusted for any depreciation that would have been recognised had the asset not been reclassified as held-for-sale and its recoverable amount at the date of the subsequent reclassification. The required adjustment to the carrying amount of an asset that ceases to be classified as held-for-sale is included in the income statement of the Group.

**4.13 Employee benefits**

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the income statement in the periods during which services are rendered by employees.



**4. Significant accounting policies (cont'd)**

**4.13 Employee benefits (cont'd)**

*(iii)* Defined benefit pension plan

A defined benefit pension plan requires contributions to be made to separately administered funds. The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognised as expense in profit or loss. Past service costs are recognised when plan amendment or curtailment occurs.

Remeasurements of the net defined benefit liability comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Group recognises them immediately in other comprehensive income and all expenses related to defined benefit plans in staff cost in profit or loss. When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in the income statement.

When the plan amendment or curtailment occurs, the Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. The gain or loss on settlement is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement and the settlement price, including any plan assets transferred and any payments made directly by the Group in connection with the settlement. In fiscal year 2020, there were amendments to the employee benefit plans, eliminating certain benefits in fiscal year 2020 and after fiscal year 2022 (see Note 21).

*Multi-employer plans*

The Group participates in several multi-employer pension plans, which provide defined benefits to certain union employees. The Group accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as other defined benefit plan. For certain union employee related retirement plans where sufficient information is not available to use defined benefit accounting, the Group accounts for these plans as if they were defined contribution plans.



**4. Significant accounting policies (cont'd)**

**4.13 Employee benefits (cont'd)**

*(iii)* Other plans

The Group has various other non-qualified retirement plans and supplemental retirement plans for executives, designed to provide benefits in excess of those otherwise permitted under the Group's qualified retirement plans. These plans are unfunded and comply with Internal Revenue Service (IRS) rules for non-qualified plans.

*(iv)* Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognised in the income statement in the period in which they arise. Other long-term employee benefits include the Group's long-term executive cash incentive awards (see Note 32).

*(v)* Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits arising from involuntary termination are recognised as an expense once the Group has announced the plan to affected employees.

*(vi)* Short-term employee benefits

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

*(vii)* Share-based payment transactions

The Group grants share awards and share options to employees of the Group. The fair value of incentives granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and accounted for as described below.

*Share awards*

The fair value, measured at grant date, is recognised over the period during which the employees become unconditionally entitled to the shares.



**4. Significant accounting policies (cont'd)**

**4.13 Employee benefits (cont'd)**

*(vii) Share-based payment transactions (cont'd)*

*Share options*

The fair value, measured at grant date, is recognised over the vesting period during which the employees become unconditionally entitled to the options. At each reporting date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates in employee benefit expense and as a corresponding adjustment to equity over the remaining vesting period.

**4.14 Share Capital and Retained earnings**

*(i) Share capital*

*Ordinary shares*

Ordinary shares are classified as equity. Holders of these shares are entitled to dividends as declared from time to time, and to one vote per share at general meetings of the Company.

*Preference shares*

Preference shares are classified as equity. Holders of these shares are entitled to cash dividends based on the issue price, at the dividend rate per annum from the issue date, payable every 7 October and 7 April of each year following the issue date, upon declaration by the BOD.

The transaction costs directly attributable to the issue of ordinary and preference shares are accounted for as deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. The costs of an equity transaction that is abandoned are recognised as an expense.

*Repurchase, disposal and reissue of share capital (treasury shares)*

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own shares. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

*Share premium*

Share premium represents the excess of consideration received over the par value of ordinary and preference shares net of transaction costs from issuance of share capital, share options exercised and released of share awards granted.



**4. Significant accounting policies (cont'd)**

**4.14 Share Capital and Retained (cont'd)**

*(ii)* Retained Earnings

Retained earnings include profit attributable to the equity holders of the Group and reduced by dividends declared on share capital.

Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

*(iii)* Dividends

Dividends are recognised as a liability and deducted from retained earnings when they are declared.

**4.15 Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

*(i)* Environment remediation liabilities

In accordance with the Group's environment policy and applicable legal requirements, a provision for environmental remediation obligations and the related expense is recognised when such losses are probable and the amounts of such losses can be estimated reliably. Accruals for estimated losses for environmental remediation obligations are recognised no later than the completion of the remedial feasibility study. These accruals are adjusted as further information develops or circumstances change.

*(ii)* Retained insurance liabilities

The Group accrues for retained insurance risks associated with the deductible portion of any potential liabilities that might arise out of claims of employees, customers or other third parties for personal injury or property damage occurring in the course of the Group's operations.

A third-party actuary is engaged to assist the Group in estimating the ultimate cost of certain retained insurance risks. Additionally, the Group's estimate of retained insurance liabilities is subject to change as new events or circumstances develop which might materially impact the ultimate cost to settle these losses.





**4. Significant accounting policies (cont'd)**

**4.16 Revenue recognition**

*Policy upon adoption of IFRS 15*

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding amounts collected on behalf of third parties. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The following specific recognition criteria must also be met before revenue is recognised:

**(i) Sales of goods**

Revenue from the sale of goods is recognised at a point in time when control of the asset is transferred to the customer, generally on delivery and acceptance of the promised goods.

Each contract with a customer specifies minimum quantity, fixed prices and effective period and is not subject to change for the contractual period unless mutually agreed by the parties. Invoices are usually payable within 30 days from delivery.

Certain customers are entitled to, and in most cases avail of, cash discounts when payments are made within a defined time frame. For certain contracts, the Group may be charged a penalty for late deliveries. Variable amounts related to these discounts and penalties are estimated using the most likely amount and included in the transaction price to the extent it is highly probable that a significant revenue reversal will not subsequently occur.

The Group provides allowances under trade promotions to customers and coupons to end consumers which are reimbursable by the Group to customers when redeemed. Allowances and coupons are generally considered as reductions of the transaction price and recognised at the later of when the Group recognises revenue for the transfer of the related goods and when the Group pays or promises to pay the allowances or coupons.

Variable amounts related to these allowances and coupons are estimated using the expected value method and included in the transaction price to the extent it is highly probable that a significant revenue reversal will not subsequently occur. Accruals for trade promotions are based on expected levels of performance. Settlement typically occurs in subsequent periods primarily through an off-invoice allowance at the time of sale or through an authorised process for deductions taken by a customer from amounts otherwise due to the Group. Evaluation of trade promotions are performed monthly and adjustments are made where appropriate to reflect changes in the Group's estimates. The Group accrues coupon redemption costs based on estimates of redemption rates that are developed by management. Management's estimates are based on recommendations from independent coupon redemption clearing-houses as well as historical information. Should actual redemption rates vary from amounts estimated, adjustments may be required.



**4. Significant accounting policies (cont'd)**

**4.16 Revenue recognition (cont'd)**

*(ii)* Bill-and-hold arrangements

Bill-and-hold arrangements pertain to sales of the Group wherein the customers are billed for goods that are ready for delivery, but the Group retains physical possession of the product until it is transferred to the customer at a future date. The Group assessed whether control has transferred to the customers, even though the customers do not have physical possession of the goods. The following criteria must all be met in order for the customers to have obtained control in bill-and-hold arrangements:

- the reason for the bill-and-hold arrangement must be substantive;
- the product must be identified separately as belonging to the customer;
- the product currently must be ready for physical transfer to the customer; and
- the entity cannot have the ability to use the product or to direct it to another customer.

Custodial services provided to the customers are identified as a separate performance obligation. A portion of the contract price should be allocated to the custodial services and separately recognised over the period of time the product is being held by the Group, along with the related costs of storing the product.

Penalty on the late payment of the invoices affects the estimate of the transaction price.

*(iii)* Sales returns

The Group uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. The amount of revenue and the receivable recognised is adjusted for expected returns, which are estimated based on the historical data. No right of return asset (and corresponding adjustment to cost of sales) is recognised for the right to recover products from a customer since Group's policy is to dispose all goods to be returned.

*(iv)* Contract balances arising from revenue with customer contracts

*Contract Assets*

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

*Receivables*

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).



**4. Significant accounting policies (cont'd)**

**4.16 Revenue recognition (cont'd)**

- (iv) Contract balances arising from revenue with customer contracts (cont'd)

*Contract Liabilities*

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Other income:

- (i) Finance income

Such income is recognised as the interest accrues taking into account the effective interest yield on the asset.

- (ii) Other income

Other income is recognised when earned.

*Policy prior to adoption of IFRS 15*

Under IAS 18, prior to the adoption of IFRS 15, revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be measured reliably, regardless of when payment is being made. The following specific recognition criteria must also be met before revenue is recognised:

- (i) Sale of Goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The timing of transfers of risks and rewards varies depending on the individual terms of the contract of sale but usually occurs when the customer receives the product.

- (ii) Finance income

Revenue is recognised as the interest accrues, taking into account the effective yield on the asset.

- (iii) Others

Revenue is recognised when earned.



**4. Significant accounting policies (cont'd)**

**4.17 Finance income and finance costs**

Finance income comprises interest income earned mainly from bank deposits and amounts or balances due from related parties of the Group. Interest income is recognised as it accrues in the income statement, using the effective interest method.

Finance expense comprises interest expense on finance leases and borrowings. All finance lease borrowing costs are recognised using the Group's incremental borrowing rate. All borrowing costs are recognised in income statement using the effective interest method, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

**4.18 Tax**

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in income statement except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and joint ventures to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow 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. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.



**4. Significant accounting policies (cont'd)**

**4.18 Tax (cont'd)**

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

**4.19 Earnings per share**

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined in the same manner, adjusted for the effects of any dilutive potential ordinary shares, which comprise the restricted share plan and share options granted to employees.

**4.20 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 Executive Committee to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly of non-recurring expenses.

**4.21 Contingencies**

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
  - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.



**4. Significant accounting policies (cont'd)**

**4.22 New standards and interpretations issued but not yet effective**

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company and the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The Company and the Group intends to adopt the following pronouncements when they become effective.

Applicable for the first annual reporting period that begins on or after 1 May 2020

- *Amendments to References to Conceptual Framework in IFRS Standards* sets out amendments to IFRS Standards, their accompanying documents and IFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes:
  - a new chapter on measurement;
  - guidance on reporting financial performance;
  - improved definitions of an asset and a liability, and guidance supporting these definitions; and
  - clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Some Standards, their accompanying documents and IFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee ("IASC")'s Framework for the Preparation and Presentation of Financial Statements adopted by the International Accounting Standards Board ("IASB") in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework, and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

These amendments are effective for annual reporting periods beginning on or after 1 May 2020.

- *Amendments to IFRS 3, Definition of a Business*

The amendments to IFRS 3 clarifies the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after 1 May 2020, with earlier application permitted.

These amendments will apply on future business combinations of the Group.



**4. Significant accounting policies (cont'd)**

**4.22 New standards and interpretations issued but not yet effective (cont'd)**

- *Amendments to IAS 1, Presentation of Financial Statements, and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments refine the definition of material in IAS 1 and align the definitions used across IFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

An entity applies those amendments prospectively for annual reporting periods beginning on or after 1 May 2020, with earlier application permitted.

- *Amendments to IFRS 7, Financial Instruments: Disclosures and IFRS 9, Financial Instruments, Interest Rate Benchmark Reform*

The amendments to IFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

- *Amendments to IFRS 16, COVID-19-related Rent Concessions*

The amendments provide relief to lessees from applying the IFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendments are effective for annual reporting periods beginning on or after 1 June 2020. Early adoption is permitted.



**4. Significant accounting policies (cont'd)**

**4.22 New standards and interpretations issued but not yet effective (cont'd)**

Applicable for the first annual reporting period that begins on or after 1 May 2022

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

The amendments provides a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments are effective for annual reporting periods beginning on or after 1 May 2022.

- Amendments to IFRS 3, *Updating a Reference to the Conceptual Framework*. The amendments:
  - updated IFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018;
  - Added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities; and
  - Clarified existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework.

The amendments are effective for annual reporting periods beginning on or after 1 May 2022.

- Amendments to IAS 37, *Onerous Contracts - Cost of Fulfilling a Contract*. The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The cost of fulfilling a contract comprises the costs that relate directly to the contract which consist of both:
  - the incremental costs of fulfilling that contract – for example, direct labor and materials; and
  - an allocation of other costs that relate directly to fulfilling contracts — for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling that contract among others.

The amendments are effective for annual reporting periods beginning on or after 1 May 2022.

- Annual Improvements to IFRS Standards 2018–2020 Cycle. This cycle of improvements contains amendments to the following standards:
  - IFRS 1, *Subsidiary as a first-time adopter*. The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.





**4. Significant accounting policies (cont'd)**

**4.22 New standards and interpretations issued but not yet effective (cont'd)**

Applicable for the first annual reporting period that begins on or after 1 May 2022 (cont'd)

- IFRS 9, Fees in the '10 per cent' test for derecognition of financial liabilities. The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
- Annual Improvements to IFRS Standards 2018–2020 Cycle. This cycle of improvements contains amendments to the following standards (cont'd):
  - IFRS 16, Lease Incentives. The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
  - IAS 41, Taxation in fair value measurements. The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13.

The amendments are effective for annual reporting periods beginning on or after 1 May 2022.

Applicable for the first annual reporting period that begins on or after 1 May 2023

- IFRS 17, *Insurance Contracts*

IFRS 17, *Insurance Contracts* establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

IFRS 17 was issued in May 2017 and applies to annual reporting periods beginning on or after 1 May 2023.



**4. Significant accounting policies (cont'd)**

**4.22 New standards and interpretations issued but not yet effective (cont'd)**

Deferred effectivity

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

The amendments addresses the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.



**Del Monte Pacific Limited and its Subsidiaries**

**Notes to the financial statements**

**For the financial year ended 30 April 2020**

**5. Property, plant and equipment - net**

Cost/Valuation	At cost				At appraised value	
	Buildings, land improvements and leasehold improvements US\$'000	Machineries and equipment US\$'000	Construction -in-progress US\$'000	Bearer Plants US\$'000	Freehold land US\$'000	Total US\$'000
At 1 May 2019	218,313	596,123	32,483	311,937	61,541	1,220,397
Additions	896	4,154	27,340	98,128	—	130,518
Disposals	(18,114)	(72,253)	—	—	(3,571)	(93,938)
Write off – closed fields	—	—	—	(58,290)	—	(58,290)
Revaluation	—	—	—	—	4,066	4,066
Reclassification from CIP	4,757	26,491	(31,248)	—	—	—
Reclassification from assets held for sale <sup>[1]</sup>	350	22	—	—	870	1,242
Currency realignment	1,687	6,855	576	10,207	388	19,713
At 30 April 2020	207,889	561,392	29,151	361,982	63,294	1,223,708
At 1 May 2018	217,950	552,084	55,941	260,424	67,109	1,153,508
Additions	1,781	4,458	34,906	82,627	—	123,772
Disposals	(7,809)	(5,897)	—	—	(4,018)	(17,724)
Write off – closed fields	—	—	—	(29,234)	—	(29,234)
Reclassification from CIP	11,236	46,805	(58,041)	—	—	—
Reclassification to assets held for sale <sup>[2]</sup>	(4,527)	—	—	—	(1,467)	(5,994)
Currency realignment	(318)	(1,327)	(323)	(1,880)	(83)	(3,931)
At 30 April 2019	218,313	596,123	32,483	311,937	61,541	1,220,397



**Del Monte Pacific Limited and its Subsidiaries**

**Notes to the financial statements**

**For the financial year ended 30 April 2020**

**5. Property, plant and equipment – net (cont'd)**

	<b>&lt;-----At cost -----&gt;</b>				<b>At appraised value</b>	
	<b>Buildings, land improvements and leasehold improvements US\$'000</b>	<b>Machineries and equipment US\$'000</b>	<b>Construction -in-progress US\$'000</b>	<b>Bearer Plants US\$'000</b>	<b>Freehold land US\$'000</b>	<b>Total US\$'000</b>
<b>Accumulated depreciation and impairment losses</b>						
At 1 May 2019	77,408	343,540	–	213,119	4,297	638,364
Charge for the year	10,091	48,218	–	78,365	–	136,674
Impairment loss	15,672	20,835	–	–	4,239	40,746
Write off – closed fields	–	–	–	(58,290)	–	(58,290)
Disposals	(9,200)	(46,402)	–	–	–	(55,602)
Currency realignment	830	5,317	–	8,172	–	14,319
At 30 April 2020	94,801	371,508	–	241,366	8,536	716,211
At 1 May 2018	67,563	298,398	–	172,361	4,297	542,619
Charge for the year	10,647	50,036	–	71,369	–	132,052
Impairment loss	1,262	–	–	–	–	1,262
Write off – closed fields	–	–	–	(29,234)	–	(29,234)
Disposals	(474)	(4,036)	–	–	–	(4,510)
Reclassification to assets held for sale <sup>[2]</sup>	(1,529)	–	–	–	–	(1,529)
Currency realignment	(61)	(858)	–	(1,377)	–	(2,296)
At 30 April 2019	77,408	343,540	–	213,119	4,297	638,364



**Del Monte Pacific Limited and its Subsidiaries**

**Notes to the financial statements**

**For the financial year ended 30 April 2020**

**5. Property, plant and equipment - net (cont'd)**

	<b>&lt;-----At cost -----&gt;</b>				<b>At appraised value</b>	
	<b>Buildings, land improvements and leasehold improvements US\$'000</b>	<b>Machineries and equipment US\$'000</b>	<b>Construction -in-progress US\$'000</b>	<b>Bearer Plants US\$'000</b>	<b>Freehold land US\$'000</b>	<b>Total US\$'000</b>
<b>Carrying amounts</b>						
At 30 April 2020	113,088	189,884	29,151	120,616	54,758	507,497
At 30 April 2019	140,905	252,583	32,483	98,818	57,244	582,033

<sup>[1]</sup> During the financial year, Gilroy assets which was previously classified as assets held for sale has been reclassified as "Property, plant, and equipment" in the consolidated statement of financial position. There are no assets held for sale as of 30 April 2020 (see Note 16).

<sup>[2]</sup> During the previous financial year, Gilroy and Kenwood assets were classified as assets held for sale (see Note 16).



**5. Property, plant and equipment - net (cont'd)**

A reclassification was made in fiscal year 2019 to present the "Reclassifications from CIP" separately from the "Reclassifications to assets held for sale".

The Group has amounts in accrued liabilities relating to property, plant and equipment acquisitions of US\$1.2 million as of 30 April 2020 (2019: US\$0.6 million). Down payments made by the Group for the acquisition of property, plant and equipment amounted to US\$1.5 million as of 30 April 2020 (2019: to US\$2.6 million). The cost of fields closed and written off in 2020 amounted to US\$58.3 million, which have been fully depreciated during the year (2019: US\$29.2 million).

**Bearer Plants**

	<b>Group</b>	
	<b>30 April</b>	<b>30 April</b>
	<b>2020</b>	<b>2019</b>
Hectares planted with growing crops:		
– Pineapples	14,733	14,992
– Papaya	48	188
	<hr/>	<hr/>
Fruits harvested from the growing crops:		
(in metric tons)		
– Pineapples	675,333	688,596
– Papaya	227	223
	<hr/> <hr/>	<hr/> <hr/>

Bearer plants is stated at cost which comprises actual costs incurred in nurturing the crops reduced by depreciation. Depreciation represents the estimated cost of fruits harvested from the Group's plant crops. An estimated cost is necessary since the growth cycle of the plant crops is beyond twelve months, hence total growing costs are not yet known as of reporting date. The estimated cost is developed by allocating estimated growing costs for the estimated growth cycle of two to three years over the estimated harvests to be made during the life cycle of the plant crops. Estimated growing costs are affected by inflation and foreign exchange rates, volume and labour requirements. Estimated harvest is affected by natural phenomenon such as weather patterns and volume of rainfall. Field performance and market demand also affect the level of estimated harvests. The Group reviews and monitors the estimated cost of harvested fruits regularly.

**Leasehold Improvements**

As at 30 April 2020 and 2019, the Group has no significant legal or constructive obligation to dismantle any of its leasehold improvements as the lease contracts provide, among other things, that the improvements introduced on the leased assets shall become the property of the lessor upon termination of the lease.



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

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#### 5. Property, plant and equipment - net (cont'd)

##### Freehold Land

The table below summarises the valuation of freehold land held by the Group as at 30 April 2020 in various locations:

Located in	30 April 2020 US\$'000	30 April 2019 US\$'000	Date of Latest Valuation
The Philippines	12,104	8,786	2020 (Various)
United States of America	32,459	39,399	1 May 2020
Singapore	10,195	9,059	18 May 2020
	<u>54,758</u>	<u>57,244</u>	

The Group engaged independent appraisers to determine the fair values of its freehold land. Revaluations are performed at regular intervals to ensure that the fair value of the freehold land does not differ materially from its carrying amount. Management evaluated that the fair values of its freehold land at the respective valuation dates approximate their fair values as of the reporting date. The assumptions used in determining the fair value are disclosed in Note 35. In relation to the revaluation of its freehold land in DMFI, management believes that the cost approximate their fair values as at 30 April 2020.

In fiscal year 2020, the Group reclassified US\$0.6 million of its freehold land as held-for-sale (2019: US\$4.6 million) and disposed US\$3.6 million (2019: US\$0.8 million).

The carrying amount of the Group's freehold land as at 30 April 2020 would be US\$35.6 million (2019: US\$41.9 million) had the freehold land been carried at cost less impairment losses.

##### Construction-in-Progress

Construction-in-progress ("CIP") includes on-going item expansion projects for the Group's operations.

Major items in the CIP include construction of can making equipment from Ball Corporation, 2.3Kg tidbits in pouch production line and 202 integration-filling/seaming process, 120T steam peeler, vegetable dip production project and various information technology improvements. Most of the CIP items are expected to be completed within fiscal year 2021.



**5. Property, plant and equipment - net (cont'd)**

**Plant closures and divestiture of Sager Creek business**

In connection with the plant closures, the Group recognised impairment losses amounting to US\$40.7 million in fiscal year 2020 (2019: US\$1.3 million).

*Vegetable plants*

The Group announced on 20 August 2019 its intention to close its Sleepy Eye plant in Minnesota, its Mendota plant in Illinois, the sale of its Cambria plant in Wisconsin to new ownership, and intends to sell the production assets from its Crystal City plant in Texas. In connection with the Sleepy Eye and Mendota plant closures, the Group recognised impairment losses on related property, plant and equipment amounting to US\$21.1 million for the year ended 30 April 2020. In connection with the Cambria plant sale on 1 November 2019, the Group recognised impairment losses on related property, plant and equipment amounting to US\$5.1 million for the year ended 30 April 2020. In connection with the Crystal City production equipment sale, the Group recognised impairment losses on related property, plant and equipment amounting to US\$14.6 million for the year ended 30 April 2020.

Under these plant closures, approximately 910 employees were terminated as of 30 April 2020. During the year, the Group recognised provisions for employee severance benefits amounting to US\$4.5 million, with US\$2.3 million outstanding, for the year ended 30 April 2020. The employee severance benefits are presented under "Employee benefits" (see Note 21) and are expected to be paid in fiscal year 2021. Environmental liabilities of US\$9.5 million were also recognised as of 30 April 2020 (see Note 22). The majority of this liability relates to the obligations to treat and remove the waste-water ponds at Sleepy Eye, Mendota and Crystal City. Related inventory and property, plant and equipment write-downs amounting to US\$9.2 million were recognised for the year ended 30 April 2020.

In connection with these announcements, the Group has recorded expenses of US\$68.4 million of expense in "Other income (expenses) – net" for the year ended 30 April 2020.

As of 30 April 2020, the assets from Crystal City, Sleepy Eye and Mendota, have been sold.

*Seed Operation Exit*

In fiscal year 2019, the Group entered into production and packaging agreements to meet breeding objectives with the Group's intellectual property (research and breeding lines) for its seed operations. The Group will maintain the variety selection process to select varieties that meet the Group's standards. Due to these agreements, the Group closed its Idaho Falls, Idaho and Gilroy, California seed operations in August 2018 and February 2019, respectively. In connection with the Idaho Falls plant closure, the Group recognised a gain on the sale of related property, plant and equipment amounting to US\$1.5 million in fiscal year 2019. Additionally, in fiscal year 2019, management committed to a plan to sell certain assets of the Group's Gilroy plant. In fiscal year 2019, assets of US\$1.3 million were reclassified as "Assets held for sale" in the consolidated statement of financial position. In fiscal year 2020, Gilroy assets have been reclassified as "Property, plant, and equipment" in the consolidated statements of financial position as Management further evaluates the future use of these assets. There are no assets held for sale as of 30 April 2020.





**5. Property, plant and equipment - net (cont'd)**

*Seed Operation Exit (cont'd)*

Under these plant closures, 12 employees were affected, all of which were terminated by the end of fiscal year 2019. The Group recognised provisions for employee severance benefits amounting to US\$0.3 million, with US\$0.1 million outstanding as of 30 April 2019. As of 30 April 2020, there is no employee severance benefits outstanding.

*Plymouth Plant*

The Group closed its Plymouth, Indiana plant during fiscal year 2018. In connection with the plant closure, the Group recognised impairment losses on related property, plant and equipment amounting to US\$7.0 million in fiscal year 2018.

Under the termination plan, approximately 100 employees were affected, all of which were terminated by the end of fiscal year 2018. The Group recognised provisions for employee severance benefits amounting to US\$2.3 million, with US\$0.2 million outstanding as of 30 April 2018. Remaining employee severance benefits amounting to US\$0.2 million were settled in fiscal year 2019. The employee severance benefits are presented under "Employee benefits".

As of 30 April 2019, the Plymouth building and land have been sold. As of 30 April 2020 and 2019, a non-current receivable of US\$1.0 million has been recorded in "Other Non-current Assets" related to this sale (see Note 10). This receivable is due on 2 July 2023.

*Sager Creek - Siloam Springs, Arkansas*

The Group announced on 20 September 2017 that it will cease operations of its Country production plant in Siloam Springs, Arkansas.

Under the termination plan, approximately 230 employees were affected, the majority of which were terminated by the end of fiscal year 2018. The Group recognised provisions for employee severance benefits amounting to US\$2.3 million, with US\$0.4 million outstanding as of 30 April 2018. Remaining employee severance benefits amounting to less than US\$0.1 million were settled in fiscal year 2019. The employee severance benefits are presented under "Employee benefits".

*Northwest Arkansas Distribution and Warehouse Facilities*

The Group announced on 19 January 2018 its intention to close its distribution and warehouse facilities in Northwest Arkansas. These closures occurred during the first half of fiscal year 2019.

Under the termination plan, approximately 125 employees were affected, the majority of which were terminated by the end of fiscal year 2018. The Group recognised provisions for employee severance benefits amounting to US\$1.3 million, with US\$1.1 million outstanding as of 30 April 2018. Employee severance benefits amounting to US\$0.5 million were settled in fiscal year 2019, with US\$0.1 million outstanding at 30 April 2019. The employee severance benefits are presented under "Employee benefits". As of 30 April 2020, there are no outstanding severance benefits related to this closure.



**5. Property, plant and equipment - net (cont'd)**

***Source of estimation uncertainty***

The Group estimates the useful lives of its buildings, land improvements, leasehold improvements and machineries and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically 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 assets.

In addition, the estimation of the useful lives of property, plant and equipment is based on collective assessment of industry practice, internal technical evaluation and experiences with similar assets. It is possible, however, that future financial performance could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amount and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property, plant and equipment would increase recorded depreciation expense and decrease non-current assets.

The depreciation of bearer plants require estimation of future harvest which is affected by natural phenomena and weather patterns.

The valuation of freehold land is based on comparable transaction subject to adjustments. These adjustments require judgement.

The recoverable amount of the impaired assets was based on fair value less cost to sell, which is subject to estimation.

**6. Investments in subsidiaries**

	<b>30 April 2020 US\$'000</b>	<b>30 April 2019 US\$'000</b>
Unquoted equity shares, at cost	640,699	640,699
Amounts due from subsidiaries (nontrade)	237,074	205,106
	<u>877,773</u>	<u>845,805</u>
Accumulated share in (losses) profit and other comprehensive income at the beginning of the year	(14,950)	(8,298)
Reserve from sale of shares of a subsidiary	76,958	—
Share in net profit (losses) of subsidiaries	(76,629)	27,931
Dividends declared by subsidiaries	(230,473)	(33,000)
Share in other comprehensive losses of subsidiaries, net of tax	(11,639)	(1,965)
Effect due to adoption of IFRS 16	(1,013)	—
Others	—	382
	<u>(257,746)</u>	<u>(14,950)</u>
Interests in subsidiaries at the end of the year	<u>620,027</u>	<u>830,855</u>

The amounts due from subsidiaries are unsecured and interest-free. Settlement of the balances are neither planned nor likely to occur in the foreseeable future as they are, in substance, a part of the Company's net investments in the subsidiaries.



**6. Investments in subsidiaries (cont'd)**

In April 2019, the Company converted its advances to wholly owned subsidiaries Del Monte Pacific Resources Limited ("DMPRL") and DMPL India, Pte Ltd ("DMPLI") in the amounts of US\$167.6 million and US\$70.1 million, respectively, into other equity. The conversion was approved by the BOD on 30 April 2019.

Share Purchase Agreement and Shareholders' Agreement with Sea Diner Holdings (S) Pte. Ltd. (SEA Diner)

On 24 January 2020, the Company, Central American Resources, Inc ("CARI"), DMPI and SEA Diner, a company incorporated in Singapore, entered into a Share Purchase Agreement and Shareholders' Agreement whereby CARI will sell 335,678,400 existing common shares equivalent to 12% ownership interest in DMPI to SEA Diner for a consideration of US\$120.0 million, subject to fulfilment of certain conditions precedent. These common shares are convertible to voting, convertible, participating and redeemable preference shares ("RCPS") of DMPI.

The Board and the stockholders of DMPI approved the conversion of the convertible common shares to RCPS subject to the completion of the transaction and the Enabling Resolutions which further defined the terms of the RCPS on 3 March 2020. As at 30 April 2020, the Company, CARI and DMPI had fulfilled the conditions precedent under the Share Purchase Agreement. The closing date of the agreement is on 20 May 2020.

*Terms of the RCPS*

The terms of the RCPS are as follow:

- The RCPS holders participate in the dividends on an as-converted basis, that is, if common shareholders are entitled to dividends, then the RCPS holders will correspondingly be entitled to dividends on an as-converted basis.
- The investor as an RCPS holder will have proportional shareholder voting rights in DMPI on an as-converted basis. There will also be certain reserved matters (for example, matters not in the ordinary course of business) which the investor will have the right to approve.
- SEA Diner, as long as it holds RCPS, may, at any time, exercise its right to convert the RCPS into common shares of DMPI at a ratio of one (1) RCPS to one (1) common share of DMPI. The RCPS is automatically converted into common share in the event of initial public offering (IPO) of DMPI.
- Upon the occurrence of any of certain agreed "RCPS Default Events", SEA Diner may require the Company, CARI or DMPI to redeem all of the RCPS at the agreed redemption price, which is the amount of RCPS consideration plus the agreed rate of return (compounded on a per annum basis) calculated from 20 May 2020 up to the date of redemption.
- In case of "Other Redemption Events", redemption shall be subject to the mutual agreement of the parties. If DMPI does not consent to the RCPS holder's written redemption request, the internal rate of return would be increased annually by 3%, and this increased rate of return shall apply for each year that the RCPS remain outstanding and shall be compounded on a per annum basis.



**6. Investments in subsidiaries (cont'd)**

Call Option Agreement

On 24 January 2020, the Company, CARI, DMPI and SEA Diner entered into a call option agreement wherein SEA Diner is entitled to a call option which gives SEA Diner the right to buy from CARI additional DMPI shares ("Option Shares"). The exercise price for each Option Share is US\$0.357 (computed based on the DMPI equity valuation of US\$1 billion / existing total issued share capital of the DMPI shares of 2,797,320,003 as at the date of the Agreement). The call option is consummated on or before 30 April 2022 and ending on the earliest of 10 years after the closing date, the date falling 5 years after the date which an IPO of DMPI was consummated and the date when SEA Diner receives an amount respect of a redemption of its shares.

Impact on the Group

In relation to the above transaction, as at 30 April 2020, the Group recognised the gross consideration of US\$120.0 million under "Trade and other receivables" (see Note 13), transaction costs of US\$14.0 million (US\$0.7 million of which was already paid as at 30 April 2020 and the outstanding balance of US\$13.3 million as at 30 April 2020 is recorded as accrued operating expenses under "Trade and other current liabilities" (see Note 23)), long-term derivative liability of US\$2.6 million (see Note 20) for the call option in accordance with the call option agreement, equity reserve under "Retained earnings" of US\$77.0 million due to change in ownership interest in DMPI without loss of control (see Note 18) and "Non-controlling interests" of US\$26.4 million representing investor's proportionate share in the net assets of DMPI (see Note 39).

Impact on the Company

The Company recognised an increase in investment in subsidiary and retained earnings equal to the net equity reserve amounting to US\$77.0 million, accrued transaction costs of US\$1.3 million, and receivable from CARI amounting to US\$2.1 million.

***Significant judgments***

**1. Recognition as at 30 April 2020**

The Share Purchase Agreement is subject to conditions precedent and closing conditions. The conditions precedent were completed as at 30 April 2020 while the parties agreed the closing date to be 20 May 2020. Management assessed that the closing conditions are administrative in nature and accounted for the transaction as at 30 April 2020.

Moreover, management assessed that the actual conversion of the common shares to RCPS in records and the issuance of related stock certificates are administrative and procedural in nature. The Board and stockholders of DMPI also approved the conversion of the convertible common shares to RCPS in March 2020. Considering this, the Group has accounted for the instrument as RCPS in substance as at 30 April 2020.



**6. Investments in subsidiaries (cont'd)**

***Significant judgments (cont'd)***

**2. Equity Classification**

Management assessed that the RCPS sold to SEA Diner met the equity classification since both conditions below are met:

- (a) The Group has no contractual obligation to deliver cash or another financial asset to the investor as the “RCPS Default Events”, among the other terms in Share Purchase Agreement, Shareholders’ Agreement and Call Option Agreement, are assessed to be within the control of the Group and the redemption of the RCPS in case of “Other Redemption Events” is subject to the mutual consent of both parties; and
- (b) The RCPS which is convertible to common shares at the ratio of 1:1 does not include contractual obligation for DMPI to deliver a variable number of its own equity instruments upon conversion.

***Source of estimation uncertainty***

**1. Obligation to Deliver Additional RCPS**

The Shareholders’ Agreement between the Company, CARI, DMPI and SEA Diner provides a conditional obligation for DMPI to deliver additional RCPS subject to meeting certain level of net income and adjusted equity value as defined in the agreement for fiscal year ending 30 April 2021. Management assessed that the Group’s derivative liability to deliver additional RCPS has a carrying value of nil as at 30 April 2020 based on its budgeted net income for fiscal year ending 30 April 2021, and the expected timing and probability of an IPO. Management will remeasure the derivative liability at the end of every reporting period.

**2. Obligation to Purchase Excess Shares or Sell Shortfall Shares**

The Shareholders’ Agreement provides a conditional obligation for CARI to purchase excess shares or sell shortfall shares to SEA Diner at par value subject to certain conditions (amount of IPO pre-market capitalization) as defined in the Shareholders’ Agreement. Management assessed that the Group’s derivative asset or liability to purchase excess shares or sell shortfall shares to SEA Diner has a carrying value of nil as at 30 April 2020 as the estimated pre-money market capitalization is lower than the threshold in the Agreement. As a result, the probability of the options relating to the excess shares and shortfall shares is nil or minimal.

**3. Fair Value of Derivative Liability on the Call Option**

The fair value of the derivative liability related to the call option is measured using Cox-Ross-Rubinstein (“CRR”) binomial tree model. The inputs to this model are taken from a combination of observable markets and unobservable market data. Changes in inputs about these factors could affect the reported fair value of the derivative liabilities and impact profit or loss. The carrying value of the derivative liability amounted to US\$2.6 million as at 30 April 2020 (see Note 20).



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

#### 6. Investments in subsidiaries (cont'd)

Details of the Company's subsidiaries are as follows:

Name of subsidiary	Principal activities	Place of in- corporation and business	Effective equity held by the Group	
			30 April 2020 %	30 April 2019 %
<b>Held by the Company</b>				
Del Monte Pacific Resources Limited (“DMPRL”) <sup>[7]</sup>	Investment holding	British Virgin Islands	100.00	100.00
DMPL India Pte Ltd (“DMPLI”) <sup>[3]</sup>	Investment holding	Singapore	100.00	100.00
DMPL Management Services Pte Ltd <sup>[3]</sup>	Providing administrative support and liaison services to the Group	Singapore	100.00	100.00
GTL Limited <sup>[4]</sup>	Trading food products mainly under the brand names: “Del Monte” and buyer’s own label	Federal Territory of Labuan, Malaysia	100.00	100.00
S&W Fine Foods International Limited (“S&W”) <sup>[7]</sup>	Selling processed and fresh food products under the “S&W” trademark; Owner of the “S&W” trademark in Asia (excluding Australia and New Zealand), the Middle East, Western Europe, Eastern Europe and Africa	British Virgin Islands	100.00	100.00
DMPL Foods Limited (“DMPLFL”) <sup>[8]</sup>	Investment holding	British Virgin Islands	89.43	89.43
<b>Held by DMPRL</b>				
Central American Resources, Inc. (“CARI”) <sup>[7]</sup>	Investment holding	Panama	100.00	100.00
Dewey Limited (“Dewey”) <sup>[5] [8]</sup>	Mainly investment holding	Bermuda	100.00	100.00
<b>Held by CARI</b>				
Del Monte Philippines, Inc (“DMPI”) <sup>[1] [2]</sup>	Growing, processing and distribution of food products mainly under the brand name “Del Monte”	Philippines	88.00	100.00
South Bukidnon Fresh Trading Inc (“SBFTI”) <sup>[1]</sup>	Inactive	Philippines	100.00	100.00



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

#### 6. Investments in subsidiaries (cont'd)

Name of subsidiary	Principal activities	Place of incorporation and business	Effective equity held by the Group	
			30 April 2020 %	30 April 2019 %
<b>Held by DMPI</b> Philippines Packing Management Services Corporation <sup>[1] [2]</sup>	Management, logistics and support services	Philippines	88.00	100.00
Del Monte Txanton Distribution Inc ("DMTDI") <sup>[a] [1] [2]</sup>	Inactive	Philippines	32.00	40.00
<b>Held by Dewey</b> Dewey Sdn. Bhd. <sup>[4]</sup>	Owner of various trademarks	Malaysia	100.00	100.00
<b>Held by DMPLI</b> DMPL India Limited <sup>[10]</sup>	Investment holding	Mauritius	95.13	94.94
<b>Held by S&amp;W</b> S&W Japan Limited <sup>[8]</sup>	Support and marketing services for S&W	Japan	100.00	100.00
<b>Held by DMPLFL</b> Del Monte Foods Holdings Limited ("DMFHL") <sup>[1]</sup>	Investment holding	British Virgin Islands	89.43	89.43
<b>Held by DMFHL</b> Del Monte Foods Holdings II, Inc. ("DMFHII") <sup>[6]</sup>	Investment holding	State of Delaware, U.S.A.	89.43	89.43
<b>Held by DMFHII</b> Del Monte Foods Holdings Inc. ("DMFHI") <sup>[6]</sup>	Investment holding	State of Delaware, U.S.A.	89.43	89.43
<b>Held by DMFHI</b> Del Monte Foods, Inc. ("DMFI") <sup>[6]</sup>	Manufacturing, processing and distributing food, beverages and other related products	State of Delaware, U.S.A.	89.43	89.43
<b>Held by DMFI</b> Sager Creek Foods, Inc. (formerly Vegetable Acquisition Corp.) <sup>[6]</sup>	Real estate holding	State of Delaware, U.S.A.	89.43	89.43
Del Monte Andina C.A. <sup>[9]</sup>	Manufacturing, processing and distributing food, beverages and other related products	Venezuela	—	—



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

#### 6. Investments in subsidiaries (cont'd)

Name of subsidiary	Principal activities	Place of incorporation and business	Effective equity held by the Group	
			30 April 2020 %	30 April 2019 %
Del Monte Colombiana S.A. <sup>[4]</sup>	Manufacturing, processing and distributing food, beverages and other related products	Colombia	73.31	73.31
Industrias Citricolas de Montemorelos, S.A. de C.V. (ICMOSA) <sup>[4]</sup>	Manufacturing, processing and distributing food, beverages and other related products	Mexico	89.43	89.43
Del Monte Peru S.A.C. <sup>[8]</sup>	Distribution of food, beverages and other related products	Peru	89.43	89.43
Del Monte Ecuador DME C.A. <sup>[8]</sup>	Distribution of food, beverages and other related products	Ecuador	89.43	89.43
Hi-Continental Corp. <sup>[8]</sup>	Distributor of non-Del Monte products	State of California, U.S.A.	89.43	89.43
College Inn Foods <sup>[8]</sup>	Distributor of College Inn brand products	State of California, U.S.A.	89.43	89.43
Contadina Foods, Inc. <sup>[8]</sup>	Distributor of Contadina brand products	State of Delaware, U.S.A.	89.43	89.43
<b>Held by DMFI (cont'd)</b> S&W Fine Foods, Inc. <sup>[8]</sup>	Distributor of S&W Fine Foods, Inc,	State of Delaware, U.S.A.	89.43	89.43
Del Monte Ventures, LLC ("DM Ventures") <sup>[b]</sup>	Holding company	State of Delaware, U.S.A.	89.43	89.43
<b>Held by DM Ventures</b> Del Monte Avo, LLC <sup>[b]</sup>	Development, production, marketing, sale and distribution of UHP avocado products	State of Delaware, U.S.A.	45.61	45.61
Del Monte Chilled Fruit Snacks, LLC <sup>[b]</sup>	Development, production, marketing, sale and distribution of processed refrigerated fruit products	State of Delaware, U.S.A.	45.61	45.61
<b>Held by Del Monte Andina C.A.</b> Del Monte Argentina S.A. <sup>[9]</sup>	Inactive	Argentina	—	—





## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

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#### 6. Investments in subsidiaries (cont'd)

- (a) DMTDI is consolidated as the Group has de facto control over the entity. Even with less than the majority voting rights, the Group concluded that DMTDI is a subsidiary and that it has power to direct the relevant activities of DMTDI due to DMPI having majority seats in the Board through a shareholders agreement with the other shareholders of DMTDI. The key management personnel (i.e., President and Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and Treasurer and Corporate Secretary) of DMPI also serve in the same positions in DMTDI. In its special meeting held on 22 April 2019, DMTDI's BOD approved the dissolution and liquidation of DMTDI by shortening its corporate term. As at 30 April 2020, the application for the dissolution and liquidation is yet to be submitted with the SEC due to certain regulatory and documentary requirements.
- (b) The Group incorporated its subsidiary, Del Monte Ventures, LLC on 21 June 2017 which acquired interests in four joint venture entities which were all incorporated in the state of Delaware, USA. These joint ventures will pursue sales of expanded refrigerated offerings across all distribution and sales channels, and will establish a new retail food and beverage concept. These joint ventures will initially focus on the U.S. market, with the potential for expansion into other territories. These joint venture entities are in their pre-operating stages and have no material assets or liabilities as of 30 April 2020 and 2019.
- [1] Audited by SyCip Gorres Velayo & Co. ("SGV")
- [2] On 21 May 2020, CARL completed the sale of 12% stake in DMPI to Sea Diner. Conditions of the sale were already met as of 30 April 2020, as confirmed by both parties.
- [3] Audited by Ernst and Young LLP ("EY") Singapore.
- [4] Audited by Ernst & Young member firms in the respective countries.
- [5] On 30 April 2019, the BOD of CARL approved the transfer of its outstanding shares in Dewey, as well as all rights, title and interest attributed thereto, to DMPRL.
- [6] Not required to be audited in the country of incorporation. Audited by SGV for the purpose of group reporting.
- [7] Not required to be audited in the country of incorporation. Audited by Ernst and Young LLP, Singapore for the purpose of group reporting.
- [8] Not required to be audited in the country of incorporation.
- [9] Not required to be audited in the country of incorporation. The Venezuelan entity was deconsolidated in 2015. The Venezuelan exchange control regulations have resulted in an other-than-temporary lack of exchangeability between the Venezuelan Bolivar and US dollar. This has restricted the Venezuelan entity's ability to pay dividends and obligations denominated in US dollars. The exchange regulations, combined with other recent Venezuelan regulations, have constrained the Venezuelan entity's ability to maintain normal production. Due to the Group's inability to effectively control the operations of the Venezuelan entity, the Group deconsolidated its subsidiary effective February 2015. The equity interest in this entity is determined to be the cost of investment of the entity at the date of deconsolidation. The investment is carried at cost less impairment losses.
- [10] In December 2019, DMPLI invested an additional US\$1.5 million in DMPL India Limited, thereby increasing ownership to 95.13%

The Company regularly reassesses whether it controls an investee when facts and circumstances indicate that there are changes to one or more of the three elements of control listed in Note 4. The Company determined that it exercised control on all its subsidiaries as it has all elements of control.



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

#### 6. Investments in subsidiaries (cont'd)

##### *Source of estimation uncertainty*

When the subsidiary has suffered recurring operating losses, a test is made to assess whether the interests in subsidiary has suffered any impairment by determining the recoverable amount. This determination requires significant judgement and estimation. An estimate is made of the future profitability, cash flow, financial health and near-term business outlook of the subsidiary, including factors such as market demand and performance. The recoverable amount will differ from these estimates as a result of differences between assumptions used and actual operations.

#### 7. Investments in joint ventures

Name of joint venture	Principal activities	Place of incorporation and business	Effective equity held by the Group	
			30 April 2020 %	30 April 2019 %
FieldFresh Foods Private Limited ("FFPL") <sup>*[1]</sup>	Production and sale of fresh and processed fruits and vegetable food products	India	47.56	47.47
Nice Fruit Hong Kong Limited (NFHKL) <sup>#</sup>	Production and sale of frozen fruits and vegetable food products	Hong Kong	35.00	35.00

\* Audited by Deloitte Haskins & Sells, Gurgaon, India.

# Audited by Ernst and Young Hong Kong.

[1] In December 2019, DMPLI invested an additional US\$1.5 million in DMPL India Limited, who invested the same in FFPL.

The summarised financial information of a material joint venture, FFPL, not adjusted for the percentage ownership held by the Group, is as follows:

	Year ended April 2020 US\$'000	30 Year ended April 2019 US\$'000	30 Year ended April 2018 US\$'000
Revenue	74,178	76,597	76,588
Loss from continuing operations <sup>a</sup>	(4,243)	(222)	(630)
Other comprehensive income	—	—	—
<b>Total comprehensive loss</b>	<b>(4,243)</b>	<b>(222)</b>	<b>(630)</b>
<sup>a</sup> Includes:			
- depreciation	65	134	151
- interest expense	1,812	1,501	1,522
Noncurrent assets	12,528	13,475	14,657
Current assets	23,891	22,309	21,882
Noncurrent liabilities	(19,978)	(17,798)	(17,992)
Current liabilities	(13,908)	(13,910)	(13,684)
Net assets	2,533	4,076	4,863
Proportion of the Group's ownership including non-controlling interest	50%	50%	50%
Goodwill	1,267	2,038	2,432
Translation adjustment	20,000	20,000	20,000
Carrying amount of investment	22,855	23,446	23,557



# Del Monte Pacific Limited and its Subsidiaries

## Notes to the financial statements For the financial year ended 30 April 2020

### 7. Investments in joint ventures (cont'd)

The summarised financial information of a material joint venture, FFPL, not adjusted for the percentage ownership held by the Group, is as follows: (cont'd)

	Year ended 30 April 2020 US\$'000	Year ended 30 April 2019 US\$'000	Year ended 30 April 2018 US\$'000
<b>Carrying amount of interest in FFPL at beginning of the year</b>	23,446	23,557	23,872
Capital injection during the year	1,530	–	–
Group's share of:			
- loss from continuing operations	(2,121)	(111)	(315)
- other comprehensive income	–	–	–
total comprehensive loss	(2,121)	(111)	(315)
<b>Carrying amount of interest at end of the year</b>	<b>22,855</b>	<b>23,446</b>	<b>23,557</b>

The interest in the net assets of an immaterial joint venture, NFHKL, is as follows:

	Year ended 30 April 2020 US\$'000	Year ended 30 April 2019 US\$'000	Year ended 30 April 2018 US\$'000
<b>Carrying amount of interest in NFHKL at beginning of the year</b>	766	1,638	1,925
Capital injection during the year	–	–	950
Group's share of:			
- loss from continuing operations	(766)	(872)	(1,237)
- other comprehensive income	–	–	–
total comprehensive loss	(766)	(872)	(1,237)
<b>Carrying amount of interest at end of the year</b>	<b>–</b>	<b>766</b>	<b>1,638</b>

The summarised interest in joint ventures of the Group, is as follows:

	Year ended 30 April 2020 US\$'000	Year ended 30 April 2019 US\$'000	Year ended 30 April 2018 US\$'000
<b>Group's interest in joint ventures</b>			
FFPL	22,855	23,446	23,557
NFHKL	–	766	1,638
<b>Carrying amount of investments in joint ventures</b>	<b>22,855</b>	<b>24,212</b>	<b>25,195</b>



**7. Investments in joint ventures (cont'd)**

***Determination of joint control and the type of joint arrangement***

Joint control is presumed to exist when the investors contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Management has assessed that it has joint control in all joint arrangements.

The Group determines the classification of a joint venture depending upon the parties' rights and obligations arising from the arrangement in the normal course of business. When making an assessment, the Group considers the following:

- (a) the structure of the joint arrangement.
- (b) when the joint arrangement is structured through a separate vehicle:
  - i. the legal form of the separate vehicle;
  - ii. the terms of the contractual arrangement; and
  - iii. when relevant, other facts and circumstances.

The Group determined that its interests in FFPL and NFHKL are joint ventures as the arrangements are structured in a separate vehicle and that it has rights to the net assets of the arrangements. The terms of the contractual arrangements do not specify that the parties have rights to the assets and obligations for the liabilities relating to the arrangements.

***Source of estimation uncertainty***

When the joint venture has suffered recurring operating losses, a test is made to assess whether the investment in joint venture has suffered any impairment by determining the recoverable amount. This determination requires significant judgement and estimation. An estimate is made of the future profitability, cash flow, financial health and near-term business outlook of the joint venture, including factors such as market demand and performance. The recoverable amount will differ from these estimates as a result of differences between assumptions used and actual operations.

Since its acquisition, the Indian sub-continent trademark and the investment in FFPL were allocated to the Indian sub-continent cash-generating unit ("Indian sub-continent CGU"). The recoverable amount of Indian sub-continent CGU was estimated using the discounted cash flows based on five-year cash flow projections.



**7. Investments in joint ventures (cont'd)**

***Key assumptions used in discounted cash flow projection calculations***

Key assumptions used in the calculation of recoverable amounts are discount rates, revenue growth rates, earnings before interest, taxes, depreciation and amortisation (EBITDA) margin and terminal value growth rate. The values assigned to the key assumptions represented management's assessment of future trends in the industries and were based on both external and internal sources.

	<b>30 April 2020 %</b>	<b>30 April 2019 %</b>
Pre-tax discount rate	12.7	13.8
Revenue growth rate	(15.0) – 34.0	19.0 – 21.0
EBITDA margin	2.7 – 9.5	4.9 – 13.0
Long-term EBITDA margin	9.5	12.8
Terminal value growth rate	5.0	5.0

In fiscal year 2020, discount rate is a pre-tax measure estimated based on past experience, and industry average weighted average cost of capital, which is based on a rate of debt leveraging rate of 47.24% in 2020 (2019: 14.3%), at a market interest rate of 9.3% in 2020 (2019: 9.7%).

Revenue growth rate is expressed as compound annual growth rates in the initial five years of the plan. In the first year of the business plan, revenue growth rate was projected at -15% (2019: 32%) based on the near-term business plan and market demand. The annual revenue growth included in the cash flow projections for four years was projected at the growth rate based on the historical growth in volume and prices and industry growth.

A long-term growth rate into perpetuity has been determined based on management's estimate of the long-term compound annual growth rate in the Indian economy which management believed was consistent with the assumption that a market participant would make.

EBITDA margin has been a factor of the revenue forecast based on business plan and market demand coupled with the cost saving initiatives.



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

#### 7. Investments in joint ventures (cont'd)

##### *Sensitivity to changes in assumptions*

The estimated recoverable amount exceeds its carrying amount of interest in joint venture and trademark and accordingly no impairment loss is recorded.

Management has identified that a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

Group	Change required for carrying amount to equal the recoverable amount	
	31 March 2020	31 March 2019
	%	%
Discount rate	12.8	6.8
Revenue growth rate	5.0	5.0

#### 8. Intangible assets and goodwill

	Note	Goodwill US\$'000	Indefinite life trademarks US\$'000	Amortisable trademarks US\$'000	Customer relationships US\$'000	Total US\$'000
<b>Cost</b>						
At 1 May 2019 / 30 April 2020		203,432	408,043	24,180	107,000	742,655
At 1 May 2018/ 30 April 2019		203,432	408,043	24,180	107,000	742,655
<b>Accumulated amortisation</b>						
At 1 May 2019		—	—	6,919	27,739	34,658
Amortisation	26	—	—	1,300	5,350	6,650
At 30 April 2020		—	—	8,219	33,089	41,308
At 1 May 2018		—	—	5,616	22,388	28,004
Amortisation	26	—	—	1,303	5,351	6,654
At 30 April 2019		—	—	6,919	27,739	34,658
<b>Carrying amounts</b>						
At 30 April 2020		203,432	408,043	15,961	73,911	701,347
At 30 April 2019		203,432	408,043	17,261	79,261	707,997



## **Del Monte Pacific Limited and its Subsidiaries**

### **Notes to the financial statements For the financial year ended 30 April 2020**

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#### **8. Intangible assets and goodwill (cont'd)**

##### ***Goodwill***

Goodwill arising from the acquisition of Consumer Food Business was allocated to DMFI and its subsidiaries, which is considered as one CGU.

##### ***Indefinite life trademarks***

Management has assessed the following trademarks as having indefinite useful lives as the Group has exclusive access to the use of these trademarks. These trademarks are expected to be used indefinitely by the Group as they relate to continuing businesses that have a proven track record with stable cash flows.

##### **America trademarks**

The indefinite life trademarks of US\$394 million arising from the acquisition of Consumer Food Business relate to those of DMFI for the use of the “Del Monte” trademarks in the United States and South America market, and the “College Inn” trademark in the United States, Australia, Canada and Mexico.

##### **The Philippines trademarks**

A subsidiary, Dewey Sdn Bhd, owns the “Del Monte” and “Today’s” trademarks for use in connection with processed foods in the Philippines (“The Philippines trademarks”) with carrying value amounting to US\$1.8 million.

##### **Indian sub-continent and Myanmar trademarks**

In November 1996, a subsidiary, DMPRL, entered into an agreement with an affiliated company to acquire the exclusive right to use the “Del Monte” trademarks in the Indian sub-continent territories and Myanmar in connection with the production, manufacture, sale and distribution of food products and the right to grant sub-licenses to others (“Indian sub-continent trademark”). In 2007, the Company acquired shares in FFPL and caused the licensing of trademarks to FFPL to market its products under the “Del Monte” brand in India. These trademarks have a carrying value of US\$4.1 million.

##### **S&W trademarks**

In November 2007, a subsidiary, S&W, entered into an agreement with Del Monte Corporation to acquire the “S&W” trademarks in certain countries in Asia (excluding Australia and New Zealand and including the Middle East), Western Europe and Eastern Europe for a total consideration of US\$10.0 million. The trademark has a carrying value of US\$8.2 million.

##### **Impairment test**

Management has performed impairment testing for all indefinite life trademarks and concluded that no impairment exist at the reporting date.



8. Intangible assets and goodwill (cont'd)

**Philippines trademarks**

In 2020 and 2019, the recoverable amounts of these intangible assets were based on fair value less cost of disposal using the Relief from Royalty method (RFR). The key assumptions used in the estimation of the fair value less cost of disposal are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and were based on historical data from both external and internal sources.

	2020	2019
	%	%
Royalty rate	3.0	3.0
Discount rate	9.6	13.9
Revenue growth rate	8.0	5.0

The discount rate was a pre-tax measure estimated based on the historical industry average weighted-average cost of capital.

The cash flow projections included specific estimates for five years.

Revenue growth was projected taking into account the average growth levels experienced over the past five years and estimated sales volume and price growth for the next five years. It was assumed that sales price would increase in line with forecast inflation over the next five years.

**Asia S&W trademark**

In 2020 and 2019, the recoverable amount was based on fair value less cost of disposal using the RFR method. The key assumptions used in the estimation of the fair value less cost of disposal are set out below.

	2020	2019
	%	%
Royalty rate	3.0	3.0
Revenue growth rate	4.0	14.0
Discount rate	12.4	16.2

**Indian sub-continent trademark**

The Indian sub-continent trademark and the investment in FFPL were allocated to Indian sub-continent CGU (see Note 7).





8. Intangible assets and goodwill (cont'd)

**America trademarks and Goodwill**

In 2020 and 2019, the recoverable amount of the CGU was based on VIU being greater than the fair value less costs of disposal:

	30 April 2020 US\$'000	30 April 2019 US\$'000
Value-in-use	3,250,000	2,650,000
Fair value less costs of disposal – income approach	3,190,000	2,600,000
Recoverable amount	<u>3,250,000</u>	<u>2,650,000</u>

The Americas trademarks were also included in the CGU used in the goodwill impairment testing.

As of valuation date in January 2020 and 2019, the estimated recoverable amount of the CGU exceeded its carrying amount by approximately US\$1,951.2 million and US\$1,174.3 million, respectively. Therefore, the CGU is not impaired.

**VIU**

The VIU is the present value of expected cash flows, discounted at a risk-adjusted weighted average cost of capital.

The key assumptions used in the estimation of the recoverable amount using the VIU approach are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and were based on historical data from both external and internal sources.

	2020	2019
	%	%
Pre-tax discount rate	8.0	8.6
Terminal value growth rate	2.0	2.0
Long-term EBITDA margin	12.6	11.9
Revenue growth rate	0.9 – 6.0	(14.3) – 6.2
Gross margin	22.1 – 24.1	14.3 – 25.4

The discount rate was a pre-tax measure estimated based on the historical industry average weighted-average cost of capital, with a possible range of debt leveraging of 60% as at 30 April 2020 (2019: 72%) at a risk free interest rate of 3.0% as of 30 April 2020 (2019: 3.5%).

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term compound annual EBITDA growth rate consistent with the assumption that a market participant would make.



**8. Intangible assets and goodwill (cont'd)**

**America trademarks and Goodwill (cont'd)**

Budgeted EBITDA was estimated taking into account past experience adjusted as follows:

Revenue growth was projected taking into account the average growth levels experienced over the past five years and estimated sales volume and price growth for the next five years. It was assumed that sales price would increase in line with forecast inflation over the next five years. The amounts are probability-weighted.

*Fair value less costs of disposal*

Fair value less costs of disposal is determined using the Income Approach, which indicates value based on the present value of the cash flows that a business is expected to generate in the future.

The Discounted Cash Flow Method was used in applying the Income Approach. The Discounted Cash Flow Method estimates the value of a business or an asset by combining the projected annual cash flows available to all capital holders in the business (i.e., debt and equity investors) for a discrete period with the residual value of the cash flows, grown into perpetuity at an estimated long-term growth rate, adjusted for the cost of disposal. Additionally, other adjustments may be warranted to reflect specific characteristics of the valuation subject. Accuracy of the indicated results depends on the reasonableness of the underlying cash flow projections.

The approach involves the use of both observable inputs and unobservable inputs (e.g., projected revenue and EBITDA). Accordingly, the fair value measurement is categorised under level 3 of the fair value hierarchy.

Fair value less costs of disposal is also determined using the market approach, which makes use of prices and other relevant information generated by market transactions involving similar companies.

The Market Comparable Method was used in applying the Market Approach, making use of market price data of companies engaged in the same or similar line of business as that of DMFI and its subsidiaries. Stocks of these companies are traded in a free and open market or in private transactions. The process involves the identification of comparable companies, calculation and application of market multiples representing ratios of invested capital or equity to financial measures of DMFI and its subsidiaries, application of an appropriate control premium to the companies being compared, and adjustment for any non-operating assets or liabilities or working capital excess/deficit to arrive at an indication of Business Enterprise Value.

The approach involves the use of both observable inputs and unobservable inputs (e.g., projected revenue and EBITDA, and adjusted market multiples). Accordingly, the fair value measurement is categorised under level 3 of the fair value hierarchy.



8. Intangible assets and goodwill (cont'd)

**America trademarks and Goodwill (cont'd)**

Comparable companies were selected from comprehensive lists and directories of public companies in the packaged foods industry. Potential comparable companies were analysed based on various factors, including, but not limited to, industry similarity, financial risk, company size, geographic diversification, profitability, growth characteristics, financial data availability, and active trading volume. The following comparable companies were selected:

- B&G Foods Inc.
- Campbell Soup Company
- Conagra Brands, Inc.
- General Mills, Inc.
- Hormel Foods Corporation
- Seneca Foods Corp.
- Treehouse Foods, Inc.

Calculation of the market multiples considered Market Value of Invested Capital (MVIC), the sum of the market values of a comparable company's common stock, interest-bearing debt and preferred stock, assuming that the book value of the comparable companies' debt approximated the market value of the debt. Adjustments to the market multiples were made to reflect the difference between the estimated size of DMFI and its subsidiaries and each comparable company, improving comparability based on relative size difference prospects. Relative size adjustment factors were calculated based on a regression of a Price / Earnings ratio using size as an independent variable. The market multiples selected and applied to the DMFI and its subsidiaries' financial results in the analysis were as follows:

	2020		2019	
	Selected multiple	Assigned weight	Selected multiple	Assigned weight
MVIC/Revenue – Last twelve months	2.1x	33%	1.5x	33%
MVIC/Revenue – Projected	2.0x	33%	2.0x	33%
MVIC/EBITDA – Last twelve months	14.5x	0%	15.2x	0%
MVIC/EBITDA – Projected	13.3x	33%	11.8x	33%

***Sensitivity analysis***

Management has identified that a reasonably possible change in the discount rate or long-term margin could cause the carrying amount to exceed the recoverable amount. The following table shows the amount to which these would need to change independently for the estimated recoverable amount of the DMFI CGU to be equal to its carrying amount.

	Breakeven Multiple	
	2020	2019
MVIC/Revenue – Last twelve months	0.6x	0.8x
MVIC/Revenue – Projected	0.5x	0.7x
MVIC/EBITDA – Last twelve months	9.0x	14.7x
MVIC/EBITDA – Projected	4.5x	7.9x



8. Intangible assets and goodwill (cont'd)

**America trademarks and Goodwill (cont'd)**

The following table shows the amount to which the discount rate, and long-term EBITDA margin would need to change independently for the estimated recoverable amount of the DMFI CGU to be equal to its carrying amount.

	2020	2019
	%	%
Discount rate	15.7	11.8
Long-term EBITDA margin	4.4	6.5

**Source of estimation uncertainty**

Goodwill and the indefinite life trademarks are assessed for impairment annually. The impairment assessment requires an estimation of the VIU and fair value less costs of disposal of the CGU to which the goodwill and indefinite life trademarks are allocated.

Estimating the VIU requires the Group to make an estimate of the expected future cash flows from the CGU and apply an appropriate discount rate in order to calculate the present value of those cash flows. Actual cash flows will differ from these estimates as a result of differences between assumptions used and actual operations.

Estimating fair value less costs of disposal requires the use of estimates and assumptions. The estimated fair value would change depending on the assumptions used, such as the discount rate and long-term margin.

**Amortisable trademarks and customer relationship**

	Net carrying amount		Remaining amortisation period (years)	
	30 April 2020	30 April 2019	2020	2019
	US\$'000	US\$'000		
Asia S&W trademark	—	—	—	—
America S&W trademark	762	963	3.8	4.8
America Contadina trademark	15,199	16,298	13.8	14.8
	15,961	17,261		

**Asia S&W trademark**

The amortisable trademark pertains to "Label Development" trademark. As at 30 April 2020 and 2019, the trademark has been fully amortised.



**8. Intangible assets and goodwill (cont'd)**

**America trademarks**

The amortisable trademarks relate to the exclusive right to use of the "S&W" trademark in the United States, Canada, Mexico and certain countries in Central and South America and "Contadina" trademark in the United States, Canada, Mexico South Africa and certain countries in Asia Pacific, Central America, Europe, Middle East and South America market.

Management has included these trademarks in the CGU impairment assessment and concluded that no impairment exists at the reporting date.

**Customer relationships**

Customer relationships relate to the network of customers where DMFI has established relationships with the customers, particularly in the United States market through contracts. The Sager Creek customer relationships were included in the sale of certain assets of Sager Creek in September 2017.

	<b>30 April 2020</b>	<b>30 April 2019</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Net carrying amount	73,911	79,261
Remaining amortisation period	13.8	14.8

Management has included the customer relationships in the CGU impairment assessment and concluded no impairment exists at the reporting date.

***Source of estimation uncertainty***

The Group estimates the useful lives of its amortisable trademarks and customer relationships based on the period over which the assets are expected to be available for use. The estimated useful lives of the trademarks and customer relationships are reviewed periodically and are updated if expectations differ from previous estimates due to legal or other limits on the use of the assets. A reduction in the estimated useful lives of amortisable trademarks and customer relationships would increase recorded amortisation expense and decrease noncurrent assets.



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

#### 9. Deferred tax

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

Deferred tax assets and liabilities of the Group are attributable to the following:

	Assets		Liabilities	
	30 April 2020 US\$'000	30 April 2019 US\$'000	30 April 2020 US\$'000	30 April 2019 US\$'000
<b>Group</b>				
Provisions	8,257	4,928	—	—
Employee benefits	28,816	24,043	—	—
Property, plant and equipment - net	—	—	(19,813)	(24,480)
Intangible assets and goodwill	—	—	(69,094)	(63,072)
Effective portion of changes in fair value of cash flow hedges	2,162	890	—	—
Tax loss carry-forwards	160,414	146,586	—	—
Inventories	876	1,812	—	—
Biological assets	—	—	(1,841)	(1,053)
Deferred income	—	—	(5,455)	(11,456)
Interest	23,139	14,415	—	—
Undistributed profits from subsidiaries	—	—	(7,514)	—
Charitable contributions	3,856	3,218	—	—
Plant closure costs	309	—	—	—
Others	8,415	4,086	—	—
Deferred tax assets (liabilities)	236,244	199,978	(103,717)	(100,061)
Set off of tax	(91,270)	(93,657)	91,270	93,657
<b>Deferred Taxes</b>	<b>144,974</b>	<b>106,321</b>	<b>(12,447)</b>	<b>(6,404)</b>

Movements in deferred tax assets and deferred tax liabilities of the Group during the year are as follows:

	At 1 May 2019 US\$'000	Recognised in profit or loss US\$'000	Recognised in other comprehen- sive income US\$'000	Change in accounting policy	Currency realignment US\$'000	At 30 April 2020 US\$'000
<b>30 April 2020</b>						
Provisions	4,928	2,200	—	1,697	(568)	8,257
Employee benefits	24,043	(1,991)	6,113	—	651	28,816
Property, plant and equipment - net	(24,480)	5,946	(1,220)	—	(59)	(19,813)
Intangible assets and goodwill	(63,072)	(6,022)	—	—	—	(69,094)
Effective portion of changes in fair value of cash flow hedges	890	1,508	(236)	—	—	2,162
Tax loss carry-forwards	146,586	13,828	—	—	—	160,414
Inventories	1,812	(1,040)	—	—	104	876
Biological assets	(1,053)	(609)	—	—	(179)	(1,841)
Deferred income	(11,456)	6,001	—	—	—	(5,455)
Interest	14,415	8,724	—	—	—	23,139
Undistributed profits from subsidiaries	—	(7,514)	—	—	—	(7,514)
Charitable contributions	3,218	638	—	—	—	3,856
Accrued plant closure costs	—	309	—	—	—	309
Others	4,086	4,270	—	—	59	8,415
	<b>99,917</b>	<b>26,248</b>	<b>4,657</b>	<b>1,697</b>	<b>8</b>	<b>132,527</b>



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

#### 9. Deferred tax (cont'd)

	At 1 May 2018 US\$'000	Recognised in profit or loss US\$'00	Recognised in other comprehen- sive income US\$'00	Change in accounting policy	Currency realignment US\$'000	At 30 April 2019 US\$'000
<b>30 April 2019</b>						
Provisions	3,291	400	—	—	1,237	4,928
Employee benefits	23,348	(431)	2,127	—	(1,001)	24,043
Property, plant and equipment - net	(26,227)	1,746	—	—	1	(24,480)
Intangible assets and goodwill	(50,944)	(12,128)	—	—	—	(63,072)
Effective portion of changes in fair value of cash flow hedges	1,166	(163)	(113)	—	—	890
Tax loss carry-forwards	127,780	18,806	—	—	—	146,586
Inventories	2,547	334	—	—	(1,069)	1,812
Biological assets	(2,390)	—	—	—	1,337	(1,053)
Deferred income	(8,562)	(2,894)	—	—	—	(11,456)
Interest	—	14,415	—	—	—	14,415
Charitable contributions	2,462	756	—	—	—	3,218
Others	230	4,404	—	—	(548)	4,086
	<u>72,701</u>	<u>25,245</u>	<u>2,014</u>	<u>—</u>	<u>(43)</u>	<u>99,917</u>

As at 30 April 2020, the Group recognized deferred tax liability related to undistributed profit of a subsidiary amounting to US\$7.5 million (2019: nil).

#### **Unrecognised deferred tax assets**

The following deferred tax assets have not been recognised as of 30 April 2020 and 2019:

	30 April 2020 US\$'000	30 April 2019 US\$'000
Deductible temporary differences	9,516	5,024
Tax losses and tax credits	422	481
	<u>9,938</u>	<u>5,505</u>

The tax losses will expire in 2021. The tax credits will expire between 2024 and 2028. Deferred tax assets have not been recognised with respect to these items because it is not probable that future taxable profits will be available to utilise the benefits.

#### **Sources of estimation uncertainty**

As of 30 April 2020, deferred tax assets amounting to US\$160.4 million (2019: US\$146.6 million) have been recognised in respect of the tax loss carry forwards because management assessed that it is probable that future taxable profit will be available against which the Group can utilise these benefits. Management expects profitable growth coming from revenue strategies and cost efficiencies in the future. To the extent that profitable growth does not materialise in the future periods, deferred tax assets as at 30 April 2020 may not be realised. The majority of the tax loss for 30 April 2020 and 2019 can be carried forward indefinitely and tax loss carry forwards prior to 30 April 2019 may be utilised up to a 20-year period.



# Del Monte Pacific Limited and its Subsidiaries

## Notes to the financial statements For the financial year ended 30 April 2020

### 10. Other noncurrent assets

		Group	
	Note	30 April 2020 US\$'000	30 April 2019 US\$'000
Advance rentals and deposits		15,538	7,116
Advances to growers		6,081	12,861
Excess insurance		5,144	5,514
Land expansion (development cost of acquired lease areas)		3,863	8,230
Advances to suppliers		1,730	2,526
Note receivables	33, 34, 35	1,141	4,038
Prepayments		160	631
Others		1,280	706
		<u>34,937</u>	<u>41,622</u>

Advances to growers and advance rentals and deposits consists a) noninterest-bearing cash and other advances to growers and landowners which are collected against delivery of fruits or minimum guaranteed profits of the growers or against payment of rentals to landowners, and b) security deposits made to Nutri-Asia, Inc. in connection with the Group's intention to avail of the additional production capacity under the toll manufacturing agreement. The security deposit will be returned when tolling agreement for the additional capacity is finalised or in the event that the additional capacity does not materialize.

Excess insurance relates mainly to reimbursements from insurers to cover certain workers' compensation claims liabilities (see Note 20).

Advances to suppliers represents advance payments made on capital projects. A reclassification was made into this account in fiscal year 2019 amounting to US\$2.5 million from "Down payment to suppliers" presented under "Prepaid and other current assets" (see Note 14), due to the noncurrent nature of the accounts.

Land expansion comprises development costs of newly acquired leased areas including costs such as creation of access roads, construction of bridges and clearing costs. These costs are amortised on a straight-line basis over the lease periods of 10 years or lease term, whichever is shorter.

As at 30 April 2020 and 2019, note receivables of US\$1.0 million relates to the sale of certain assets of Plymouth (see Note 5).

As at 30 April 2019, the note receivables include a receivable relating to the sale of certain assets of Sager Creek which is payable in three years until December 2020 (see Note 16). The note receivables are payable in four instalment bearing interest of 3.50% per annum for the first instalment and 5.22% from the second instalment up to the final instalment. Remaining note receivables as at 30 April 2020 amounted to US\$2.8 million (2019: US\$7.7 million), the current portion of US\$2.8 million as at 30 April 2020 (2019: US\$5.4 million), is presented under "Trade and other receivables (see Note 13).





**Del Monte Pacific Limited and its Subsidiaries**

**Notes to the financial statements**  
**For the financial year ended 30 April 2020**

**11. Biological assets**

	<b>Group</b>	
	<b>30 April 2020 US\$'000</b>	<b>30 April 2019 US\$'000</b>
<b>Livestock</b>		
At beginning of the year	1,682	1,629
Purchases of livestock	1,142	990
Sales of livestock	(755)	(927)
Currency realignment	49	(10)
At end of the year	<u>2,118</u>	<u>1,682</u>

	<b>Group</b>	
	<b>30 April 2020 US\$'000</b>	<b>30 April 2019 US\$'000</b>
<b>Agricultural produce</b>		
At beginning of the year	26,421	23,473
Additions	9,915	11,755
Harvested	(11,068)	(8,674)
Currency realignment	698	(133)
At end of the year	<u>25,966</u>	<u>26,421</u>
Fair value gain on produce prior to harvest	35,194	25,899
At end of the year	<u>61,160</u>	<u>52,320</u>

	<b>Group</b>	
	<b>30 April 2020 US\$'000</b>	<b>30 April 2019 US\$'000</b>
Current	61,160	52,320
Noncurrent	2,118	1,682
<b>Total</b>	<u>63,278</u>	<u>54,002</u>

		<b>Group</b>	
	<b>Note</b>	<b>30 April 2020 US\$'000</b>	<b>30 April 2019 US\$'000</b>
Fair value gain recognised under:			
Inventories	35	3,657	6,016
Cost of sales	26	45,510	39,002
Unharvested agricultural produce		8,397	7,409
Fair value gain recognised under revenues		<u>57,564</u>	<u>52,427</u>

The changes in fair values of the Group's biological assets are recorded as part of revenues (see Note 25).



**11. Biological assets (cont'd)**

*Livestock*

Livestock comprises growing herd and breeding and dairy herd that are stated at cost and cattle for slaughter that is stated at fair value less point-of-sale costs. The fair value is determined based on the actual selling prices approximating those at year end less estimated point-of-sale costs.

*Risk Management strategy related to agricultural activities*

The Group is exposed to risks arising from changes in cost and volume of fruits harvested from the growing crops which is influenced by natural phenomenon such as weather patterns, volume of rainfall and field performance. The cost of growing crops is also exposed to the change in cost and supply of agricultural supplies and labor which are determined by constantly changing market forces of supply and demand.

The Group is subject to risk relating to its ability to maintain the physical condition of its fruit crops. Plant diseases could adversely impact production and consumer confidence, which impact sales.

The Group secures favorable harvest of pineapples and other agricultural produce from biological assets by continuously assessing factors that could affect harvest and responding to them on a timely manner. The Group is equipped with necessary technical manpower, farm inputs, such as fertilizer, chemicals and equipment to respond to any changes brought about by the factors as mentioned above.

The Group is subject to laws and regulations in the Philippines where it operates its agricultural activities. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws.

***Source of estimation uncertainty***

The fair values of the harvested pineapple fruits are based on the most reliable estimate of selling prices, in both local and international markets at the point of harvest, as determined by the Group. For the pineapple variety being sold as fresh fruits, the market price is based on the selling price of fresh fruits as sold in the local and international markets. For the pineapple variety being processed as cased goods, the market price is derived from average sales price of the processed product adjusted for margin related to further processing. Changes in fair values of agricultural produce after initial recognition are included in the carrying amount of cased goods at the reporting date.

The fair values of the growing pineapple crops are based on the most reliable estimate of market prices, in both local and international markets at the point of harvest, as determined by the Group. Fair value is initially recognised when the pineapple fruit develops when the bearer plant has reached maturity to bear fruit. The fair value is approximated by the estimated selling price at point of harvest less future growing costs to be incurred until harvest. Such future growing costs decreases as the growing crops near the point of harvest.

Bearer plants are stated at cost which comprises actual costs incurred in nurturing the crops reduced by the equivalent amortisation of fruits harvested which considers the future volume of harvests. Estimated harvest is affected by natural phenomenon such as weather patterns and volume of rainfall. Field performance and market demand also affect the level of estimated harvests. The estimated cost is developed by allocating growing costs for the estimated growth cycle of two to three years over the estimated harvests to be made during the life cycle of the plant crops. The Group reviews and monitors the estimated future volume of harvests regularly.



**Notes to the financial statements**  
**For the financial year ended 30 April 2020**

**11. Biological assets (cont'd)**

The valuation techniques and significant unobservable inputs used in determining the fair value of these biological assets are discussed in Note 35.

**12. Inventories**

	<b>Group</b>	
	<b>30 April 2020 US\$'000</b>	<b>30 April 2019 US\$'000</b>
Finished goods		
- at cost	287,838	402,247
- at net realisable value	19,909	32,154
Semi-finished goods		
- at cost	62,431	62,337
- at net realisable value	11,883	20,656
Raw materials and packaging supplies		
- at cost	98,264	147,528
- at net realisable value	2,138	–
	<b>482,463</b>	<b>664,922</b>

Inventories recognised as an expense in cost of sales amounted to US\$1,201.0 million for the year ended 30 April 2020 (2019: US\$1,101.1 million) (see Note 26).

Inventories are stated after allowance for inventory obsolescence. Movements in the allowance for inventory obsolescence during the year are as follows:

		<b>Group</b>	
	<b>Note</b>	<b>30 April 2020 US\$'000</b>	<b>30 April 2019 US\$'000</b>
At beginning of the year		10,527	26,616
Allowance for the year	26	9,649	19,245
Write-off against allowance		(8,152)	(35,855)
Currency realignment		2,844	521
At end of the year		<b>14,868</b>	<b>10,527</b>

**Source of estimation uncertainty**

The Group recognises allowance on inventory obsolescence when inventory items are identified as obsolete. Obsolescence is based on the physical and internal condition of inventory items. Obsolescence is also established when inventory items are no longer marketable. Obsolete goods when identified are charged to income statement and are written off. In addition to an allowance for specifically identified obsolete inventory, estimation is made on a group basis based on the age of the inventory items. The Group believes such estimates represent a fair charge of the level of inventory obsolescence in a given year. The Group reviews on a monthly basis the condition of its inventory. The assessment of the condition of the inventory either increases or decreases the expenses or total inventory.



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

#### 12. Inventories (cont'd)

##### *Source of estimation uncertainty (cont'd)*

Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made of the amount the inventories expected to be realised. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after reporting date to the extent that such events confirm conditions existing at the reporting date.

The Group reviews on a continuous basis the product movement, changes in customer demands and introductions of new products to identify inventories which are to be written down to the net realisable values. The write-down of inventories is reviewed periodically to reflect the accurate valuation in the financial records. An increase in write-down of inventories would increase the recorded cost of sales and operating expenses and decrease current assets.

#### 13. Trade and other receivables

		Group		Company	
		30 April 2020 US\$'000	30 April 2019 US\$'000	30 April 2020 US\$'000	30 April 2019 US\$'000
Trade receivables		175,794	132,934	—	—
Nontrade receivables		156,790	25,893	62	32
Amounts due from subsidiaries (nontrade)	38	—	—	92,607	635
Amounts due from joint venture (nontrade)		—	—	2,462	2,520
Allowance for expected credit loss - trade		(4,975)	(5,158)	—	—
Allowance for expected credit loss - nontrade		(4,544)	(4,615)	—	—
Trade and other receivables		<u>323,065</u>	<u>149,054</u>	<u>95,131</u>	<u>3,187</u>

The amounts due from subsidiaries and joint venture are unsecured, interest-free and repayable on demand. There is no allowance for doubtful debts arising from these outstanding balances.

Nontrade receivables consist of vendor rebates, plant receivables, claims from third party service providers, advances to growers, which are claimed upon delivery of fruits, and fuel withdrawals applied against truckers' bills when due.

Nontrade receivables includes of the current portion of the notes receivable from sale of Sager Creek assets amounting to US\$2.8 million and US\$5.4 million as at 30 April 2020 and 2019, respectively (see Note 10).

Nontrade receivables also includes the consideration for the sale of 12% ownership interest in DMPI amounting to US\$120.0 million (see Note 6).



# Del Monte Pacific Limited and its Subsidiaries

## Notes to the financial statements For the financial year ended 30 April 2020

### 13. Trade and other receivables (cont'd)

The aging of trade and nontrade receivables at the reporting date is:

At 30 April 2020	Group		ECL allowance	
	Gross Trade US\$'000	Gross Nontrade US\$'000	Trade US\$'000	Nontrade US\$'000
Not past due	126,137	138,412	—	—
Past due 0 - 60 days	31,097	4,420	—	—
Past due 61 - 90 days	2,994	492	—	—
Past due 91 - 120 days	1,764	576	—	—
More than 120 days	13,802	12,890	(4,975)	(4,544)
	<u>175,794</u>	<u>156,790</u>	<u>(4,975)</u>	<u>(4,544)</u>

At 30 April 2019	Group		ECL allowance	
	Gross Trade US\$'000	Gross Nontrade US\$'000	Trade US\$'000	Nontrade US\$'000
Not past due	80,706	16,831	—	—
Past due 0 - 60 days	26,033	867	—	—
Past due 61 - 90 days	1,232	523	—	—
Past due 91 - 120 days	5,935	482	—	—
More than 120 days	19,028	7,190	(5,158)	(4,615)
	<u>132,934</u>	<u>25,893</u>	<u>(5,158)</u>	<u>(4,615)</u>

The recorded allowance for expected credit loss falls within the Group's historical experience in the collection of trade and other receivables. Therefore, management believes that there is no significant additional credit risk beyond what has been recorded.

As at 30 April 2020 and 2019, the total receivables of the Company were neither past due nor impaired.

Movements in allowance for expected credit loss during the year are as follows:

	Note	Group		Total US\$'000
		Trade US\$'000	Nontrade US\$'000	
At 1 May 2019		5,158	4,615	9,773
Allowance for the year	26	9	—	9
Reversal for the year	26	(213)	(88)	(301)
Currency realignment		21	17	38
At 30 April 2020		<u>4,975</u>	<u>4,544</u>	<u>9,519</u>

	Note	Group		Total US\$'000
		Trade US\$'000	Nontrade US\$'000	
At 1 May 2018		2,440	4,543	6,983
Allowance for the year	26	2,574	72	2,646
Currency realignment		144	—	144
At 30 April 2019		<u>5,158</u>	<u>4,615</u>	<u>9,773</u>



13. Trade and other receivables (cont'd)

**Source of estimation uncertainty**

The Group maintains an allowance for impairment of accounts receivables at a level considered adequate to provide for potential uncollectible receivables based on the applicable ECL methodology. The level of this allowance is evaluated by the Group on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Group's relationship with debtors, their payment behaviour and known market factors. The Group reviews the age and status of receivables, and identifies accounts that are to be provided with allowance on a continuous basis. Additionally, allowance is also determined, through a provision matrix based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The amount and timing of recorded expenses for any period would differ if the Group made different judgement or utilised different estimates. An increase in the Group's allowance for impairment would increase the Group's recorded operating expenses and decrease current assets.

14. Prepaid expenses and other current assets

Note	Group		Company	
	30 April 2020	30 April 2019	30 April 2020	30 April 2019
	US\$'000	US\$'000	US\$'000	US\$'000
Prepaid consultancy fees	31,324	—	—	—
Prepaid expenses	29,586	30,046	132	150
Down payment to suppliers	4,136	2,395	—	—
Derivative asset	57	64	—	—
Others	2,609	1,685	48	42
	<u>67,712</u>	<u>34,190</u>	<u>180</u>	<u>192</u>

Prepaid expenses consist of advance payments for insurance, advertising, rent and taxes, among others.

Prepaid consultancy fees consist of transaction costs directly attributable to the bond issuance in May 2020 (see Note 41). These will be subsequently reclassified to debt issuance costs under "Loans and borrowings" upon recognition of the loan.

Down payment to suppliers pertain to advance payments for the purchase of materials and supplies that will be used for operations. A reclassification was made from this account to "Advances to suppliers" under "Other noncurrent assets" (see Note 10) in fiscal year 2019 amounting to US\$2.5 million due to the noncurrent nature of the accounts.



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

#### 15. Cash and cash equivalents

	Group 30 April 2020 US\$'000	30 April 2019 US\$'000	Company 30 April 2020 US\$'000	30 April 2019 US\$'000
Cash on hand	61	41	—	—
Cash in banks	33,087	17,231	766	886
Cash equivalents	317	4,364	—	—
Cash and cash equivalents	<u>33,465</u>	<u>21,636</u>	<u>766</u>	<u>886</u>

Certain cash in bank accounts earn interest at floating rates based on daily bank deposit rates ranging from 0.01% to 0.50% per annum in 2020 (2019: 0.01% to 0.50%). Cash equivalents are short-term placements which are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest rate of 0.69% to 4.44% as of 30 April 2020 (30 April 2019: 0.18% to 6.50%) per annum.

#### 16. Noncurrent assets held for sale

The Group classifies noncurrent assets as held-for-sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. The criteria are reviewed periodically if still met, otherwise revert back to property, plant and equipment.

In 2018, management committed to a plan to sell certain assets of the Group's Plymouth, Indiana plant and an office building in Siloam Springs, Arkansas. The majority of these assets have been sold during fiscal year 2019.

In 2019, management committed to a plan to sell certain assets of the Group's Gilroy, California and Kenwood, Arkansas plants. Accordingly, these assets were presented as assets held for sale. As of 30 April 2019, these assets comprised the following:

	US\$'000
Freehold land	1,467
Building and machinery	<u>2,998</u>
	<u>4,465</u>

As of 30 April 2020, the Kenwood warehouse has been sold, while the Gilroy assets have been reclassified as "Property, plant, and equipment" in the consolidated statements of financial position. There are no assets held for sale as of 30 April 2020.



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

#### 16. Noncurrent assets held for sale (cont'd)

##### Sale of business

##### *Sager Creek*

On 18 September 2017, the Group entered into an agreement with McCall Farms Inc. ("McCall Farms") to sell certain assets of its Sager Creek vegetable business ("Sager Creek") for US\$55.0 million in total consideration. The Group previously acquired Sager Creek in March 2015. Sager Creek was a producer of specialty vegetables for the foodservice and retail markets headquartered in Siloam Springs, Arkansas.

The Group received US\$30.0 million at closing on 18 September 2017, US\$15.0 million on 27 February 2018, US\$2.5 million on 28 February 2019 and US\$5.0 million on February 28, 2020. The remaining US\$2.5 million is due along with accrued interest on 1 December 2020. As of 30 April 2020, the Group has recorded current receivables of US\$2.8 million in "Trade and other receivables". As of 30 April 2019, the Group has recorded current receivables of US\$5.4 million in "Trade and other receivables" and noncurrent receivables of US\$2.7 million, in "Other noncurrent assets" related to this sale. In 2018, the Group recognised a gain on sale amounting to US\$16.4 million relating to the sale of certain assets of Sager Creek.

#### 17. Share capital

	30 April 2020		30 April 2019	
	No. of shares (‘000)	US\$'000	No. of shares (‘000)	US\$'000
<b>Authorised:</b>				
Ordinary shares of US\$0.01 each	3,000,000	30,000	3,000,000	30,000
Preference shares of US\$1.00 each	600,000	600,000	600,000	600,000
	<u>3,600,000</u>	<u>630,000</u>	<u>3,600,000</u>	<u>630,000</u>
<b>Issued and fully paid:</b>				
Ordinary shares of US\$0.01 each	1,944,936	19,449	1,944,936	19,449
Preference shares of US\$1.00 each	30,000	30,000	30,000	30,000
	<u>1,974,936</u>	<u>49,449</u>	<u>1,974,936</u>	<u>49,449</u>

*Reconciliation of number of outstanding ordinary shares in issue:*

	Year ended 30 April 2020	Year ended 30 April 2019
	No. of shares (‘000)	No. of shares (‘000)
At beginning/end of the year	<u>1,943,960</u>	<u>1,943,960</u>

The number of outstanding ordinary shares excludes 975,802 ordinary shares held by the Company as treasury shares.





## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

#### 17. Share capital (cont'd)

*Reconciliation of number of outstanding preference shares in issue:*

	Year ended 30 April 2020 No. of shares (‘000)	Year ended 30 April 2019 No. of shares (‘000)
At beginning/end of the year	30,000	30,000

The following summarises the information on the Company’s registration of securities under the Revised Securities Regulation Code of the Philippines (“SRC”):

#### Ordinary Shares

Date of SEC Approval	Authorised Shares	No. of Shares Issued	Issue/Offer Price
28 May 2013*	2,000,000,000	1,297,500,491	Php29.80
15 October 2014**	3,000,000,000	5,500,000	Php17.00
14 January 2015***	3,000,000,000	641,935,335	Php10.60

\*The SEC issued an order rendering effective the registration of its issued shares. Company was listed by way of introduction on The Philippine Stock Exchange, Inc. on 10 June 2013.

\*\*The SEC issued an order rendering effective the registration of additional 5,500,000 ordinary shares which were offered and sold to the public in the Philippines.

\*\*\*The rights shares were considered exempt from registration pursuant to Section 10(e) and 10(l) of the SRC. The exemption from registration was confirmed by the SEC in a letter dated 14 January 2015.

#### Preference Shares

Date of SEC Approval	Authorised Shares	No. of Shares Issued	Issue/Offer Price
21 March 2017	600,000,000	20,000,000 Series A-1 Preference Shares	US\$10.00
21 March 2017* / 27 November 2017**	600,000,000	10,000,000 Series A-2 Preference Shares	US\$10.00

\*No Order of Registration was issued for the second tranche offer of preference shares as it was part of the shelf-registration previously applied by the Company with the SEC.

\*\*Date of issuance of the SEC Permit to Sell.

The total number of ordinary shareholders as at 30 April 2020 and 2019 is 7,504 and 7,646, respectively. Additionally, the total number of Series A-1 preference shareholders as at 30 April 2020 and 2019 is 18 and 15, respectively. The total number of Series A-2 preference shareholders as at 30 April 2020 and 2019 is 26 and 22, respectively.

The holders of ordinary shares are entitled to receive dividends after dividend of preference shares are paid, as declared from time to time, and are entitled to one vote per share at meetings of the Company. The preference shares are cumulative, non-voting, redeemable at the option of the issuer, non-participating and non-convertible. The preference share has a par value of US\$1.0 per share and were issued at US\$10.0 per share. Ordinary shares rank equally with regard to the Company’s residual assets after preference shares are paid.



**17. Share capital (cont'd)**

***Preference Shares (cont'd)***

In April 2014, the Company increased its authorised share capital from US\$20.0 million, divided into 2,000,000,000 ordinary shares at US\$0.01 per share, to US\$630.0 million, divided into 3,000,000,000 ordinary shares at US\$0.01 per share and 600,000,000 preference shares at US\$1.00 per share. The preference shares may be issued in one or more series, each such class of shares will have rights and restrictions as the Board may designate. The terms and conditions of the authorised preference shares are finalised upon each issuance.

On 30 October 2014, the Company had additional ordinary shares listed and traded on the SGX-ST and the PSE pursuant to a public offering conducted in the Philippines. The Company offered and sold by way of primary offer 5,500,000 ordinary shares at an offer price of 17.00 Philippine pesos (Php) per share.

In March 2015, additional 641,935,335 ordinary shares were listed on the SGX-ST and the PSE, which were offered and sold to eligible shareholders by way of a stock rights offering at an exercise price of S\$0.325 or Php10.60 for each share in Singapore and the Philippines, respectively.

In April 2017, the Company completed the offering and listing of 20,000,000 Series A-1 Preference Shares which were sold at an offer price of US\$10.0 per share (US\$1.0 par value per share) in the Philippines, generating US\$200 million in proceeds. The said shares were listed on the PSE.

In September 2017, the Company transferred 745,918 of its treasury shares to ordinary shares in connection with the release of share awards granted to certain Directors pursuant to the Del Monte Pacific RSP.

In December 2017, the Company completed the offering and listing of 10,000,000 Series A-2 Preference Shares in the Philippines generating approximately US\$100 million in proceeds (or a combined US\$300 million including the US\$200 million that was raised in April 2017). The Company used the net proceeds to substantially refinance the US\$350 million bridging loan that was due in February 2019.

The Company also issued share awards under the Del Monte Pacific Restricted Share Plan ("Del Monte Pacific RSP") (see Note 32) during the fiscal year 2018.

***Capital management***

The Board's policy is to maintain a sound capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group's capital comprises its share capital, retained earnings and total reserves as presented in the statements of financial position. The Board monitors the return on capital, which the Group defines as profit or loss for the year divided by total shareholders' equity. The Board also monitors the level of dividends paid to ordinary shareholders.

The bank loans of the Group contain various covenants with respect to capital maintenance and ability to incur additional indebtedness. The Board ensures that loan covenants are considered as part of its capital management through constant monitoring of covenant results through interim and full year results.

There were no changes in the Group's approach to capital management during the fiscal year.



# Del Monte Pacific Limited and its Subsidiaries

## Notes to the financial statements For the financial year ended 30 April 2020

### 18. Retained Earnings and Reserves

#### *Retained earnings*

#### *Dividends*

	Group			Company		
	30 April 2020 US\$'000	30 April 2019 US\$'000	30 April 2018 US\$'000	30 April 2020 US\$'000	30 April 2019 US\$'000	30 April 2018 US\$'000
<b>Declared and paid during the financial year:</b>						
<i>Dividends on ordinary shares</i>						
2020: US\$0.0052 (2019: US\$nil; 2018: US\$0.0061)	10,112	-	11,882	10,112	-	11,882
<i>Dividends on preference shares</i>						
A-1 preference shares for 2020, 2019 and 2018: US\$0.6625	13,250	13,250	13,250	13,250	13,250	13,250
A-2 preference shares for 2020 and 2019: US\$0.6500 2018: US\$0.20403	6,500	6,500	2,040	6,500	6,500	2,040
	19,750	19,750	15,290	19,750	19,750	15,290
	29,862	19,750	27,172	29,862	19,750	27,172
<b>Proposed but not recognised as a liability as at reporting date:</b>						
<i>Dividends on ordinary shares</i>						
2020: US\$0.0154 (2019: US\$0.0052)	29,937	10,109	-	29,937	10,109	-

#### Ordinary shares

On 24 July 2020, the Company declared a special dividend of US\$0.0154 per share to ordinary shareholders on record as at 12 August 2020. The special dividend will be paid on 19 August 2020.

On 20 June 2019, the Company declared dividends of US\$0.0052 per share for ordinary shareholders on record as at 12 July 2019. The final dividend was paid on 19 July 2019.

On 23 August 2017, the Company declared a dividend of US\$0.0061 per share to stockholders on record as at 28 August 2017. The final dividend was paid on 8 September 2017.



**18. Retained Earnings and Reserves (cont'd)**

*Preference shares*

On 11 March 2020, the Company declared dividends to holders of Series A-1 Preference Shares, at the fixed rate of 6.625% per annum, or equivalent to US\$0.33125 per Series A-1 Preference Share for the six-month period from 8 October 2019 to 7 April 2020. The Company also declared dividends to holders of Series A-2 Preference Shares at the fixed rate of 6.5% per annum, or equivalent to US\$0.32500 per Series A-2 Preference Share for the six-month period from 8 October 2019 to 7 April 2020. The final dividends were paid on 7 April 2020.

On 9 September 2019, the Company declared dividends to the holders of the Series A-1 Preference Shares at the fixed rate of 6.625% per annum, or equivalent to US\$0.33125 per Series A-1 Preference and Series A-2 Preference Shares at the fixed rate of 6.5% per annum, or equivalent to US\$0.32500 per series A-2 Preference Shares for the six-month period from 8 April 2019 to 7 October 2019. The final dividends were paid on 7 October 2019.

On 20 March 2019, the Company declared dividends to holders of Series A-1 Preference Shares, at the fixed rate of 6.625% per annum, or equivalent to US\$0.33125 per Series A-1 Preference Share for the six-month period from 8 October 2018 to 7 April 2019. The Company also declared dividends to holders of Series A-2 Preference Shares at the fixed rate of 6.5% per annum, or equivalent to US\$0.32500 per Series A-2 Preference Share for the six-month period from 8 October 2018 to 7 April 2019. The final dividends were paid on 8 April 2019.

On 19 September 2018, the Company declared dividends to holders of Series A-1 Preference Shares, at the fixed rate of 6.625% per annum, or equivalent to US\$0.33125 per Series A-1 Preference Share for the six-month period from 7 April 2018 to 7 October 2018. The Company also declared dividends to holders of Series A-2 Preference Shares at the fixed rate of 6.5% per annum, or equivalent to US\$0.32500 per Series A-2 Preference Share for the six-month period from 7 April 2018 to 7 October 2018. The final dividends were paid on 8 October 2018.

On 3 April 2018, the Company declared dividends to holders of Series A-1 Preference Shares, at the fixed rate of 6.625% per annum, or equivalent to US\$0.33125 per Series A-1 Preference Share for the six-month period from 8 October 2017 to 7 April 2018. The Company also declared dividends to holders of Series A-2 Preference Shares at the fixed rate of 6.5% per annum, or equivalent to US\$0.20403 per Series A-2 Preference Share for the 113-day period from 15 December 2017 to 7 April 2018. The final dividends were paid on 10 April 2018.

On 29 September 2017, the Company declared dividends to holders of Series A-1 Preference Shares, at the fixed rate of 6.625% per annum, or equivalent to US\$0.33125 per Series A-1 Preference Share for the six-month period from 7 April 2017 to 7 October 2017. The final dividend was paid on 9 October 2017.

The cumulative undeclared dividends on the preference shares amounted to US\$1.3 million as of 30 April 2020 and 2019.

The retained earnings is restricted for the payment of dividends representing the accumulated equity in net earnings of the subsidiaries amounting to US\$264.6 million as at 30 April 2020 (2019: US\$465.9 million). The accumulated equity in net earnings of the subsidiaries will be available for dividend distribution upon receipt of dividends from the subsidiaries. As of 30 April 2020 and 2019, joint ventures have no undistributed net earnings.



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

#### 18. Retained Earnings and Reserves (cont'd)

##### Preference shares (cont'd)

On 30 April 2020, the Group recorded in retained earnings, a net equity reserve of US\$77.0 million, arising from the sale of DMPI shares (see Note 6).

##### Share premium

Under the British Virgin Islands law in whose jurisdiction the Company operates, the Company's share premium and retained earnings form part of the Company's surplus that may be available for dividend distribution provided that the solvency test is met by the Company. The Group's share premium is shown net of a merger deficit of US\$0.14 million, which arose from the acquisition of a subsidiary, DMPRL, under common control in 1999.

The share premium account includes any premium received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from the share premium account, net of any related income tax effects.

##### **Reserves**

	<b>Group</b>		<b>Company</b>	
	<b>30 April 2020</b>	<b>30 April 2019</b>	<b>30 April 2020</b>	<b>30 April 2019</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Translation reserve	(87,997)	(93,375)	(87,997)	(93,375)
Remeasurement of retirement plan	(2,873)	17,648	(2,873)	17,648
Revaluation reserve	13,731	10,885	13,731	10,885
Hedging reserve	(1,802)	(2,452)	(1,802)	(2,452)
Share option reserve	1,753	1,753	1,753	1,753
Reserve for own shares	(286)	(286)	(286)	(286)
	<u>(77,474)</u>	<u>(65,827)</u>	<u>(77,474)</u>	<u>(65,827)</u>

The translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations.

The revaluation reserve relates to surplus on the revaluation of freehold land of the Group. The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows affect the income statement of the Group (see Note 20).

The share option reserve comprises the cumulative value of employee services received for the issue of share options.

The reserve for the Company's own shares comprises the cost of the Company's shares held by the Group. As at 30 April 2020 and 2019, the Group held 975,802 of the Company's shares.



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

#### 19. Loans and borrowings

	Group		Company	
	30 April 2020 US\$'000	30 April 2019 US\$'000	30 April 2020 US\$'000	30 April 2019 US\$'000
<b>Current liabilities</b>				
Unsecured bank loans	473,152	353,870	216,311	135,070
Secured bank loans	825,140	138,870	74,971	—
	<u>1,298,292</u>	<u>492,740</u>	<u>291,282</u>	<u>135,070</u>
<b>Noncurrent liabilities</b>				
Unsecured bank loans	75,000	168,825	75,000	111,241
Secured bank loans	22,737	817,090	—	129,774
	<u>97,737</u>	<u>985,915</u>	<u>75,000</u>	<u>241,015</u>
	<u>1,396,029</u>	<u>1,478,655</u>	<u>366,282</u>	<u>376,085</u>

#### Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

	Currency	Nominal interest rate % p. a.	Year of maturity	30 April 2020		30 April 2019	
				Face value US\$'000	Carrying amount US\$'000	Face value US\$'000	Carrying amount US\$'000
<b>Group</b>							
Secured bank loans	PHP	4.50%	2020	59,472	59,472	57,584	57,584
Unsecured bank loans	PHP	5.25%-5.50%	2020	150,266	150,266	—	—
Unsecured bank loans	USD	1.54%-4.50%	2020-2024	397,886	397,886	465,111	465,111
Secured bridging loan	USD	4.50%	2020	500	500	53,500	53,500
Secured bridging loan	USD	4.50%	2020	74,500	74,471	76,500	76,274
Secured bank loan under ABL Credit Agreement	USD	Swingline B- 5% Base- 5%	2020	25,072	25,072	136,672	133,851
Secured First lien term loan	USD	Higher of Libor or 1% + 3.25% or total of 4.86%	2021	665,625	665,625	674,500	668,697
Secured Second lien term loan	USD	Higher of Libor or 1% + 7.25% or total of 7.82%	2021	22,737	22,737	28,555	23,638
				<u>1,396,058</u>	<u>1,396,029</u>	<u>1,492,422</u>	<u>1,478,655</u>



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

#### 19. Loans and borrowings (cont'd)

	Currency	Nominal interest rate % p.a.	Year of maturity	30 April 2020		30 April 2019	
				Face value US\$'000	Carrying amount US\$'000	Face value US\$'000	Carrying amount US\$'000
<b>Company</b>							
Unsecured bank loans	USD	2.30%-4.50%	2020-2024	291,311	291,311	246,311	246,311
Secured bridging loans	USD	4.50%	2020	75,000	74,971	130,000	129,774
				<u>366,311</u>	<u>366,282</u>	<u>376,311</u>	<u>376,085</u>

The secured bridging loans of US\$0.5 million as at 30 April 2020 (2019: US\$53.5 million) represent the remaining balance for the bridging loan that was obtained by the Company to finance the acquisition of Sager Creek and its related costs. In 2017, the Company signed a two-year extension of the US\$350.0 million Banco de Oro Unibank, Inc (BDO) loans from 10 February 2017 to 2019. In 2019, the Company settled an additional US\$0.5 million and extended the maturity date from February 2019 to August 2020. In 2020, the Company settled another US\$53.0 million. The loans are secured by the following: 1) Share Charge by DMPL on its share in DMPL Foods Limited; 2) Pledge by DMPRL of its shares in CARI; and 3) Pledge by CARI of its shares in DMPI.

In 2015, the Company obtained loans from BDO amounting to US\$130.0 million to refinance its existing bridge loans with the same bank and other bridge loans with other lenders and for general corporate requirements. The loans are secured by DMPI suretyship. The Company settled US\$53.5 million in 2019 and another US\$2.0 million in 2020, bringing the balance to US\$74.5 million.

The BDO bridging loans above require the Company to continuously maintain a debt to equity ratio of 3:1 applicable to fiscal years 2018 to 2020 and interest coverage of 1.5x. The Company is compliant with these covenants as at 30 April 2020 and 2019.

The Company has also entered into an agreement with Development Bank of Singapore Limited (DBS) for an omnibus facility comprising of a short-term dollar denominated loan (US\$30 million) and import financing facilities. The maximum aggregate utilization for the loans shall not exceed US\$80 million at all times. The Company has drawn US\$30 million during fiscal year 2019, and settled the amount in October 2019. Another US\$30 million was drawn during fiscal year 2020, maturing in May 2020 which was subsequently rolled upon maturity.

In fiscal year 2019, the Company obtained loans from Bank of Commerce (BOC) amounting to US\$54.0 million and Development Bank of the Philippines (DBP) amounting to US\$57.2 million for various financing need. The loans will mature on October 2020 and February 2021, respectively.

In fiscal year 2020, the Company obtained additional long-term loans from DBP amounting to a total of US\$75.0 million maturing in October 2024, to partially finance general corporate requirements and refinance existing debt.



# Del Monte Pacific Limited and its Subsidiaries

## Notes to the financial statements For the financial year ended 30 April 2020

### 19. Loans and borrowings (cont'd)

#### Long-term Borrowings

Long-term Borrowings	Original Principal (In '000)	Outstanding Balance (In '000)	Interest Rate % p.a.	Year of Maturity	Payment Terms (e.g., annually, quarterly, etc.)	Interest already paid 1 May 2019 to 30 April 2020 (In '000)
Senior secured variable rate first lien term loan	USD 710,000	USD 665,625	Higher of Libor or 1% + 3.25% or total of 4.86%	2021	0.25% quarterly principal payments from 30 April 2014 to 31 January 2021; Balance due in full at its maturity, 18 February 2021.	USD 38,160
Senior secured second lien variable rate term loan	USD 260,000	USD 22,737	Higher of Libor or 1% + 7.25% or total of 7.82%	2021	Due in full at its maturity, 18 August 2021.	USD 2,778
BDO Long-term Loan	USD 350,000	USD 500	4.50%	2020	Quarterly interest payment and principal on maturity date.	USD 1,623
BDO Long-term Loan	USD 130,000	USD 74,500	4.50%	2020	Quarterly interest payment and principal on maturity date.	USD 3,424
BOC Long-term Loan	USD 54,000	USD 54,000	4.50%	2020	Monthly interest payment and principal on maturity date.	USD 2,471
DBP Long-term Loan	USD 57,241	USD 57,241	2.99%	2021	Quarterly interest payment and principal on maturity date	USD 2,094
DBP Long-term Loan	USD 75,000	USD 75,000	2.72%	2024	Quarterly interest payment and principal on maturity date	USD 1,206
BDO Long-term Loan	PHP 3,000,000	PHP 3,000,000	Higher of Libor or 4.50%	2020	Quarterly interest payment and principal on maturity date	PHP 141,368

Loans and borrowings are stated net of unamortised debt issuance cost. The balance of unamortised debt issuance cost follows:

Note	Group		Company	
	Year ended 30 April 2020 US\$'000	Year ended 30 April 2019 US\$'000	Year ended 30 April 2020 US\$'000	Year ended 30 April 2019 US\$'000
Beginning of year	13,767	20,732	226	512
Additions	—	868	—	—
Amortisation	(13,737)	(7,833)	(197)	(286)
End of year	30	13,767	29	226





**19. Loans and borrowings (cont'd)**

DMFI is a party to a First Lien term loan credit agreement and a Second Lien term loan credit agreement (the "Term Loan Credit Agreements") with the lenders party thereto, Citibank, N.A., as administrative agent and collateral agent, and the other agents named therein, that provided for a US\$710.0 million First Lien Term Loan and a US\$260.0 million Second Lien Term Loan with terms of seven years and seven years plus six months, respectively.

*Interest Rates.* Loans under the First and Second Lien Term Loans bear interest at a rate equal to an applicable margin, plus a LIBOR rate (with a floor of 1.00%). As of 30 April 2020, the interest rate for First Lien Term Loans is 4.86% (2019: 5.90%) and the interest rate for Second Lien Term Loans is 7.82% (2019: 10.15%).

*Principal Payments.* The First Lien Term Loan generally requires quarterly scheduled principal payments of 0.25% of the outstanding principal per quarter from 30 April 2014 to 31 January 2021. The balance is due in full on the maturity date of 18 February 2021. Scheduled principal payments with respect to the First Lien Term Loan are subject to reduction following any mandatory or voluntary prepayments on terms and conditions set forth in the First Lien Term Loan Credit Agreement.

The Second Lien Term Loan is due in full on its maturity date of 18 August 2021.

The Term Loan Credit Agreements also require DMFI to prepay outstanding loans under the First Lien Term Loan and the Second Lien Term Loan, subject to certain exceptions, with, among other things:

- 50% (which percentage will be reduced to 25% if the leverage ratio is 4.0x or less and to 0% if the leverage ratio is 3.0x or less) of the annual excess cash flow, as defined in the First Lien Term Loan Credit Agreement;
- 100% of the net cash proceeds of certain casualty events and non-ordinary course asset sales or other dispositions of property for a purchase price above US\$2.0 million, in each case, subject to DMFI's right to reinvest the proceeds; and
- 100% of the net cash proceeds of any incurrence of debt, other than proceeds from debt permitted under the First Lien Term Loan Credit Agreement.

On 14 March 2018, the Company, a trust owned by DMFHI and certain seller lenders entered into a Purchase Agreement wherein the Company, or its designated affiliate, agreed to purchase certain Second Lien term loans from the seller lenders at an amount equal to 70% of the principal amount of the loans to be sold, plus accrued and unpaid interest thereon. On 27 March 2018, DMFI, DMFHI and the lenders signed the second amendment to the Second Lien term loan allowing the Company, or its eligible assignee, to purchase any and all loans outstanding under the amended agreement which were duly submitted by the lenders for purchase at a price equal to 70% of the principal amount.



**19. Loans and borrowings (cont'd)**

In March 2018, DMFHII, the affiliate assignee, through a trust, purchased DMFI's Second Lien term loans with principal amount of US\$125.9 million from seller lenders for US\$88.2 million. On 5 June 2018, 24 July 2018, 15 April 2019 and 27 November 2019, an additional US\$4.0 million, US\$95.1 million, US\$6.5 million and US\$5.8 million, respectively, of the Second Lien Term Loans were purchased. The pre-tax net gain from the purchase of the loans in 2020 amounting to US\$1.7 million (2019: US\$16.9 million), net of no transaction costs (2019: US\$2.0 million), was recognised in the Group's consolidated financial statements and is presented under "Finance income" in the consolidated income statement. The non-controlling interests of DMPLFL agreed to waive its share in any economic benefits arising from the Group's purchase of the Second Lien term loans. DMFHII agreed to make an equity contribution to DMFI in the amount equivalent to the interest received from DMFI.

To finance the purchase of the Second Lien Term Loans, the Company extended a loan to DMFHII amounting to US\$88.2 million in fiscal year 2018 with additional US\$87.8 million and US\$4.1 million loans extended in fiscal year 2019 and 2020, respectively. As of 30 April 2020, such loans are subject to interest of 11.10% (2019: 13.9%), subject to quarterly repricing, and will mature on 18 August 2021. The interest income earned by the Company on this loan amounted to US\$22.1 million in 2020 (2019: US\$20.2 million).

*Ability to Incur Additional Indebtedness.* DMFI has the right to request an additional US\$100 million plus an additional amount of secured indebtedness under the First Lien Term Loan and the Second Lien Term Loan. Lenders under this facility are under no obligation to provide any such additional loans, and any such borrowings will be subject to customary conditions precedent, including satisfaction of a prescribed leverage ratio, subject to the identification of willing lenders and other customary conditions precedent.

***ABL Credit Agreement***

DMFI is a party to a credit agreement (the "ABL Credit Agreement") with Citibank, N.A., as administrative agent, and the other lenders and agents parties thereto, as amended, that provides for senior secured financing of up to US\$442.6 million (with all related loan documents, and as amended from time to time, the ABL Facility) with a term of five years until 18 February 2019, prior to an amendment in 2018.

On 23 April 2018, the Group amended and restated the ABL Credit Agreement. The US\$442.6 million facility was divided into two tranches: "Tranche A" with an amount up to US\$46.5 million and "Tranche B" with an amount up to US\$442.6 million. Any drawdown or repayment are to be made in proportion to the two tranches and maximum borrowings cannot exceed the Tranche B commitments. Proceeds of US\$40.0 million from the amended ABL Agreement were used to pay-off the balance of the previous credit agreement. The Group fully amortised the deferred financing fees related to the previous credit agreement of US\$0.9 million from the amendment. As of 30 April 2020 and 2019, the Group's commitment could not exceed US\$450.0 million. Tranche A matured on 18 February 2019 and Tranche B matures on 19 November 2020.



**19. Loans and borrowings (cont'd)**

***ABL Credit Agreement (cont'd)***

*Interest Rates.* Borrowings under the ABL Credit Agreement bear interest at an initial interest rate equal to an applicable margin, plus, at the Group's option, either (i) a LIBOR rate, or (ii) a base rate equal to the highest of (a) the federal funds rate plus 0.50%, (b) Citibank, N.A.'s "prime commercial rate" and (c) the one month LIBOR rate plus 1.00%. The applicable margin with respect to LIBOR borrowings is 2.25% for Tranche B at 30 April 2020 (and may increase to 2.50% or 2.75% depending on average excess availability) (2019: Tranche B: 2.50%) and with respect to base rate borrowings is 1.25% for Tranche B at 30 April 2020 (and may increase to 1.50% or 1.75% depending on average excess availability) (2019: Tranche B: 1.50%).

*Commitment Fees.* In addition to paying interest on outstanding principal under the ABL Credit Agreement, the Group is required to pay a commitment fee that was initially 0.375% per annum in respect of the unutilised commitments thereunder. The commitment fee rate on Tranche A from time to time is 0.250% or 0.500% depending on the amount of unused commitments under the ABL Credit Agreement for the prior fiscal quarter. The commitment fee rate on Tranche B is 0.500%. The Group must also pay customary letter of credit fees between 1.75% to 2.75% based on average excess availability, and fronting fees equal to 0.125% of the face amount for each letter of credit issued.

*Availability under the ABL Credit Agreement.* Availability under the ABL Credit Agreement is subject to a borrowing base. The borrowing base, determined at the time of calculation, is an amount equal to: (a) 85% of eligible accounts receivable and (b) the lesser of (1) 75% of the net book value of eligible inventory and (2) 85% of the net orderly liquidation value of eligible inventory, of the Group at such time, less customary reserves. The ABL Credit Agreement will terminate, and the commitments thereunder will mature. On 18 February 2019, Tranche A matured and on 19 November 2020 Tranche B will mature. As of 30 April 2020, under Tranche B of the ABL Credit Agreement, there were US\$25.1 million (2019: Tranche B: US\$136.7 million) of loans outstanding and US\$21.9 million of letters of credit issued (2019: Tranche B: US\$16.9 million). The Group's net availability under the ABL Credit Agreement was US\$395.6 million as of 30 April 2020 (2019: US\$289.0 million). The weighted average interest rate on the ABL Credit Agreement was approximately 4.25% on 30 April 2020 (2019: 4.90%).

The ABL Credit Agreement includes a sub limit for letters of credit and for borrowings on same day notice, referred to as "swingline loans."

*Ability to Incur Additional Indebtedness.* Notwithstanding any increase in the facility size, the Group's ability to borrow under the facility will remain limited at all times by the borrowing base (to the extent the borrowing base is less than the commitments).

*Guarantee of Obligations under the Term Loan Credit Agreements and the ABL Credit Agreement.* All obligations of DMFI under the Term Loan Credit Agreements and the ABL Credit Agreement are unconditionally guaranteed by the DMFHL and by substantially all existing and future, direct and indirect, wholly owned material restricted domestic subsidiaries of DMFI, subject to certain exceptions.



**19. Loans and borrowings (cont'd)**

***Security interests***

Indebtedness under the First Lien Term Loan is generally secured by (i) a first priority pledge of all of the equity interests of DMFHL, (ii) a second priority lien on all ABL Priority Collateral of DMFHL and (iii) a first priority lien on substantially all other properties and assets of DMFHL. The Second Lien Term Loan is generally secured by (i) a second priority pledge of all of the equity interests of DMFHL, (ii) a third priority lien on all ABL Priority Collateral of DMFHL and (iii) a second priority lien on substantially all other properties and assets of DMFHL. The ABL Credit Agreement is generally secured by a first priority lien on DMFI's inventories and accounts receivable and by a third priority lien on substantially all other assets excluding real estate.

All of DMFI's inventory and trade receivables secure the various borrowings.

*Restrictive and Financial Covenants.* The Term Loan Credit Agreements and the ABL Credit Agreement contain restrictive covenants that limit DMFI's ability and the ability of its subsidiaries to take certain actions.

*Term Loan Credit Agreement and ABL Credit Agreement Restrictive Covenants.* The restrictive covenants in the Term Loan Credit Agreement and the ABL Credit Agreement include covenants limiting DMFI's ability, and the ability of DMFI's restricted subsidiaries, to incur additional indebtedness, create liens, engage in mergers or consolidations, sell or transfer assets, pay dividends and distributions or repurchase DMFHL's capital stock, make investments, loans or advances, prepay certain indebtedness, engage in certain transactions with affiliates, amend agreements governing certain subordinated indebtedness adverse to the lenders, and change DMFI's lines of business.

*Financial Maintenance Covenants.* The Term Loan Credit Agreements and ABL Credit Agreement generally do not require that DMFI comply with financial maintenance covenants.

*Minimum Consolidated EBITDA.* Beginning on 1 May 2018, the DMFHL Group will be subjected to an EBITDA financial covenant. Consolidated Trailing Twelve Month EBITDA of the Borrower and the Guarantors as of the last day of any fiscal quarter shall not be lower than specified amounts in the Credit Agreement.

*Effect of Restrictive and Financial Covenants.* The restrictive and financial covenants in the Term Loan Credit Agreements and the ABL Credit Agreement may adversely affect DMFI's ability to finance its future operations or capital needs or engage in other business activities that may be in its interest, such as acquisitions.

The Group is compliant with its loan covenants as of 30 April 2020 and 2019.



19. Loans and borrowings (cont'd)

**Unsecured Bank Loans**

Certain unsecured bank loan agreements contain various affirmative and negative covenants that are typical of these types of facilities such as financial covenants relating to required debt-to-equity ratio, interest cover and maximum annual capital expenditure restrictions. These covenants include requirements for delivery of periodic financial information and restrictions and limitations on indebtedness, investments, acquisitions, guarantees, liens, asset sales, disposals, mergers, changes in business, dividends and other transfers.

	Bank	Principal In '000	Debt-to equity ratio	Interest coverage
Unsecured loans	BOC	USD 54,000	3.0x	2.0x
Unsecured loans	DBP	USD 57,241	3.0x	–
Unsecured loans	DBP	USD 75,000	3.0x	–

The Company and the Group is compliant with its loan covenants as at 30 April 2020 and 2019.

*Ability to Incur Additional Indebtedness.*

On 12 December 2017, the Company entered into a Third Amendment Agreement with BDO that gives the Company the right to reborrow up to an aggregate amount of US\$200 million, subject to the terms of such amendment agreement.

In 2019, the Company also availed of an omnibus facility with DBS totaling US\$80 million of which US\$30 million had been drawn.

20. Other noncurrent liabilities

	Group	
	30 April 2020 US\$'000	30 April 2019 US\$'000
Workers' compensation	19,018	19,304
Accrued vendors liabilities	623	802
Derivative liabilities	2,600	1,759
Accrued lease liabilities	–	7,610
Other payables	1,139	540
	<u>23,380</u>	<u>30,015</u>

Workers' compensation are liabilities for wage replacement and medical benefits to employees injured in the course of employment in exchange for mandatory relinquishment of the employee's right to sue his or her employer for the tort of negligence.



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

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#### 20. Other noncurrent liabilities (cont'd)

##### Derivative liabilities

The Group uses interest rate swaps and commodity swaps to hedge market risks relating to possible adverse changes in interest rates and commodity costs. The Group continually monitors its positions and the credit rating of the counterparties involved to mitigate the amount of credit exposure to any one party.

As at 30 April 2020 and 2019, the Group designated each of its derivative contracts as a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognised asset or liability ("cash flow hedge"). The following cash flow hedges were outstanding for the Group:

		Group	
	Note	30 April 2020 US\$'000	30 April 2019 US\$'000
Interest rate swap	33, 35	(5,915)	(3,960)
Commodity contracts	33, 35	(2,909)	64
Total		(8,824)	(3,896)
<i>Included in:</i>			
Prepaid expenses and other current assets	14, 33	57	64
Trade and other current liabilities	23	(8,846)	(2,201)
Other noncurrent liabilities		(35)	(1,759)
		(8,824)	(3,896)

The effect of economic hedges in the consolidated income statements were as follows:

	Group	
	30 April 2020 US\$'000	30 April 2019 US\$'000
Commodity contracts	1,225	(283)

At 30 April 2020, US\$2.9 million (2019: US\$2.6 million) are expected to be reclassified from OCI to the consolidated income statement within the next 12 months.



**20. Other noncurrent liabilities (cont'd)**

**Derivative liabilities (cont'd)**

*Interest Rates*

The Group adopts a policy of hedging its floating rate exposure in accordance with the current rate environment and expected debt balances. This is achieved partly by entering into fixed-rate instruments and partly by borrowing at a floating rate (based on LIBOR) and using interest rate swaps as hedges of the variability in cash flows attributable to movements in interest rates. The Group applies a hedge ratio of 1:1.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities and the notional quantity or par amounts.

The Group assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

In these hedging relationships, the main sources of ineffectiveness are the effect of the counterparty's and the Group's own credit risk on the fair value of the swaps, which is not reflected in the change in the fair value of the hypothetical derivative used to measure the changes in the fair value of the hedged item attributable to the change in interest rates, and differences in repricing dates between the swaps and the hedged borrowings.

Significant terms of the interest rate swap contracts are as follows:

<b>Contract Date</b>	<b>Notional amount US\$ '000</b>	<b>Fixed Rate</b>	<b>Effective Date</b>	<b>Maturity Date</b>
19 March 2014	130,000	2.79%	18 February 2016	18 February 2019
19 March 2014	284,000	3.30%	18 February 2016	18 February 2021

*Commodities*

Certain commodities such as diesel fuel and natural gas (collectively, "commodity contracts") are used in the production and transportation of the Group's products. Generally, these commodities are purchased based upon market prices that are established with the vendors as part of the procurement process. The Group uses futures, swaps, and swaption or option contracts, as deemed appropriate, to reduce the effect of price fluctuations on anticipated purchases. These contracts may have a term of up to 24 months. The Group accounts for these commodity derivatives as cash flow hedges. The effective portion of derivative gains and losses is deferred in equity and recognised as part of cost of products sold in the appropriate period and the ineffective portion is recognised as cost of products sold.

The notional amounts of the Group's commodity contracts were as follows as at 30 April 2020 (2019: nil):

	<b>30 April 2020</b>
Natural gas (MMBTU)	332
Diesel	7,170



20. Other noncurrent liabilities (cont'd)

Derivative liabilities (cont'd)

Amounts Relating to Hedged Items

The amounts at the reporting date relating to items designated as hedged items are as follows:

30 April 2020			
	Change in value used for calculating hedge effectiveness	Cashflow hedge reserve	Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied
	US\$'000	US\$'000	US\$'000
<b>Interest rate risk</b>			
Variable rate instruments	4,824	180	—
<b>Commodity price risk</b>			
Inventory purchases	2,909	(2,196)	—

30 April 2019			
	Change in value used for calculating hedge effectiveness	Cashflow hedge reserve	Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied
	US\$'000	US\$'000	US\$'000
<b>Interest rate risk</b>			
Variable rate instruments	2,478	(2,472)	—
<b>Commodity price risk</b>			
Inventory purchases	46	—	—





## Notes to the financial statements

### For the financial year ended 30 April 2020

**Derivative liabilities (cont'd)**

### Amounts Relating to Hedging Instruments

30 April 2020			During 2020			
Notional amount	Carrying amount		Line item in the statement of financial position where the hedged instrument is included	Change in the value of hedge instrument recognised in OCI	Amount reclassified from hedging reserve to profit or loss	Line item in profit or loss affected by the reclassification
	Assets	Liabilities				
	US\$'000					
284,000	–	(5,915)	Derivative Liabilities – Current Liabilities	(4,824)	8,695	Net finance expense
	–	–	Derivative liabilities –Non Current Liabilities			
332	57	–	Prepaid and Other Current Assets	57	–	
7,170	–	(2,931)	Derivative Liabilities – Current Liabilities	(2,931)	–	
		(35)	Derivative Liabilities – Non Current Liabilities	(35)	–	

## Notes to the financial statements

### For the financial year ended 30 April 2020

**Derivative liabilities (cont'd)**

### Amounts Relating to Hedging Instruments (cont'd)

	30 April 2019			During 2019			
	Notional amount	Carrying amount		Line item in the statement of financial position where the hedged instrument is included	Change in the value of hedge instrument recognised in OCI	Amount reclassified from hedging reserve to profit or loss	Line item in profit or loss affected by the reclassification
		Assets	Liabilities				
				US\$'000			
Interest rate risk							
Variable rate instruments	284,000	–	(2,201)	Derivative Liabilities – Current Liabilities	(2,478)	2,894	Net finance expense
		–	(1,759)	Derivative liabilities –Non Current Liabilities			
Commodity price risk							
Commodity contracts							
Natural gas (MMBTU)	–	–	–	Prepaid and Other Current Assets	46	–	
Diesel (gallons)	–	64	–	Prepaid and Other Current Assets	–	–	



20. Other noncurrent liabilities (cont'd)

Derivative liabilities (cont'd)

Hedging Reserves

The following table provides a reconciliation by risk category of the hedging reserve and analysis of OCI items, net of tax, resulting from cash flow hedge accounting:

	Group	
	30 April 2020 US\$'000	30 April 2019 US\$'000
Balance at beginning of year	(2,742)	(3,091)
Changes in fair value:		
- Interest rate risk	(4,824)	(2,478)
- Commodity risk	(2,909)	46
Amount reclassified to profit or loss		
- Interest rate risk	8,695	2,894
Tax movements on reserves during the year	(236)	(113)
Balance at end of year	(2,016)	(2,742)

Call option

Derivative liabilities also include call option related to the disposal of the 12% ownership stake at DMPI (see Note 6).

Sensitivity analysis

The value of the Group's derivative liabilities related to the additional RCPS grant and call option are driven primarily by DMPI's forecasted net income which is not based on observable market data.

The following table demonstrates the sensitivity to a reasonably possible change in DMPI's forecasted net income, with all other variables held constant, on the fair value of the Group's derivative liabilities on additional RCPS grant and call option:

	10% increase US\$'000	10% decrease US\$'000
Fair value of derivative liabilities – additional RCPS grant	–	–
Fair value of derivative liabilities – call option	2,855	36



**Del Monte Pacific Limited and its Subsidiaries**

**Notes to the financial statements  
For the financial year ended 30 April 2020**

**21. Employee benefits**

	<b>Group</b>	
	<b>30 April 2020 US\$'000</b>	<b>30 April 2019 US\$'000</b>
Pension asset	6,675	8,240
Total pension asset (noncurrent)	6,675	8,240
Post-retirement benefit obligation	11,599	16,914
Executive retirement plan	2,834	3,092
Cash incentive award	–	6,210
Short-term employee benefits	18,385	17,115
Other plans	6,523	6,360
Net defined benefit liability	66,004	41,730
Total employee benefit liability	105,345	91,421
Current	22,947	27,640
Noncurrent	82,398	63,781
	105,345	91,421

Included in short-term employee benefits is an amount of US\$4.5 million (2019: US\$0.9 million) relating to provisions for employee severance benefits of employees terminated under plant closures (see Note 5).

Included in pension asset is an amount of US\$6.7 million (2019: US\$8.2 million) relating to defined benefit and defined contribution retirement plan in DMPI.

Included in post-retirement benefit obligation is an amount of US\$11.6 million (2019: US\$16.9 million) relating to post-retirement medical benefits plan in DMFI.

Included in net defined benefit liability is an amount of US\$65.7 million and US\$0.3 million (2019: US\$41.6 million and US\$0.1 million) relating to qualified retirement plan in DMFI and ROHQ, respectively.



**21. Employee benefits (cont'd)**

The Group contributes to the following post-employment defined benefit plans:

**The DMPI Plan**

DMPI has both funded defined benefit and defined contribution retirement plan (the "Plan") which covers all of its regular employees. Contributions and costs are determined in accordance with the actuarial study made for the Plan. Annual cost is determined using the projected unit credit method. DMPI's latest actuarial valuation date is 30 April 2020. Valuations are obtained on a periodic basis.

Starting on the date of membership of an employee in the Plan, DMPI shall contribute to the retirement fund 7.00% of the member's salary as defined every month. In addition, DMPI shall contribute periodically to the fund the amounts which may be required to meet the guaranteed minimum benefit provision of the plan. Such contributions shall not be allocated nor credited to the individual accounts of the members, but shall be retained in a separate account to be used in cases where the guaranteed minimum benefit applies.

Benefits are based on the total amount of contributions and earnings credited to the personal retirement account of the plan member at the time of separation or the 125% of the final basis salary multiplied by the number of credited years of service under the plan, whichever is higher. The manner of payment is lump sum, payable immediately.

The retirement plan meets the minimum retirement benefit specified under Republic Act (RA) No. 7641, The Philippine Retirement Pay Law.

The fund is administered by a trustee bank under the supervision of the Board of Trustees of the Plan.

The Board of Trustees is responsible for investment strategy of the Plan.

DMPI does not expect to make contributions to the plan in fiscal year 2021.

**The ROHQ Plan**

ROHQ has a funded defined benefit plan wherein starting on the date of membership of an employee in the ROHQ Plan, ROHQ contributes to the retirement fund 7.00% of the member's salary as defined every month. In addition, ROHQ contributes periodically to the fund the amounts which may be required to meet the guaranteed minimum benefit provision of the plan. Such contributions shall not be allocated nor credited to the individual accounts of the members, but shall be retained in a separate account to be used in cases where guaranteed minimum benefit applies.

Benefits are based on the total amount of contributions and earnings credited to the personal retirement account of the plan member at the time of separation or the 125% of the final basis salary multiplied by the number of credited years of service under the plan, whichever is higher. The manner of payment is lump sum, payable on retirement. ROHQ's annual contribution to the pension plan consists of payments covering the current service cost for the year plus payments towards funding the actuarial accrued liability, if any.

ROHQ does not expect to make contributions to the plan in fiscal year 2021.



**21. Employee benefits (cont'd)**

**The DMFI Plan**

DMFI sponsors a qualified defined benefit pension plan (the "DMFI Plan") and several unfunded defined benefit post-retirement plans providing certain medical, dental, and life insurance benefits to eligible retired, salaried, non-union hourly and union employees. The DMFI Plan comprises of two parts:

The first part is a cash balance plan ("Part B") which provides benefits for eligible salaried employees and provides that a participant's benefit derives from the accumulation of monthly compensation and interest credits. Compensation credits are calculated based upon the participant's eligible compensation and age each month. Interest credits are calculated each month by applying an interest factor to the previous month's ending balance. Participants may elect to receive their benefit in the form of an annuity or a lump sum. Part B of the plan was frozen to new participants effective 31 December 2016, which the active participation of certain participants was grandfathered subject to meeting participation requirements.

The second part is an arrangement which provides for grandfathered and suspended hourly participants a traditional pension benefit based upon service, final average compensation and age at termination. This plan was frozen since 31 December 1995, which the active participation of certain participants was grandfathered and the active participation of other participants was suspended.

DMFI currently meets and plans to continue to meet the minimum funding levels required under local legislation, which imposes certain consequences on DMFI's defined benefit plan if it does not meet the minimum funding levels. DMFI has not made any contributions during the year.

As of 30 April 2020, there were amendments to the DMFI Plan and the post-retirement benefit plan. Under the DMFI Plan amendments, certain benefits were eliminated effective 31 December 2019 and 30 April 2022 and the plan obligations associated with these amendments decreased by US\$9.1 million. Under the post-retirement amendments, certain benefits will be eliminated effective 30 April 2022 and the plan obligations associated with this amendment decreased by US\$5.9 million. Both amendments were recognised immediately in "General and administrative expenses" in the consolidated income statement.

As of 30 April 2019, there were amendments to the post-retirement benefit plan. Under an amendment, certain benefits will be eliminated after fiscal year 2022. The net liability impact of this amendment was a decrease of US\$13.4 million, which was recognised immediately in "General and administrative expenses" in the consolidated income statement.

DMFI does not expect to make contributions to the plan in fiscal year 2021.



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

#### 21. Employee benefits (cont'd)

##### Movement in net defined benefit liability (asset)

The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit liability (asset) and its components:

Group	Defined benefit obligation		Fair value of plan assets		Effect of Asset Ceiling		Net defined benefit liability (asset)	
	30 April 2020 US\$'000	30 April 2019 US\$'000	30 April 2020 US\$'000	30 April 2019 US\$'000	30 April 2020 US\$'000	30 April 2019 US\$'000	30 April 2020 US\$'000	30 April 2019 US\$'000
Balance, Beginning	363,977	385,105	(315,081)	(336,939)	1,508	6,372	50,404	54,538
<b>Included in profit or loss:</b>								
Current service cost	5,818	7,827	—	—	—	—	5,818	7,827
Past service cost	(14,561)	(15,099)	—	—	—	—	(14,561)	(15,099)
Plan administration cost	—	—	2,419	675	—	—	2,419	675
Interest cost/(income)	11,522	16,400	(10,038)	(14,754)	89	497	1,573	2,143
	366,756	394,233	(322,700)	(351,018)	1,597	6,869	45,653	50,084
<b>Included in OCI</b>								
Remeasurements loss (gain):								
- Actuarial loss (gain) arising from:								
- financial assumptions	45,771	10,297	—	—	—	—	45,771	10,297
- demographic assumptions	(4,051)	(514)	—	—	—	—	(4,051)	(514)
- experience adjustment	2,930	(366)	—	—	—	—	2,930	(366)
- Return on plan assets excluding interest income	—	—	(15,481)	(703)	—	—	(15,481)	(703)
- Changes in the effect of the asset ceiling	—	—	—	—	(1,030)	(5,380)	(1,030)	(5,380)
- Effect of movements in exchange rates	935	(100)	(1,268)	258	(21)	19	(354)	177
	45,585	9,317	(16,749)	(445)	(1,051)	(5,361)	27,785	3,511
<b>Others</b>								
Contributions	—	—	(575)	(1,692)	—	—	(575)	(1,692)
Benefits paid	(39,857)	(39,573)	37,922	38,074	—	—	(1,935)	(1,499)
	(39,857)	(39,573)	37,347	36,382	—	—	(2,510)	(3,191)
<b>Balance, Ending</b>	372,484	363,977	(302,102)	(315,081)	546	1,508	70,928	50,404

Remeasurement loss recognised in OCI under executive retirement plan and other plans amounted to US\$0.9 million for fiscal year ended 2020 (2019: US\$0.8 million).



# Del Monte Pacific Limited and its Subsidiaries

## Notes to the financial statements For the financial year ended 30 April 2020

### 21. Employee benefits (cont'd)

#### Represented by:

	Net defined benefit liability (asset)	
	30 April 2020	30 April 2019
	US\$'000	US\$'000
Net defined benefit asset	(6,675)	(8,240)
Post-retirement benefit obligation	11,599	16,914
Net defined benefit liability	66,004	41,730
	<u>70,928</u>	<u>50,404</u>

#### Plan assets

Plan assets comprise:

	Group	
	30 April 2020	30 April 2019
	US\$'000	US\$'000
Interest-bearing cash/bank deposits	5,703	14,501
Real estate (within Philippines)	16,019	15,004
Common collective trust funds:		
Fixed income	66,340	68,624
Equity fund	93,007	87,474
Mutual funds -		
Equity fund	12,375	13,840
Debt instruments:		
Corporate	39,889	41,191
Government	43,527	42,590
Others	7,223	5,109
Equity securities -		
Quoted	6,229	12,602
Others	11,790	14,146
Fair value of plan assets	<u>302,102</u>	<u>315,081</u>

The BOD of DMFI reviews the level of funding required for the retirement fund. Such a review includes the asset-liability matching (ALM) strategy and investment risk management policy. DMFI's ALM objective is to match maturities of the plan assets to the retirement benefit obligation as they fall due. The Group monitors how the duration and expected yield of the investments match the expected cash outflows arising from the retirement benefit obligation.

DMFI's investment objectives are to ensure that the assets of its qualified defined benefit plan are invested to provide an optimal rate of investment return on the total investment portfolio, consistent with the assumption of a reasonable risk level, and to ensure that pension funds are available to meet the plan's benefit obligations as they become due.

DMFI believes that a well-diversified investment portfolio, including both equity and fixed income components, will result in the highest attainable investment return with an acceptable level of overall risk. DMFI's investment policies and procedures are designed to ensure that the plan's investments are in compliance with the Employee Retirement Income Security Act (ERISA).





Notes to the financial statements  
For the financial year ended 30 April 2020

21. Employee benefits (cont'd)

**Actuarial valuation**

The funded obligations and plan assets are measured and valued with the advice of qualified actuary who carries out a full valuation annually. The last valuation of these obligations and plan was performed in April 2020 wherein the results of these valuations form the basis of the fair value of the funded obligations and plan assets as at 30 April 2020.

The principal actuarial assumptions used for accounting purposes expressed as weighted average were:

	<----- DMFI ----->	
	30 April 2020	30 April 2019
Discount rate (per annum)	2.14%-3.68%	3.65% – 4.25%
Future salary increases (per annum)	3.00%	3.00% – 4.00%
Current health care cost trend rate (per annum)	6.40%	6.60%
Ultimate health care cost trend rate	4.50%	4.50%
	2012 rates associated with the Pri-2012 table with generational projection of improvements in mortality from 2012 based on MP- 2019	RP-2014 adjusted backward to 2006 with MP-2014 and projected forward using MP-2018
Mortality rate		
	<----- DMPI ----->	
	30 April 2020	30 April 2019
Discount rate (per annum)	4.43%	6.06%
Future salary increases (per annum)	6.00%	6.00%
	<----- ROHQ ----->	
	30 April 2020	30 April 2019
Discount rate (per annum)	4.48%	6.21%
Future salary increases (per annum)	6.00%	6.00%

Since the defined benefit plans and other benefits liabilities are measured on a discounted basis, the discount rate is a significant assumption. The discount rate for DMFI plan was determined based on an analysis of interest rates for high-quality, long-term corporate debt at each measurement date. The discount rate for DMPI and ROHQ Plans were determined based on the theoretical spot yield curve calculated for the government securities market. In order to appropriately match the bond maturities with expected future cash payments, the Group utilised differing bond portfolios to estimate the discount rates for the defined benefits pension plans and for the post-retirement benefits.



**Notes to the financial statements**  
**For the financial year ended 30 April 2020**

**21. Employee benefits (cont'd)**

**Actuarial valuation (cont'd)**

The discount rate used to determine the defined benefit plans and for the post-retirement benefits projected benefit obligation as of the reporting date is the rate in effect at the measurement date. The same rate is also used to determine the defined benefit pension plans and post-retirement benefits for the following fiscal year. The defined benefits pension plans' investment guidelines are established based upon an evaluation of market conditions, tolerance for risk and cash requirements for benefit payments. Assumptions regarding future mortality have been based on published statistics and mortality tables.

As at 30 April 2020, the weighted average duration of DMPI's and ROHQ's defined benefit retirement obligation is 9.2 years and 7.2 years, respectively (2019: 7.4 years and 6.5 years, respectively).

The projected future benefit payments for the DMPI and ROHQ plans as of 30 April 2020 are as follows:

	<b>DMPI</b>	<b>ROHQ</b>	<b>Total Expected</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>Benefit</b>
			<b>Payments</b>
			<b>US\$'000</b>
2021	1,705	36	1,741
2022	4,456	41	4,497
2023	2,469	46	2,515
2024	4,225	51	4,276
2025	3,276	524	3,800
2026 to 2030	16,365	840	17,205

The weighted average duration of DMFI's defined benefit retirement obligation are as follows:

	<b>Duration (years)</b>	
	<b>30 April 2020</b>	<b>30 April 2019</b>
Qualified retirement plan	10.2	9.3
Post-retirement benefits plan	8.1	9.5
Executive retirement plans	7.5 – 9.0	9.3 – 9.4

The projected future benefit payments for the DMFI plan as of 30 April 2020 are as follows:

	<b>Normal</b>	<b>Other than</b>	
	<b>Retirement</b>	<b>Normal</b>	
	<b>US\$'000</b>	<b>Retirement</b>	<b>Total</b>
		<b>US\$'000</b>	<b>US\$'000</b>
Less than one year	25,864	2,077	27,941
More than one year to five years	94,143	3,879	98,022
More than five years	95,639	2,578	98,217



21. Employee benefits (cont'd)

*Actuarial valuation (cont'd)*

The weighted-average asset allocation of the Group's pension plan assets and weighted-average target allocation as of the measurement date from date of incorporation is as follows:

	30 April 2020	Target Allocation Range
Equity securities	37%	31-51%
Debt securities	52%	42-64%
Other	11%	2-19%
Total	100%	
	30 April 2019	Target Allocation Range
Equity securities	36%	31-51%
Debt securities	50%	42-64%
Other	14%	2-19%
Total	100%	

The plan exposes the Group to market risk.

The BOD of DMFI approves the percentage of asset to be allocated for fixed income instruments and equities. The retirement plan has set maximum exposure limits for each type of permissible investments in marketable securities and deposit instruments. The BOD of DMFI may, from time to time, in the exercise of its reasonable discretion and taking into account existing investment opportunities, review and revise such allocation and limits.

**Source of estimation uncertainty**

Pension expense and pension assets/liabilities are determined using certain actuarial estimates and assumptions relating to the discount rate used in valuing the subsidiary's defined benefit obligations and future experiences such as future salary increases, retirement date or age, mortality and turnover rate of covered employees. These estimates and assumptions directly influence the amount of the pension assets/liabilities and expense recognised in the financial statements.



**Del Monte Pacific Limited and its Subsidiaries**

**Notes to the financial statements**  
**For the financial year ended 30 April 2020**

**21. Employee benefits (cont'd)**

***Sensitivity analysis***

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of reporting period would have increased (decreased) as a result of a change in the respective assumptions by the respective percentages below.

Defined benefit obligation	<-----DMFI----->			
	2020		2019	
	0.5% increase US\$'000	0.5% decrease US\$'000	0.5% increase US\$'000	0.5% decrease US\$'000
Discount rate (per annum)	(14,871)	16,224	(13,692)	14,868
Future salary increases (per annum)	N/A	N/A	1,118	(1,066)

Defined benefit obligation	<-----DMPI----->			
	2020		2019	
	1.0% increase US\$'000	1.0% decrease US\$'000	1.0% increase US\$'000	1.0% decrease US\$'000
Discount rate (per annum)	(2,848)	3,332	(2,253)	1,963
Future salary increases (per annum)	3,245	(2,834)	2,232	(1,981)

Defined benefit obligation	<-----ROHQ----->			
	2020		2019	
	1.0% increase US\$'000	1.0% decrease US\$'000	1.0% increase US\$'000	1.0% decrease US\$'000
Discount rate (per annum)	(53)	60	(38)	35
Future salary increases (per annum)	58	(53)	38	(35)

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation at 30 April 2020 and are applied to adjust the defined benefit obligation at the end of the report period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumption shown.



21. Employee benefits (cont'd)

*Sensitivity analysis (cont'd)*

Post-retirement benefit obligation

	-----DMFI----->			
	2020		2019	
	1.0% Increase US\$'000	1.0% decrease US\$'000	1.0% Increase US\$'000	1.0% decrease US\$'000
Health care cost trend rates (per annum)	15	(14)	908	(744)

**Accumulated post-retirement benefit obligation**

The accumulated post-retirement benefit obligation is computed in accordance with IAS 19 *Employee Benefits*. This quantity is the actuarial present value of all benefits attributed under the projected unit credit method to service rendered prior to a particular date. Prior to an employee's full eligibility date, the accumulated post-retirement benefit obligation as of a particular date for an employee is the portion of the expected post-retirement benefit obligation attributed to that employee's service rendered to that date; on and after the full eligibility date, the accumulated and expected post-retirement benefit obligations for an employee are the same.

**Source of estimation uncertainty**

Accumulated post-retirement benefit obligation is determined using certain actuarial estimates and assumptions relating to the annual rate(s) of change in the cost of health care benefits currently provided by the post-retirement benefit plans due to factors other than changes in the composition of the plan population by age and dependency status, for each year from the measurement date until the end of the period in which benefits are expected to be paid. These estimates and assumptions directly influence the amount of the pension assets/liabilities and expense recognised in the financial statements.

**Multi-employer plans**

The Group participates in several multi-employer pension plans, which provide defined benefits to covered union employees. Contribution rates to the multi-employer plans are provided in the collective bargaining agreements for the covered union employees. The contribution rates are expressed in terms of specific amounts to be contributed based on hours worked by covered union employees. The Group made contributions of US\$6.4 million, US\$6.7 million and US\$6.1 million during fiscal years 2020, 2019 and 2018, respectively.

The risks of participating in the multi-employer pension plans are as follows:

- assets contributed to the multi-employer plan by the Group may be used to provide benefits to employees of other participating employers;
- if a participating employer stops contributing to the plan, the unfunded obligations of the plan allocable to such withdrawing employer may be partially borne by the Group; and
- if the Group stops participating in some of its multi-employer pension plans, the Group may be required to pay those plans an amount based on its allocable share of the underfunded status of the plan, referred to as a withdrawal liability.



**21. Employee benefits (cont'd)**

**Defined Contribution Plans**

The Group participates in two defined contribution plans. Group contributions to these defined contribution plans are based on employee contributions and compensation. The expense recognised under these plans for the year ended 30 April 2020 was US\$4.4 million (2019: US\$4.1 million; 2018: US\$4.8 million).

**Other plans**

The Group has various other nonqualified retirement plans and supplemental retirement plans for executives, designed to provide benefits in excess of those otherwise permitted under the Group's qualified retirement plans. These plans are unfunded and comply with IRS rules for nonqualified plans.

**22. Environmental remediation liabilities**

	<b>Group</b>	
	<b>30 April 2020 US\$'000</b>	<b>30 April 2019 US\$'000</b>
At beginning of the year	697	144
Provision made during the year	9,471	631
Provisions used during the year	(78)	(78)
Provisions released during the year	(336)	-
Reclass to current portion	(167)	-
At end of the year	<u>9,587</u>	<u>697</u>

Provision for environmental remediation relates to legal or constructive obligations incurred by the Group in connection with its operations. The current portion of environmental liabilities is included in "Trade and other payables" in the consolidated statement of financial position. In connection with the plant sales of Mendota, Sleepy Eye, and Crystal City, US\$6.0 million, US\$3.0 million and US\$0.4 million, respectively, of environmental provisions were made in fiscal year 2020.



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

#### 23. Trade and other current liabilities

		<----- Group ----->		<----- Company ----->	
	Note	30 April 2020 US\$'000	30 April 2019 US\$'000	30 April 2020 US\$'000	30 April 2019 US\$'000
Trade payables		132,597	113,202	24	335
Deferred revenue	25	407	530	—	—
Accrued operating expenses:					
Refinancing cost	6, 41	31,324	—	—	—
Taxes and insurance		20,425	6,246	—	—
Trade promotions		12,657	9,476	—	—
Advertising		10,603	11,108	—	—
Accrued interest	40	9,045	10,481	1,568	2,159
Freight and warehousing		7,633	7,121	—	—
Professional fees		7,364	6,292	1,348	—
Utilities		5,861	1,015	—	—
Tinplate and consigned stocks		3,501	3,340	—	—
Salaries, bonuses and other employee benefits		3,373	2,579	—	—
Plant closure costs		3,125	—	—	—
Miscellaneous		6,894	3,694	659	360
Derivative liabilities	20	8,846	2,201	—	—
Overdrafts		6,280	3,478	—	—
Accrued payroll expenses		3,806	3,617	3,337	2,661
Withheld from employees (taxes and social security cost)		1,333	2,259	59	28
Other payables		1,109	622	—	120
Advances from customers		687	304	—	—
VAT payables		23	1,104	23	120
Amounts due to subsidiaries (non-trade)	38	—	—	60,090	98,194
		<u>276,893</u>	<u>188,669</u>	<u>67,108</u>	<u>103,977</u>

Deferred revenue pertains to contract liabilities relating to advances from customers which are generally expected to be recognised as revenue within periods of less than one year. Accordingly, opening contract liabilities are recognised within each reporting period. The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose the aggregate amount of the transaction price of unsatisfied or partially unsatisfied performance obligations as of the end of the reporting period because its contracts have original expected durations of one year or less (see Note 25).

The amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

Refinancing cost pertains to unpaid transaction costs directly attributable to the bond issuance in May 2020 (see Note 41).

Accrued miscellaneous include interest, utilities, customer deposits, freight and warehousing and customs and other importation incidental costs.

#### **Sources of estimation uncertainty**

The determination of the unbilled trade promotion accrual requires significant estimation of the amount of discount to be redeemed based on volumes sold when the services are performed and billings are received.



# Del Monte Pacific Limited and its Subsidiaries

## Notes to the financial statements For the financial year ended 30 April 2020

### 24. Leases

#### Group as a lessee

Set out below are the carrying amount of right-of-use assets recognised and the movements during the period:

	Buildings, land improvements and leasehold improvements US\$'000	Land US\$'000	Machinery and Equipment US\$'000	Total US\$'000
<b>Cost/Valuation</b>				
At 1 May 2019	–	–	–	–
Effect of adoption of IFRS 16	117,070	46,746	45,354	209,170
Additions	24	2,998	273	3,295
Disposals	(1,829)	–	(7,177)	(9,006)
Currency realignment	758	1,533	–	2,291
At 30 April 2020	116,023	51,277	38,450	205,750
<b>Accumulated amortisation</b>				
At 1 May 2019	–	–	–	–
Amortisation	21,543	6,828	14,161	42,532
Disposals	(831)	–	(2,180)	(3,011)
Currency realignment	40	104	–	144
At 30 April 2020	20,752	6,932	11,981	39,665
<b>Carrying amounts</b>				
At 30 April 2020	95,271	44,345	26,469	166,085

The following are the amounts recognised in fiscal year 2020 income statement:

	Note	US\$'000
Amortisation expense of right-of-use assets	26	35,179
Interest expense on lease liabilities	27	8,567
Expenses relating to short-term leases	26	15,365
Variable lease payments		793
<b>Total amount recognised in statement of income</b>		<b>59,904</b>

Amortisation expense is net of amount capitalised to inventory.

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	US\$000
<b>As at 1 May 2019</b>	192,283
Additions	2,469
Accretion of interest	10,001
Payments of principal	(34,427)
Payments of interest	(7,531)
Terminations	(5,836)
Currency realignment	1,566
<b>As at 30 April 2020</b>	<b>158,525</b>
Current	30,829
Non-current	127,696





## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

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#### 25. Revenue

Revenue of the Group comprises fair value gains arising from biological assets, gross invoiced sales of goods, net of discounts and returns, and is recognised when goods are delivered. All intra-group transactions have been excluded from Group revenue.

Revenue for fiscal year ended 30 April 2020 is net of discounts of US\$82.9 million, returns of US\$19.9 million and direct promotions of US\$366.5 million. Revenue for fiscal year ended 30 April 2019 is net of discounts of US\$75.8 million, returns of US\$16.8 million and direct promotions of US\$327.2 million. Revenue for fiscal year ended 30 April 2018 is net of discounts of US\$87.1 million, returns of US\$20.6 million and direct promotions of US\$486.5 million.

Disaggregation of revenue is presented in Note 30.

#### *Contract Balances*

The following table provides information about trade receivables and contract liabilities from contracts with customers.

		Group		
	Note	30 April 2020 US\$'000	30 April 2019 US\$'000	30 April 2018 US\$'000
Receivables, included in Trade and other receivables	13	170,819	127,776	142,654
Contract liabilities	23	407	530	13,592

The Group recognised revenue adjustments from performance obligations satisfied or partially satisfied in previous periods due to changes in estimates of trade promotions, coupon redemptions, cash discounts and penalties amounting to US\$3.3 million and US\$3.5 million in fiscal year 2020 and 2019, respectively.

The contract liabilities at 30 April 2019 have been recognised as revenue as of 30 April 2020.



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

#### 26. Profit (loss) before taxation

Profit (loss) before taxation is arrived at after charging (crediting):

		<----- Group ----->			<----- Company ----->		
	Note	Year ended 30 April 2020 US\$'000	Year ended 30 April 2019 US\$'000	Year ended 30 April 2018 US\$'000	Year ended 30 April 2020 US\$'000	Year ended 30 April 2019 US\$'000	Year ended 30 April 2018 US\$'000
Inventories recognised as cost of sales	12	1,201,016	1,101,109	1,241,195	—	—	—
Depreciation of property, plant and equipment	5	136,674	132,052	140,061	—	—	—
Amortisation of right-of-use assets	24	35,179	—	—	—	—	—
Operating lease rentals	36	—	57,971	62,272	—	—	—
Short-term leases	24	15,365	—	—	—	—	—
Changes in fair value of agricultural produce harvested and sold	11	45,510	39,002	36,651	—	—	—
Impairment loss (reversal of impairment) on property, plant and equipment	5	40,746	1,262	24,534	—	—	—
Allowance for inventory obsolescence	12	9,649	19,245	21,823	—	—	—
Research and development expenses		11,489	11,526	13,522	—	—	—
Amortisation of intangible assets	8	6,650	6,654	7,784	—	—	—
Impairment (reversal) of trade and nontrade receivables	13	(292)	2,646	502	—	—	—
Audit fees							
- paid to the auditors of the Company		353	345	340	353	345	340
- paid to other auditors		1,150	998	1,064	—	—	—
Non-audit fees							
- paid to other auditors		153	144	150	57	3	11
Loss (gain) on disposal of property, plant and equipment		2,502	(6,158)	(11,317)	—	—	—
Legal (reversal of legal expenses)		2,566	2,626	4,956	3	1	(204)
<b>Staff costs</b>							
Wages and salaries		272,006	228,769	353,944	4,761	4,638	3,533
Social security costs		16,255	16,133	17,063	6	4	—
Pension costs - defined benefit pension plan*		8,182	7,633	13,390	92	59	—
Pension costs - provident fund		4,817	4,435	5,366	2	1	—
Equity-settled share-based payment transactions**	32	—	266	377	—	—	30

\*Included the effect of post-retirement medical plan amendment and enhanced early retirement program.

\*\*Net of non-controlling interests amounting to nil, US\$(114) and US\$179 for 2020, 2019 and 2018, respectively.

Other expenses not included above are advertising and marketing costs, freight, warehousing costs and others.



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

#### 27. Net finance expense

Note	<----- Group ----->			<----- Company ----->		
	Year ended 30 April 2020 US\$'000	Year ended 30 April 2019 US\$'000	Year ended 30 April 2018 US\$'000	Year ended 30 April 2020 US\$'000	Year ended 30 April 2019 US\$'000	Year ended 30 April 2018 US\$'000
<b>Finance income</b>						
Interest income from:						
Bank deposits	171	481	269	1	—	5
Due from a related party	—	—	—	22,110	20,231	1,079
Others	682	744	871	—	—	—
Gain on purchase of second lien term loan	19 1,716	16,900	33,623	—	—	—
Realised foreign exchange gain	5,169	7	3,804	—	—	—
Unrealised foreign exchange (loss) gain	—	3,853	2,905	—	—	2
	<u>7,738</u>	<u>21,985</u>	<u>41,472</u>	<u>22,111</u>	<u>20,231</u>	<u>1,086</u>
<b>Finance expense</b>						
Interest expenses on bank loans	(83,694)	(89,125)	(93,169)	(16,117)	(17,216)	(13,910)
Amortisation of debt issue cost, discount	19 (13,737)	(7,833)	(9,154)	(197)	(286)	(2,364)
Interest rate swap settlement	(8,695)	—	—	—	—	—
Leases	24 (8,567)	—	—	—	—	—
Realised foreign exchange loss	(4,505)	(3,405)	(2,669)	(3)	(16)	(1)
Unrealised foreign exchange loss	(1,295)	(61)	(661)	(6)	—	—
	<u>(120,493)</u>	<u>(100,424)</u>	<u>(105,653)</u>	<u>(16,323)</u>	<u>(17,518)</u>	<u>(16,275)</u>
Net finance expense	<u>(112,755)</u>	<u>(78,439)</u>	<u>(64,181)</u>	<u>5,788</u>	<u>2,713</u>	<u>(15,189)</u>

As discussed in Note 19, the Group recognised a gain of US\$1.7 million (2019: US\$16.9 million) on purchase of a portion of the Second Lien term loan.

#### 28. Tax expense (credit) - net

Note	Group		
	Year ended 30 April 2020 US\$'000	Year ended 30 April 2019 US\$'000	Year ended 30 April 2018 US\$'000
<b>Current tax expense</b>			
- Current year	55,424	11,721	11,701
<b>Deferred tax credit</b>			
- Origination and reversal of temporary differences	9 (26,248)	(25,245)	3,143
	<u>29,176</u>	<u>(13,524)</u>	<u>14,844</u>



**Del Monte Pacific Limited and its Subsidiaries**

**Notes to the financial statements  
For the financial year ended 30 April 2020**

**28. Tax expense (credit) – net (cont'd)**

	Year ended 30 April 2020 US\$'000	Group Year ended 30 April 2019 US\$'000	Year ended 30 April 2018 US\$'000
<b>Reconciliation of effective tax rate</b>			
(Loss) profit before taxation	(64,654)	700	(36,232)
Taxation on profit at applicable tax rates	(25,313)	(8,878)	(13,687)
Dividend subjected to final tax	47,246	–	–
Non-deductible expenses	2,951	2,225	2,022
Non-taxable income	(2,013)	(2,733)	(2,537)
Change in unrecognised deferred tax asset	4,433	(4,325)	2,199
Others	1,872	187	(90)
Change in tax rate	–	–	26,937
	29,176	(13,524)	14,844

	Year ended 30 April 2020 US\$'000	Company Year ended 30 April 2019 US\$'000	Year ended 30 April 2018 US\$'000
<b>Current tax expense</b>			
- current year	21	7	25
<b>Deferred tax credit</b>			
- origination and reversal of temporary differences	(6)	(5)	(9)
	15	2	16

	Year ended 30 April 2020 US\$'000	Group Year ended 30 April 2019 US\$'000	Year ended 30 April 2018 US\$'000
<b>Applicable tax rates</b>			
- Philippines (non-PEZA)	30%	30%	30%
- Philippines (PEZA)*	5%	5%	5%
- India	31%	31%	31%
- Singapore	17%	17%	17%
- United States of America	25%	25%	25%
- Mexico	30%	30%	30%

\*based on gross profit for the year



**28. Tax expense (credit) – net (cont'd)**

DMPI's production operations in Cagayan de Oro City, Philippines are undertaken in the Philippine Packing Agricultural Export Processing Zone. This zone was established in accordance with the regulations of the Philippine Economic Zone Authority (PEZA). DMPI enjoys several fiscal and non-fiscal incentives including a 5% (2019 and 2018: 5%) tax on gross profit in lieu of the statutory 30% (2019 and 2018: 30%) on profit before tax, duty free importation of capital equipment, raw materials and supplies used in pursuit of its Ecozone-registered activities, among other incentives. The incentives may be availed of for as long as DMPI complies with the PEZA's requirements which include exporting 70% of its production and these incentives are not rationalised by law. This current tax incentive expired in fiscal year 2018 and was extended for an additional three years ending fiscal year 2021.

DMPI received PEZA approval for a second zone, the Bukidnon Agro-Resources Export Zone, for agri-development projects. This current tax incentive expired in fiscal year 2018 and was extended for an additional three years ending fiscal year 2021.

With respect to DMFI, on 22 December 2017, the United States enacted the Tax Cuts and Jobs Act (the "Act"). The Act lowered the U.S. federal statutory income tax rate from 35% to 21% effective 1 January 2018.

**Company**

There is no tax expense for the Company as the income of the Company is exempt from all income taxes in the British Virgin Islands except for ROHQ in the Philippines which has a preferential tax rate of 10%.

***Sources of estimation uncertainty***

The Group has exposure to income taxes in several foreign jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.



**Del Monte Pacific Limited and its Subsidiaries****Notes to the financial statements****For the financial year ended 30 April 2020**

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**29. Earnings (loss) per share****Basic earnings (loss) per share**

Basic earnings (loss) per share is calculated by dividing the net profit (loss) attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

Cumulative undeclared preference dividends amounted to US\$1.3 million as of 30 April 2020 and 2019.

	Year ended 30 April 2020	Group Year ended 30 April 2019	Year ended 30 April 2018
(Loss) profit attributable to owners of the Company (US\$'000)	<b>(81,394)</b>	20,319	(36,492)
Cumulative preference share dividends for the year (US\$'000)	<b>(19,750)</b>	(19,750)	(15,958)
	<b>(101,144)</b>	569	(52,450)
Weighted average number of ordinary shares ('000):			
Outstanding ordinary shares at 1 May	<b>1,943,960</b>	1,943,960	1,943,214
Effect of share awards granted	—	—	456
Weighted average number of ordinary shares during the year	<b>1,943,960</b>	1,943,960	1,943,670
Basic (loss) earnings per share (in US cents)	<b>(5.20)</b>	0.03	(2.70)



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

#### 29. Earnings (loss) per share (cont'd)

##### Diluted earnings (loss) per share

For the purpose of calculation of the diluted earnings per ordinary share, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from Del Monte Pacific RSP, with the potential ordinary shares weighted for the period outstanding.

	Year ended 30 April 2020	Group Year ended 30 April 2019	Year ended 30 April 2018
(Loss) profit attributable to owners of the Company (US\$'000)	(81,394)	20,319	(36,492)
Cumulative preference share dividends for the year (US\$'000)	(19,750)	(19,750)	(15,958)
	<u>(101,144)</u>	<u>569</u>	<u>(52,450)</u>
Diluted weighted average number of shares ('000):			
Weighted average number of ordinary shares at end of year (basic)	1,943,960	1,943,960	1,943,670
Potential ordinary shares issuable under share awards	—	—	—
Weighted average number of ordinary shares issued (diluted)	<u>1,943,960</u>	<u>1,943,960</u>	<u>1,943,670</u>
Diluted (loss) earnings per share (in US cents)	<u>(5.20)</u>	<u>0.03</u>	<u>(2.70)</u>

#### 30. Operating segments

The Group has two operating segments: geographical and product. In identifying these operating segments, management generally considers geographical as its primary operating segment.

##### Geographical segments

###### Americas

Reported under the Americas segment are sales and profit on sales in North and South America, and Canada. Majority of this segment's sales are principally sold under the Del Monte brand but also under the Contadina, S&W, College Inn and other brands. This segment also includes sales of private label food products. Sales across various channels include retail markets, as well as to the United States military, certain export markets, the food service industry and other food processors.



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

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#### 30. Operating segments (cont'd)

##### *Asia Pacific*

Reported under Asia Pacific are sales and profit on sales in the Philippines, comprising primarily of Del Monte branded packaged products, including Del Monte traded goods; Today's; S&W products in Asia both fresh and packaged; and Del Monte packaged products from the Philippines into Indian subcontinent as well as unbranded fresh and packaged goods.

##### *Europe*

Included in Europe segment are sales of unbranded products in Europe.

#### **Product segments**

##### *Packaged fruit and vegetable*

The packaged fruit and vegetable segment includes sales and profit of processed fruit and vegetable products under the Del Monte and S&W brands, as well as buyer's labels, that are packaged in different formats such as can, plastic cup, pouch and aseptic bag. Key products under this segment are canned beans, peaches and corn sold in the United States and canned pineapple and tropical mixed fruit in Asia Pacific.

##### *Beverage*

Beverage includes sales and profit of 100% pineapple juice in can, juice drinks in various flavours in can, tetra and PET packaging, and pineapple juice concentrate.

##### *Culinary*

Culinary includes sales and profit of packaged tomato-based products such as ketchup, tomato sauce, pasta sauce, recipe sauce, pizza sauce, pasta, broth and condiments under four brands namely Del Monte, S&W, College Inn and Contadina.

##### *Fresh fruit and others*

Fresh fruit and others include sales and profit of S&W branded fresh pineapples in Asia Pacific and buyer's label or non-branded fresh pineapples in Asia, and sales and profit of cattle in the Philippines. The cattle operation helps in the disposal of pineapple pulp, a residue of pineapple processing which is fed to the animals. This would also include non-branded sales to South America.

The Group allocated certain overhead and corporate costs to the various product segments based on sales for each segment relative to the entire Group.

#### **Segment assets**

Segment assets consist primarily of property, plant and equipment, intangible assets, trade and other receivables, biological assets, inventories and investments in joint ventures.





Del Monte Pacific Limited and its Subsidiaries

Notes to the financial statements  
For the financial year ended 30 April 2020

30. Operating segments (cont'd)

Information about reportable segments

	<-----Americas----->			<-----Asia Pacific----->			<-----Europe----->			<-----Total----->		
	Year ended 30 April 2020 US\$'000	Year ended 30 April 2019 US\$'000	Year ended 30 April 2018 US\$'000	Year ended 30 April 2020 US\$'000	Year ended 30 April 2019 US\$'000	Year ended 30 April 2018 US\$'000	Year ended 30 April 2020 US\$'000	Year ended 30 April 2019 US\$'000	Year ended 30 April 2018 US\$'000	Year ended 30 April 2020 US\$'000	Year ended 30 April 2019 US\$'000	Year ended 30 April 2018 US\$'000
<b>Revenue</b>												
Packaged/processed												
fruit and vegetable	1,259,911	1,150,516	1,349,509	116,846	101,861	123,136	23,513	22,501	24,359	1,400,270	1,274,878	1,497,004
Beverage	14,393	14,507	19,522	135,009	122,691	131,412	10,485	9,413	9,133	159,887	146,611	160,067
Culinary	262,915	245,695	274,208	129,859	121,299	123,620	76	—	—	392,850	366,994	397,828
Fresh fruit and others	1,824	4,277	2,217	173,512	162,082	140,193	—	—	—	175,336	166,359	142,410
<b>Total</b>	<b>1,539,043</b>	<b>1,414,995</b>	<b>1,645,456</b>	<b>555,226</b>	<b>507,933</b>	<b>518,361</b>	<b>34,074</b>	<b>31,914</b>	<b>33,492</b>	<b>2,128,343</b>	<b>1,954,842</b>	<b>2,197,309</b>
<b>Gross profit</b>												
Packaged/processed												
fruit and vegetable	233,073	191,191	214,615	30,238	27,939	37,704	1,471	3,515	8,587	264,782	222,645	260,906
Beverage	2,118	559	(275)	38,734	27,493	37,014	(550)	(4,292)	(2,585)	40,302	23,760	34,154
Culinary	42,783	49,094	44,226	47,705	44,311	48,582	26	—	—	90,514	93,405	92,808
Fresh fruit and others	(1,314)	1,119	499	57,873	54,056	44,107	—	—	—	56,559	55,175	44,606
<b>Total</b>	<b>276,660</b>	<b>241,963</b>	<b>259,065</b>	<b>174,550</b>	<b>153,799</b>	<b>167,407</b>	<b>947</b>	<b>(777)</b>	<b>6,002</b>	<b>452,157</b>	<b>394,985</b>	<b>432,474</b>
<b>Share in net loss of joint ventures</b>												
Packaged/processed												
fruit and vegetable	—	(176)	—	(1,451)	(610)	(97)	—	(111)	—	(1,451)	(897)	(97)
Beverage	—	—	—	(136)	(8)	(23)	—	—	—	(136)	(8)	(23)
Culinary	—	—	—	(1,365)	(72)	(185)	—	—	—	(1,365)	(72)	(185)
Fresh fruit and others	—	—	—	(132)	(6)	(1,247)	—	—	—	(132)	(6)	(1,247)
<b>Total</b>	<b>—</b>	<b>(176)</b>	<b>—</b>	<b>(3,084)</b>	<b>(696)</b>	<b>(1,552)</b>	<b>—</b>	<b>(111)</b>	<b>—</b>	<b>(3,084)</b>	<b>(983)</b>	<b>(1,552)</b>



Del Monte Pacific Limited and its Subsidiaries

Notes to the financial statements  
For the financial year ended 30 April 2020

30. Operating segments (cont'd)

Information about reportable segments

	<-----Americas----->			<-----Asia Pacific----->			<-----Europe----->			<-----Total----->		
	Year ended 30 April 2020 US\$'000	Year ended 30 April 2019 US\$'000	Year ended 30 April 2018 US\$'000	Year ended 30 April 2020 US\$'000	Year ended 30 April 2019 US\$'000	Year ended 30 April 2018 US\$'000	Year ended 30 April 2020 US\$'000	Year ended 30 April 2019 US\$'000	Year ended 30 April 2018 US\$'000	Year ended 30 April 2020 US\$'000	Year ended 30 April 2019 US\$'000	Year ended 30 April 2018 US\$'000
<b>(Loss) profit before taxation</b>												
Packaged/processed fruit and vegetable	(40,430)	(49,323)	(81,733)	14,316	11,107	20,404	(510)	577	5,618	(26,624)	(37,639)	(55,711)
Beverage	(2,256)	(4,247)	(5,775)	17,174	1,725	9,683	(1,557)	(5,513)	(3,685)	13,361	(8,035)	223
Culinary	(14,188)	(5,987)	(27,904)	25,739	20,706	24,789	(1)	—	—	11,550	14,719	(3,115)
Fresh fruit and others	(77,617)	(204)	(51)	14,676	31,859	22,422	—	—	—	(62,941)	31,655	22,371
<b>Total</b>	<b>(134,491)</b>	<b>(59,761)</b>	<b>(115,463)</b>	<b>71,905</b>	<b>65,397</b>	<b>77,298</b>	<b>(2,068)</b>	<b>(4,936)</b>	<b>1,933</b>	<b>(64,654)</b>	<b>700</b>	<b>(36,232)</b>
<b>Other Material Non- Cash Items</b>												
Depreciation and amortisation	74,978	51,738	54,677	103,525	86,968	93,168	—	—	—	178,503	138,706	147,845
<b>Capital expenditure</b>	<b>19,495</b>	<b>21,092</b>	<b>30,937</b>	<b>111,369</b>	<b>102,387</b>	<b>113,839</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>130,864</b>	<b>123,479</b>	<b>144,776</b>
<b>Segment assets</b>	<b>1,798,832</b>	<b>1,843,771</b>	<b>1,972,616</b>	<b>738,672</b>	<b>533,690</b>	<b>521,213</b>	<b>16,849</b>	<b>21,233</b>	<b>15,297</b>	<b>2,554,353</b>	<b>2,398,694</b>	<b>2,509,126</b>
<b>Segment liabilities</b>	<b>1,200,459</b>	<b>1,104,990</b>	<b>1,198,647</b>	<b>782,481</b>	<b>649,852</b>	<b>624,249</b>	<b>5,516</b>	<b>42,711</b>	<b>77,970</b>	<b>1,988,456</b>	<b>1,797,553</b>	<b>1,900,866</b>



**30. Operating segments (cont'd)**

***Major customer***

Revenues from a major customer of the Americas segment for fiscal year 2020 amounted to approximately US\$557.4 million or 26% (2019: US\$394.4 million or 20%, 2018: US\$631.9 million or 29%) of the Group's total revenue. The customer accounted for approximately 17% of trade and other receivable 30 April 2020 (2019: 12%, 2018: 13%).

**31. Seasonality of operations**

The Group's business is subject to seasonal fluctuations as a result of increased demand during the end of year festive season. For Americas, products are sold heavily during the Thanksgiving and Christmas seasons. As such, the Group's sales are usually highest during the five months from August to December.

The Group operates 11 production facilities (2019 and 2018: 15 production facilities, respectively) in the U.S., Mexico, and Philippines. Fruit plants are located in California and Washington in the United States and Philippines. Most of its vegetable plants are located in the U.S. Midwest and its tomato plant are located in California.

The US Consumer Food Business has a seasonal production cycle that generally runs between the months of June and October. This seasonal production primarily relates to the majority of processed fruit, vegetable and tomato products, while some of its processed fruit and tomato products and its *College Inn* broth products are produced throughout the year. Additionally, the Consumer Food Business has contracts to co-pack certain processed fruit and vegetable products for other companies.

**32. Share option and incentive plans**

The Company adopted the Del Monte Pacific Executive Share Option Plan 2016 ("ESOP 2016"), which was approved by the shareholders at the general meeting held on 30 August 2016. The purpose of the ESOP 2016 is to provide an opportunity for Group executives and directors to participate in the equity of the Company in order to motivate them to excel in their performance. The ESOP 2016 shall be valid for a period of ten years; however, it has yet to be implemented, and no options had been granted to-date.

The ESOP 2016 is administered by the Remuneration Share Option Committee (RSOC).



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

#### 32. Share option and incentive plans (cont'd)

##### ESOP

On 30 April 2013, the Company approved the grant of 150,000 stock options, representing a 20% adjustment to the number of unexercised stock options previously granted. The exercise period therefore follows that of the options granted on 7 March 2008.

As of 30 April 2020 and 2019, there is no outstanding ESOP options due to the lapse of its exercise period.

##### *Del Monte Pacific RSP*

Date of grant of share awards	Vesting period	Market price on date of grant S\$	Share awards granted	Share awards outstanding
22 August 2013	Up to 60%: 22 August 2013 - 21 August 2016 40%: 22 August 2016 - 21 August 2017	0.840	688,000	—
1 July 2015	Up to 60%: 22 August 2016 - 21 August 2017 40%: 22 August 2017 - 21 August 2018	0.385	57,918	—
			<u>745,918</u>	<u>—</u>

Since the commencement of the employee share option plans until the end of the financial year, no option have been granted at a discount.

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

On 20 September 2017, the Company released all of its outstanding share awards to its Directors. There were no additional share options exercised during the fiscal year ended 30 April 2020 and 2019.



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

#### 32. Share option and incentive plans (cont'd)

##### *Fair value of share options/awards and assumptions*

Date of grant of options/awards	7 March 2008	30 April 2013	1 July 2015	12 May 2009	29 April 2011	30 April 2013	22 August 2013	1 July 2015
	<-----ESOP----->			<----- Del Monte Pacific RSP ----->				
Fair value at measurement date	US\$0.12	US\$0.18	US\$0.29	US\$0.37	US\$0.40	US\$0.18	US\$0.65	US\$0.29
Share price (Singapore Dollars) at grant date	0.615	0.810	0.385	0.540	0.485	0.810	0.840	0.385
Exercise price (Singapore Dollars)	0.627	0.627	0.578	—	—	—	—	—
Expected volatility	5.00%	2.00%	2.00%	—	—	—	—	—
Time to maturity	2 years	2 years	2 years	—	—	—	—	—
Risk-free interest rate	3.31%	1.51%	2.51%	—	—	—	—	—

The expected volatility is based on the historic volatility (calculated based on the weighted average expected life of the share options), adjusted for any expected changes to future volatility due to publicly available information.

There are no market conditions associated with the share option grants. Service conditions and non-market performance conditions are not taken into account in the measurement of the fair value of the services to be received at the grant date.

##### *Del Monte Foods Holding Equity Compensation Plan*

During the second quarter of fiscal year 2016, DMFHI established a new plan, the 2015 Executive Long-Term Incentive Plan ("LTIP"), which intends to provide key executives with the opportunity to receive grants of stock options, cash-based awards and other stock-based awards. 9,000,000 shares of common stock of DMFHI were reserved for grant under the plan. In fiscal year 2016, the Company granted nonqualified stock options and cash incentive awards under the plan.

In September 2016, the authorised shares reserved for grant under the plan was increased from 9,000,000 to 15,000,000. As of 30 April 2020 and 2019, 14,716,500 and 14,372,044 share were available for future grant, respectively.



32. Share option and incentive plans (cont'd)

*Del Monte Foods Holding Equity Compensation Plan (cont'd)*

The fair value for stock options granted was estimated at the date of grant using a Black-Scholes option pricing model. This model estimates the fair value of the options based on a number of assumptions, such as expected option life, interest rates, the current fair market value and expected volatility of common stock and expected dividends. The expected term of options granted was based on the "simplified" method. Expected stock price volatility was determined based on the historical volatilities of comparable companies over a historical period that matches the expected life of the options. The risk-free interest rate was based on the expected U.S. Treasury rate over the expected life. The dividend yield was based on the expectation that no dividends will be paid. The following table presents the weighted-average assumptions for performance-based stock options granted for the periods indicated:

	3 November 2015
Expected life (in years)	5.5
Expected volatility	38.49%
Risk-free interest rate	1.64%

Stock option activity and related information during the periods indicated was as follows:

	2020		2019	
	Number of options	Weighted-average exercise price	Number of options	Weighted-average exercise price
Outstanding at beginning of year	627,956	5.39	1,422,001	5.39
Cancelled	(79,500)	5.39	(212,163)	5.39
Forfeited	(264,956)	5.39	(581,882)	5.39
Outstanding at end of year	283,500	5.39	627,956	5.39
Exercisable at end of year	283,500	—	—	—

There was no expense recognised in the consolidated income statement for equity-settled share based compensation for fiscal year 2020. The expense recognised in profit or loss for equity-settled share-based payments amounting to US\$0.3 million in fiscal year 2019 were included in personnel cost.

**Cash incentives**

On 3 November 2015, DMFHI granted a total cash incentive of US\$13.8 million to key executives under cash incentive award agreements. The awards will vest when the employee remains employed for a period of approximately four (4) years from the grant date until the defined vesting date. Of the total grant, US\$4.0 million remained outstanding as of 30 April 2019. There is nothing outstanding as of 30 April 2020 related to this grant (2019: US\$4.0 million remained outstanding).

In December 2017, DMFI granted US\$4.6 million in cash incentives to key executives under cash incentive award agreements. The awards will vest when the employee remains employed for a period of approximately two years from the grant date until the defined vesting date. Additionally, some of the grants require the employee to meet certain performance criteria. There is nothing outstanding as of 30 April 2020 related to this grant (2019: US\$3.5 million remained outstanding).



**32. Share option and incentive plans (cont'd)**

**Cash incentives (cont'd)**

In March 2018, DMFI granted an additional US\$0.3 million in cash incentives to key executives under cash incentive award agreements. The awards will vest when the employee remains employed for a period of approximately one to two years from the grant date until the defined vesting date. There is nothing outstanding as of 30 April 2020 related to this grant (2019: US\$0.3 million remained outstanding).

On 16 December 2019, DMFHI granted a total cash incentive of US\$2.6 million to key executives under cash incentive award agreements. The grants require performance criteria to be achieved. The awards will vest in two equal annual parts over a period of approximately two years when the employee remains employed on each vesting date.

There is no accrued net obligation at 30 April 2020. The accrued net obligation at 30 April 2019 amounted to US\$6.2 million. Total expense recognised under "Wages, salaries and other benefits" in the consolidated income statement of the Group amounted to US\$1.6 million, US\$3.1 million and US\$2.9 million in fiscal years 2020, 2019 and 2018, respectively.

**33. Financial risk management**

The Group has exposure to the following risks from financial instruments:

- credit risk
- interest rate risk
- liquidity risk
- foreign exchange risk
- commodity price risk

***Risk management framework***

The Board of the Group has overall responsibility for the establishment and oversight of the Group's risk management framework. The Audit and Risk Committee ("ARC") is responsible for monitoring the Group's risk management policies developed by management.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The ARC oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The ARC is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the ARC.



**33. Financial risk management (cont'd)**

***Financial risk management objectives and policies***

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The BOD of the Group continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

***Credit risk***

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. The carrying amounts of financial assets in the statements of financial position represent the Group and the Company's maximum exposures to credit risk, before taking into account any collateral held. The Group and Company do not hold any collateral in respect of their financial assets.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and countries in which customers are located, as these factors may have an influence on credit risk.

The ARC has approved a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes credit ratings, where available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount. Customers failing to meet the Group's benchmark credit worthiness may transact with the Group only on a prepayment or Letters of Credit basis.

***Exposure to credit risk***

At the reporting date, the maximum exposure to credit risk for financial assets, excluding cash on hand, by geographic region was:

	<b>Group</b>	
	<b>30 April 2020 US\$'000</b>	<b>30 April 2019 US\$'000</b>
Americas	133,501	85,760
Europe	7,375	5,470
Asia Pacific	224,895	85,382
	<b>365,771</b>	<b>176,612</b>

At 30 April 2020, the Group's most significant customer accounted for 17% of the trade and other receivables carrying amount (2019: 12%).





Notes to the financial statements  
For the financial year ended 30 April 2020

33. Financial risk management (cont'd)

*Financial risk management objectives and policies (cont'd)*

*Credit risk (cont'd)*

*Impairment losses*

The ageing of financial assets excluding cash on hand that were not impaired at the reporting date was:

Group	30 April 2020 US\$'000	30 April 2019 US\$'000
Not past due	307,255	125,095
Past due 0 - 60 days	35,517	26,900
Past due 61 - 90 days	3,486	1,755
Past due 91 - 120 days	2,340	6,417
More than 120 days	17,173	16,445
	<u>365,771</u>	<u>176,612</u>

As at 30 April 2020 and 2019, the Company's financial assets are all not past due.

The table below shows the credit quality of the Group's financial assets based on their historical experience with the corresponding third parties:

		30 April 2020		
Note		Grade A	Grade B	Total
		US\$'000	US\$'000	US\$'000
Cash in banks and cash equivalents	15	33,404	–	33,404
Trade and other receivables	13	–	323,065	323,065
Note receivables	10	1,141	–	1,141
Refundable deposits*	10	–	8,104	8,104
Derivative assets	14	–	57	57
		<u>34,545</u>	<u>331,226</u>	<u>365,771</u>

\*included under advance rentals and deposits

		30 April 2019		
Note		Grade A	Grade B	Total
		US\$'000	US\$'000	US\$'000
Cash in banks and cash equivalents	15	21,595	–	21,595
Trade and other receivables	13	–	149,054	149,054
Note receivables	10	4,038	–	4,038
Refundable deposits*	10	–	1,861	1,861
Derivative assets	14	–	64	64
		<u>25,633</u>	<u>150,979</u>	<u>176,612</u>

\*included under advance rentals and deposits



**Notes to the financial statements**  
**For the financial year ended 30 April 2020**

**33. Financial risk management (cont'd)**

***Financial risk management objectives and policies (cont'd)***

***Credit risk (cont'd)***

As at 30 April 2020 and 2019, the Company's financial assets were all classified under Grade A and Grade B, respectively.

	Note	30 April 2020		
		Grade A	Grade B	Total
		US\$'000	US\$'000	US\$'000
Cash in banks and cash equivalents	15	766	—	766
Trade and other receivables	13	—	95,131	95,131
		766	95,131	95,897

	Note	30 April 2019		
		Grade A	Grade B	Total
		US\$'000	US\$'000	US\$'000
Cash in banks and cash equivalents	15	886	—	886
Trade and other receivables	13	—	3,187	3,187
		886	3,187	4,073

Grade A financial assets pertain to those cash that are deposited in reputable banks. Grade B includes receivables that are collected on their due dates even without an effort from the Group to follow them up.

The Group sells its products through major distributors and buyers in various geographical regions. Management has a credit risk policy which includes, among others, the requirement of certain securities to ensure prompt observance and performance of the obligations of its distributors and other buyers from time to time. The Group monitors its outstanding trade receivables on an on-going basis. In addition, the Group also engages in sale of its trade receivables without recourse to certain financial institutions.

The Group assessed that all balances under Grade A and Grade B have not experienced significant increase in credit risk as of 30 April 2020 and 2019.

The Group applies the simplified approach in measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The Group uses a provision matrix to measure ECLs. Loss rates are based on actual credit loss experience over a period of three years. The Group has assessed that adjusting the loss rates for forward-looking information does not have a material effect considering the significantly low historical loss rates and the absence of economic factors that are highly correlated with the Group's credit loss experience on receivables.



33. Financial risk management (cont'd)

*Financial risk management objectives and policies (cont'd)*

*Credit risk (cont'd)*

*Cash in banks and cash equivalents*

Cash in banks and cash equivalents are held with banks and financial institutions which are regulated.

The percentages of cash in banks and cash equivalents held in the following regions are:

	30 April 2020 %	30 April 2019 %
<b>Group</b>		
United States of America	22	13
Philippines	67	45
Hong Kong	11	41
Singapore	—	1

**Company**

Philippines	86	55
Hong Kong	8	45
Singapore	6	—

Apart from the information stated above, the Group and Company have no significant concentration of credit risk with any single counterparty or group counterparties.

*Derivatives*

The derivatives are entered into with banks and financial institutions which are regulated.

**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term and short-term debt obligations with floating interest rates.

The Group's cash balances are placed with reputable global banks and financial institutions. The Group manages its interest rate risks by placing the cash balances with varying maturities and interest rate terms. This includes investing the Group's temporary excess liquidity in short-term low-risk securities from time to time. The Group also enters into interest rate swaps to manage the volatility. The Group obtains financing through bank borrowings and leasing arrangements. Funding is obtained from bank loan facilities for both short-term and long-term requirement. The Group's policy is to obtain the most favourable interest rate available without increasing its foreign currency exposure.



33. Financial risk management (cont'd)

*Financial risk management objectives and policies (cont'd)*

*Interest rate risk (cont'd)*

*Interest rate profile of interest-bearing financial instruments*

The interest rate profile of the interest-bearing financial instruments as reported to management of the Group is as follows:

	<----- Group ----->		<----- Company ----->	
	30 April 2020 US\$'000	30 April 2019 US\$'000	30 April 2020 US\$'000	30 April 2019 US\$'000
<b>Fixed rate instruments</b>				
Loans and borrowings	188,443	372,574	128,971	183,774
<b>Variable rate instruments</b>				
Loans and borrowings	1,207,586	1,106,081	237,311	192,311
Interest rate swaps	5,915	3,960	—	—
	<u>1,213,501</u>	<u>1,110,041</u>	<u>237,311</u>	<u>192,311</u>
	<u>1,401,944</u>	<u>1,482,615</u>	<u>366,282</u>	<u>192,311</u>

*Cash flow sensitivity analysis for variable rate instruments*

At the reporting date, if interest rates had moved as illustrated in the table below, with all other variables held constant, profit/loss before tax in the next 12 months would have been affected as follows:

	Profit/loss before tax in the next 12 months	
	100 bp increase US\$'000	100 bp decrease US\$'000
<b>Group</b>		
<b>30 April 2020</b>		
Variable rate instruments	(1,329)	1,329
Interest rate swaps	(4,294)	4,294
Cash flow sensitivity (net)	<u>(5,623)</u>	<u>5,623</u>
<b>30 April 2019</b>		
Variable rate instruments	(6,825)	6,825
Interest rate swaps	(5,557)	5,557
Cash flow sensitivity (net)	<u>(12,382)</u>	<u>12,382</u>



**33. Financial risk management (cont'd)**

***Financial risk management objectives and policies (cont'd)***

***Interest rate risk (cont'd)***

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment, showing significantly higher volatility than in prior years.

As at 30 April 2020 and 28 April 2019, the Group designated each of its derivative contracts as a hedge of the variability of cash flows to be received or paid related to a recognised asset or liability ("cash flow hedge").

***Liquidity risk***

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

The Group maintains a balance between continuity of cash inflows and flexibility in the use of available and collateral free credit lines from local and international banks. Currently, the Group excluding DMFI is entitled to a total of US\$682.6 million (2019: US\$655.7 million) in credit lines, of which 13% (2019: 46%) remain available. The lines are mostly for short-term financing requirements since the long term facilities have been fully drawn. The Group constantly maintains good relations with its banks, such that additional facilities, whether for short or long-term requirements, may be made available.

The Group is able to increase the commitments under the ABL Facility, subject only to the consent of the new or existing lenders providing such increases, such that the aggregate principal amount of commitments does not exceed US\$450.0 million. The lenders under this facility are under no obligation to provide any such additional commitments, and any increase in commitments will be subject to customary conditions precedent. Notwithstanding any such increase in the facility size, the Group's ability to borrow under the facility will remain limited at all times by the borrowing base (to the extent the borrowing base is less than the commitments).

The Group has the right to request an additional US\$100.0 million plus an additional amount of secured indebtedness under the First Lien Term Loan and the Second Lien Term Loan. Lenders under this facility are under no obligation to provide any such additional loans, and any such borrowings will be subject to customary conditions precedent, including satisfaction of a prescribed leverage ratio, subject to the identification of willing lenders and other customary conditions precedent.



# Del Monte Pacific Limited and its Subsidiaries

## Notes to the financial statements For the financial year ended 30 April 2020

### 33. Financial risk management (cont'd)

#### Financial risk management objectives and policies (cont'd)

#### Liquidity risk (cont'd)

The following are the expected contractual undiscounted cash outflows of financial assets and liabilities, including interest payments and excluding the impact of netting agreements:

Group	Note	Carrying amount US\$'000	Contractual cash flows US\$'000	Less than 1 year US\$'000	1-5 years US\$'000	More than 5 years US\$'000
<b>30 April 2020</b>						
<b>Derivative financial assets</b>						
Commodity contracts	14	57	57	57	–	–
<b>Non-derivative financial assets</b>						
Cash in banks and cash equivalents	15	33,404	33,404	33,404	–	–
Trade and other receivables	13	320,217	320,217	320,217	–	–
Note receivables	10,13	3,989	4,194	2,924	1,270	–
Refundable deposits*	10	8,104	8,104	–	–	8,104
		365,771	365,976	356,602	1,270	8,104
*included under advance rentals and deposits						
<b>Derivative financial liabilities</b>						
Interest rate swaps used for hedging, net-settled	20	5,915	6,374	6,374	–	–
Commodity contracts	20	2,909	10,762	8,122	2,640	–
Call option	20	2,565	2,565	2,565	–	–
		11,389	19,701	17,061	2,640	–
	Note	Carrying amount US\$'000	Contractual cash flows US\$'000	Less than 1 year US\$'000	1-5 years US\$'000	More than 5 years US\$'000
<b>Non-derivative financial liabilities</b>						
Unsecured bank loans						
- Current	19	473,152	476,600	476,600	–	–
- Noncurrent	19	75,000	86,432	2,538	83,894	–
Secured bank loans						
- Current	19	825,140	826,766	826,766	–	–
- Noncurrent	19	22,737	49,646	20,377	29,269	–
Lease liabilities	24	158,525	199,819	39,754	110,546	49,520
Trade and other current liabilities*	23	265,597	265,597	265,597	–	–
		1,820,151	1,904,860	1,631,632	223,709	49,520
Net financial liabilities (assets)		1,454,380	1,538,884	1,275,030	222,439	41,416
*excludes derivative liabilities, advances from customers, deferred revenue, withheld from employees (taxes and social security cost) and VAT payables						



**Del Monte Pacific Limited and its Subsidiaries**

**Notes to the financial statements  
For the financial year ended 30 April 2020**

**33. Financial risk management (cont'd)**

***Financial risk management objectives and policies (cont'd)***

***Liquidity risk (cont'd)***

Group	Note	Carrying amount US\$'000	Contractual cash flows US\$'000	Less than 1 year US\$'000	1-5 years US\$'000	More than 5 years US\$'000
<b>30 April 2019</b>						
<b>Derivative financial assets</b>						
Commodity contracts	14	64	64	64	–	–
<b>Non-derivative financial assets</b>						
Cash in banks and cash equivalents	15	21,595	21,595	21,595	–	–
Trade and other receivables	13	143,628	143,628	143,628	–	–
Note receivables	10,13	9,464	10,072	5,647	4,425	–
Refundable deposits*	10	1,861	1,861	–	–	1,861
		<u>176,612</u>	<u>177,220</u>	<u>170,934</u>	<u>4,425</u>	<u>1,861</u>
<i>*included under advance rentals and deposits</i>						
<b>Derivative financial liabilities</b>						
Interest rate swaps used for hedging, net-settled	20	3,960	4,704	2,410	2,294	–
<b>Non-derivative financial liabilities</b>						
Unsecured bank loans						
- Current	19	353,870	354,778	354,778	–	–
- Noncurrent	19	168,825	180,353	7,381	172,972	–
Secured bank loans						
- Current	19	138,870	145,547	145,547	–	–
- Noncurrent	19	817,090	905,424	46,884	858,540	–
Trade and other current liabilities*	23	182,271	182,271	182,271	–	–
		<u>1,664,886</u>	<u>1,773,077</u>	<u>739,271</u>	<u>1,033,806</u>	<u>–</u>
Net financial liabilities (assets)		<u>1,488,274</u>	<u>1,595,857</u>	<u>568,337</u>	<u>1,029,381</u>	<u>(1,861)</u>

*\*excludes derivative liabilities, advances from customers, deferred revenue, withheld from employees (taxes and social security cost) and VAT payables*



**Del Monte Pacific Limited and its Subsidiaries**

**Notes to the financial statements  
For the financial year ended 30 April 2020**

**33. Financial risk management (cont'd)**

***Financial risk management objectives and policies (cont'd)***

***Liquidity risk (cont'd)***

Company		Carrying amount US\$'000	Contractual cash flows US\$'000	Less than 1 year US\$'000	1-5 years US\$'000	More than 5 years US\$'000
<b>30 April 2020</b>						
<b>Non-derivative financial assets</b>						
Cash in banks and cash equivalents	15	766	766	766	–	–
Trade and other receivables	13	95,131	95,131	95,131	–	–
		<u>95,897</u>	<u>95,897</u>	<u>95,897</u>	<u>–</u>	<u>–</u>
<b>Non-derivative financial liabilities</b>						
Unsecured bank loans						
- Short-term	19	216,311	219,379	219,379	–	–
- Long-term	19	75,000	86,432	2,538	83,894	–
Secured bank loans						
- Short-term	19	74,971	75,891	75,891	–	–
Trade and other current liabilities*	23	67,026	67,026	67,026	–	–
		<u>433,308</u>	<u>448,728</u>	<u>364,834</u>	<u>83,894</u>	<u>–</u>
Net financial liabilities (assets)		<u>337,411</u>	<u>352,831</u>	<u>268,937</u>	<u>83,894</u>	<u>–</u>
*excludes withheld from employees (taxes and social security cost) and VAT payables						
<b>30 April 2019</b>						
<b>Non-derivative financial assets</b>						
Cash in banks and cash equivalents	15	886	886	886	–	–
Trade and other receivables	13	3,187	3,187	3,187	–	–
		<u>4,073</u>	<u>4,073</u>	<u>4,073</u>	<u>–</u>	<u>–</u>
<b>Non-derivative financial liabilities</b>						
Unsecured bank loans						
- Short-term	19	135,070	135,532	135,532	–	–
- Long-term	19	111,241	119,571	4,783	114,788	–
Secured bank loans						
- Long-term	19	129,774	138,797	5,906	132,891	–
Trade and other current liabilities*	23	103,829	103,829	103,829	–	–
		<u>479,914</u>	<u>497,729</u>	<u>250,050</u>	<u>247,679</u>	<u>–</u>
Net financial liabilities (assets)		<u>475,841</u>	<u>493,656</u>	<u>245,977</u>	<u>247,679</u>	<u>–</u>
*excludes withheld from employees (taxes and social security cost) and VAT payables						

The Group's bank loans contain loan covenants, a default of which would require the Group to repay the loans earlier than indicated in the above table. The covenants are constantly monitored on a regular basis by the treasury department and regularly reported to management to ensure compliance.

For derivative financial liabilities, the disclosure shows net cash from amounts for derivatives that are net cash settled.





33. Financial risk management (cont'd)

*Financial risk management objectives and policies (cont'd)*

*Liquidity risk (cont'd)*

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

*Foreign exchange risk*

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The currency giving rise to this risk is primarily the Philippine Peso and Mexican Peso.

From time to time, the Group manages its exposure to fluctuations in foreign currency exchange rates by entering into forward contracts to cover a portion of its projected expenditures paid in foreign currency. The Group accounts for these contracts as cash flow hedges.

At the reporting date, the Group's exposure to foreign currencies is as follows:

	Philippine Peso US\$'000	Mexican Peso US\$'000
<b>30 April 2020</b>		
Trade and other receivables	31,821	2,352
Cash and cash equivalents	8,165	180
Other noncurrent assets	13,126	1,091
Loans and borrowings	(209,738)	-
Trade and other payables	(89,166)	(9,187)
	<u>(245,792)</u>	<u>(5,564)</u>
<b>30 April 2019</b>		
Trade and other receivables	40,259	2,554
Cash and cash equivalents	8,434	552
Other noncurrent assets	27,654	705
Loans and borrowings	(57,584)	-
Trade and other payables	(68,766)	(8,234)
	<u>(50,003)</u>	<u>(4,423)</u>

The Company has no significant exposure to foreign currencies as at 30 April 2020 and 2019.



33. Financial risk management (cont'd)

*Financial risk management objectives and policies (cont'd)*

*Foreign exchange risk (cont'd)*

*Sensitivity analysis*

A 10% strengthening of the group entities' foreign currencies against their respective functional currency at the reporting date would have increased (decreased) loss/profit before taxation and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

A 10% weakening of the group entities' foreign currencies against their respective functional currency would have the equal but opposite effect on the amounts shown below, on the basis that all other variables remain constant.

	US Dollar		Mexican Peso	
	Profit (loss) before taxation US\$'000	Equity US\$'000	Profit (loss) before taxation US\$'000	Equity US\$'000
<b>30 April 2020</b>				
10% strengthening	(24,579)	—	(556)	—
10% weakening	24,579	—	556	—
<b>30 April 2019</b>				
10% strengthening	(5,000)	—	(442)	—
10% weakening	5,000	—	442	—

*Commodity price risk*

Certain commodities such as diesel fuel and natural gas (collectively, "commodity contracts") are used in the production and transportation of the Group's products. Generally, these commodities are purchased based upon market prices that are established with the vendors as part of the procurement process. The Group uses futures, swaps, and swaption or option contracts, as deemed appropriate, to reduce the effect of price fluctuations on anticipated purchases. These contracts may have a term of up to 24 months. The Group accounts for these commodity derivatives as cash flow hedges. The effective portion of derivative gains and losses is deferred in equity and recognised as part of cost of products sold in the appropriate period and the ineffective portion is recognised as cost of products sold.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference index prices, purchase dates, maturities and the notional or par amounts.

The Group assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

In these hedge relationships, the main sources of ineffectiveness are the effect of the differences in timing of cash flows of the hedged item and the hedging instrument, difference in indexes linked to the hedged risk of the hedged item and the hedging instrument, the counterparties' credit risk differently impacting the fair value movements of the hedging instruments and changes to the forecasted amount of cash flows of hedged item and hedging instrument.



# Del Monte Pacific Limited and its Subsidiaries

## Notes to the financial statements For the financial year ended 30 April 2020

### 33. Financial risk management (cont'd)

#### *Financial risk management objectives and policies (cont'd)*

#### *Commodity price risk (cont'd)*

#### *Sensitivity analysis*

A 10% change in commodity prices at the reporting date would have decreased/(increased) profit/loss before tax and increased/(decreased) equity by the amounts shown below.

	30 April 2020	
	Profit (loss) before taxation US\$'000	Equity US\$'000
10% increase in commodity price	—	19
10% decrease in commodity price	—	(19)

### 34. Accounting classification and fair values

#### *Fair values versus carrying amounts*

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

Group	Note	Financial assets at amortised cost US\$'000	Derivatives US\$'000	Other financial liabilities US\$'000	Total carrying amount US\$'000	Fair value US\$'000
<b>30 April 2020</b>						
Cash and cash equivalents	15	33,465	—	—	33,465	33,465
Trade and other receivables	13	317,736	—	—	317,736	317,736
Note receivables	10	6,470	—	—	6,470	6,470
Refundable deposits**	10	8,104	—	—	8,104	8,104
Derivative assets	14	—	57	—	57	57
		<u>365,775</u>	<u>57</u>	<u>—</u>	<u>365,832</u>	<u>365,832</u>
Loans and borrowings	19	—	—	1,396,029	1,396,029	1,327,623
Trade and other payables*	23, 33	—	—	265,597	265,597	265,597
Derivative liabilities	20, 23	—	11,389	—	11,389	11,389
		<u>—</u>	<u>11,389</u>	<u>1,661,626</u>	<u>1,673,015</u>	<u>1,604,609</u>

\*excludes derivative liabilities, advances from customers, deferred revenue, withheld from employees (taxes and social security cost) and VAT payables

\*\*included under advance rentals and deposits



# Del Monte Pacific Limited and its Subsidiaries

## Notes to the financial statements For the financial year ended 30 April 2020

### 34. Accounting classification and fair values (cont'd)

#### Fair values versus carrying amounts (cont'd)

		Financial assets at amortised cost US\$'000	Derivatives US\$'000	Other financial liabilities US\$'000	Total carrying amount US\$'000	Fair value US\$'000
<b>Group</b>						
<b>30 April 2019</b>						
Cash and cash equivalents	15	21,636	—	—	21,636	21,636
Trade and other receivables	13	143,448	—	—	143,448	143,448
Note receivables	10	9,644	—	—	9,644	9,644
Refundable deposits**	10	1,861	—	—	1,861	1,861
Derivative assets	14	—	64	—	64	64
		<u>176,589</u>	<u>64</u>	<u>—</u>	<u>176,653</u>	<u>176,653</u>
Loans and borrowings	19	—	—	1,478,655	1,478,655	1,324,846
Trade and other payables*	23, 33	—	—	182,271	182,271	182,271
Derivative liabilities	20, 23	—	3,960	—	3,960	3,960
		<u>—</u>	<u>3,960</u>	<u>1,660,926</u>	<u>1,664,886</u>	<u>1,511,077</u>

\*excludes derivative liabilities, advances from customers, deferred revenue, withheld from employees (taxes and social security cost) and VAT payables

\*\*included under advance rentals and deposits

	Note	Financial assets at amortised cost US\$'000	Other financial liabilities US\$'000	Total carrying amount US\$'000	Fair value US\$'000
<b>Company</b>					
<b>30 April 2020</b>					
Cash and cash equivalents	15	766	—	766	766
Trade and other receivables	13	95,131	—	95,131	95,131
Due from a related party	38	228,683	—	228,683	228,683
		<u>324,580</u>	<u>—</u>	<u>324,580</u>	<u>324,580</u>
Loans and borrowings	19	—	366,282	366,282	366,367
Trade and other payables*	23, 33	—	67,026	67,026	67,026
		<u>—</u>	<u>433,308</u>	<u>433,308</u>	<u>433,393</u>

\*excludes withheld from employees (taxes and social security cost) and VAT payables

<b>30 April 2019</b>					
Cash and cash equivalents	15	886	—	886	886
Trade and other receivables	13	3,187	—	3,187	3,187
Due from a related party	38	202,471	—	202,471	136,668
		<u>206,544</u>	<u>—</u>	<u>206,544</u>	<u>140,741</u>
Loans and borrowings	19	—	376,085	376,085	367,610
Trade and other payables*	23, 33	—	103,829	103,829	103,829
		<u>—</u>	<u>479,914</u>	<u>479,914</u>	<u>471,439</u>

\*excludes withheld from employees (taxes and social security cost) and VAT payables



**35. Determination of fair values**

***Fair value hierarchy***

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised 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 prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by reassessing the categorisation at the end of each reporting period.

For purposes of the fair value disclosure, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Group	Note	30 April 2020			
		Level 1	Level 2	Level 3	Total
<b>Financial assets</b>					
Derivative assets	14	–	57	–	57
Notes receivables	10	–	–	1,141	1,141
<b>Non-financial assets</b>					
Fair value of agricultural produce harvested under inventories	11	–	–	3,657	3,657
Fair value of growing produce	11	–	–	61,160	61,160
Freehold land	5	–	–	54,758	54,758
<b>Financial liabilities</b>					
Derivative liabilities	20, 23	–	8,824	2,565	11,389
Lease liabilities	24	–	–	176,609	176,609
Loans and borrowings		–	931,256	396,367	1,327,623



**Del Monte Pacific Limited and its Subsidiaries**

**Notes to the financial statements  
For the financial year ended 30 April 2020**

**35. Determination of fair values**

***Fair value hierarchy (cont'd)***

		30 April 2019			
	Note	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>					
Derivative assets	14	—	64	—	64
Notes receivables	10	—	—	4,038	4,038
<b>Non-financial assets</b>					
Fair value of agricultural produce harvested under inventories	11	—	—	6,016	6,016
Fair value of growing produce	11	—	—	52,320	52,320
Freehold land	5	—	—	57,244	57,244
Noncurrent assets held for sale	16	—	—	4,465	4,465
<b>Financial liabilities</b>					
Derivative liabilities	20, 23	—	3,960	—	3,960
Loans and borrowings		—	918,761	406,085	1,324,846

During the period, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The Company has no assets and liabilities measured at fair value as of 30 April 2020 and 2019.

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods.



35. Determination of fair values (cont'd)

Financial instruments measured at fair value

Interest rate swaps	Market comparison technique: The fair values are calculated using a discounted cash flow analysis based on terms of the swap contracts and the observable interest rate curve. Fair values reflect the risk of the instrument and include adjustments to take into account the credit risk of the Group and counterparty when appropriate.
Commodities contracts	Market comparison technique. The commodities are traded over-the-counter and are valued based on the Chicago Board of Trade quoted prices for similar instruments in active markets or corroborated by observable market data available from the Energy Information Administration. The values of these contracts are based on the daily settlement prices published by the exchanges on which the contracts are traded.
Derivative liabilities	The estimated fair value of the additional RCPS and call option as at 30 April 2020 is based on the CRR binomial tree model of valuing derivatives. The value of these derivative liabilities is driven primarily by DMPI's forecasted net income which is not based on observable market data.

Financial instruments not measured at fair value

Type	Valuation technique
Financial assets and liabilities	The fair value of the secured first lien term loans, second lien term loans, note receivable and refundable deposits are calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date (Level 2).
Other financial assets and liabilities	<p>The notional amounts of financial assets and liabilities with maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) are, because of the short period to maturity, assumed to approximate their fair values.</p> <p>All financial assets and liabilities with maturity of more than one year are discounted using risk free rates, LIBOR and credit spreads to determine their fair values ranging from 3.5% to 7% (2019: 3.8% to 4.5%) (Level 3).</p>



35. Determination of fair values (cont'd)

Other non-financial assets

Assets	Valuation technique	Significant unobservable inputs
Freehold land	<p>The fair value of freehold land is determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued.</p> <p>The valuation method used is sales comparison approach. This is a comparative approach that consider the sales of similar or substitute properties and related market data and establish a value estimate by involving comparison (Level 3).</p>	<p>The unobservable inputs used to determine market value are the net selling prices, sizes, property location and market values. Other factors considered to determine market value are the desirability, neighbourhood, utility, terrain, and the time element involved.</p> <p>The market value per square meter ranges from US\$75.4 to US\$79.3. The market value per acre ranges from US\$4,252 to US\$94,556.</p>
Livestock (cattle for slaughter and cut meat)	Sales Comparison Approach: the valuation model is based on selling price of livestock of similar age, weight, breed and genetic make-up (Level 3).	The unobservable inputs are age, average weight and breed.
Harvested crops – sold as fresh fruit	The fair values of harvested crops are based on the most reliable estimate of selling prices, in both local and international markets at the point of harvest. The market price is derived from average sales price of the fresh fruit reduced by costs to sell (Level 3).	The unobservable input is the estimated pineapple selling price per ton specific for fresh products.
Harvested crops – used in processed products	The fair values of harvested crops are based on the most reliable estimate of market prices, in both local and international markets at the point of harvest. The market price is derived from average sales price of the processed product reduced by costs to sell (concentrates, pineapple beverages, sliced pineapples, etc.) and adjusted for margin associated to further processing (Level 3).	The unobservable input is the estimated pineapple selling price and gross margin per ton specific for processed products.





35. Determination of fair values (cont'd)

Other non-financial assets (cont'd)

Assets	Valuation technique	Significant unobservable inputs
Unharvested crops – fruits growing on the bearer plants	The growing produce are measured at fair value from the time of maturity of the bearer plant until harvest. Management used future selling prices and gross margin of finished goods, adjusted to remove the margin associated to further processing, less future growing costs applied to the estimated volume of harvest as the basis of fair value.	The unobservable inputs are estimated pineapple selling price and gross margin per ton for fresh and processed products, estimated volume of harvest and future growing costs.
Noncurrent assets held for sale	Market comparison technique and cost technique: The valuation model considered quoted market prices for similar items when available, and depreciated replacement cost as appropriate.	The unobservable inputs used to determine the market value are net selling prices, sizes, and property location. The unobservable inputs used to determine replacement costs are purchase price of building, land, and furniture and fixtures reduced by related selling costs.

Significant increase (decrease) in the significant unobservable inputs of freehold land, livestock, harvested crops sold as fresh fruit and harvested crop sold used in processed products would result in higher (lower) fair values. Significant increase (decrease) in the estimated future pineapple selling price, gross margin per ton and estimated volume of harvest would result in higher (lower) fair value of growing produce, while significant increase (decrease) in the future growing costs would result in lower (higher) fair value.



**36. Commitments**

***Operating lease commitments***

The Group leases certain property, equipment and office and warehouse facilities. At the reporting date, the Group have commitments for future minimum lease payments under non-cancellable operating leases as follows:

	<b>Group 30 April 2019 US\$'000</b>
Within one year	46,450
Between one to five years	135,678
More than five years	66,060
	<u>248,188</u>

The leases typically run for an initial period of 2 to 25 years, with an option to renew the lease after that date. Some of the leases contain escalation clauses but do not provide for contingent rents. Lease terms do not contain any restrictions on Group activities concerning dividends, additional debts or further leasing.

Minimum lease payments, recognised in the Group's profit or loss as short-term lease expense in fiscal year 2020 amounted to US\$15.4 million and operating lease expense for the fiscal years ended 30 April 2019 and 2018 amounted to US\$58.0 million and US\$62.3 million, respectively.

***Operating Lease Commitments – Group as Lessee***

The Group has entered into various lease agreements as a lessee. The Group had determined that the significant risks and rewards on properties leased from third parties are retained by the lessors.

***Purchase commitments***

The Group has entered into non-cancellable agreements with growers, co-packers, packaging suppliers and other service providers with commitments generally ranging from one year to ten years, to purchase certain quantities of raw products, including fruit, vegetables, tomatoes, packaging services and ingredients.

At the reporting date, the Group have commitments for future minimum payments under non-cancellable agreements as follows:

	<b>Group 30 April 2020 US\$'000</b>	<b>30 April 2019 US\$'000</b>
Within one year	225,632	278,910
After one year but within five years	294,016	270,448
After five years	353,158	406,047
	<u>872,806</u>	<u>955,405</u>



36. Commitments (cont'd)

*Future capital expenditure*

	Group	
	30 April 2020 US\$'000	30 April 2019 US\$'000
<b>Capital expenditure not provided for in the financial statements</b>		
- approved by Directors and contracted for	7,184	8,467
- approved by Directors but not contracted for	27,032	39,418
	<u>34,216</u>	<u>47,885</u>

37. Contingencies

In fiscal year 2019, a contingent liability of a subsidiary, DMPL India Limited, in the form of a letter of undertaking securing 50% of the obligations of FFPL under its Loan Agreement with Infrastructure Development Finance Company Limited, in proportion to its equity interest was fully settled.

Legal cases

The Group is the subject of, or a party to, various suits and pending or threatened litigation. While it is not feasible to predict or determine the ultimate outcome of these matters, the Group believes that none of these legal proceedings will have a material adverse effect on its financial position.

**Source of estimation uncertainty**

The Group, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations, if any, in accordance with its policies on provisions. In recognising and measuring provisions, management takes risk and uncertainties into account.

No provision for probable losses arising from legal contingencies were recognised in the Group's financial statements as of 30 April 2020 and 2019.

As of 30 April 2020, provision for probable losses arising from environmental remediation amounted to US\$9.6 million, US\$9.3 million of which is noncurrent (2019: US\$1.1 million, US\$0.7 million of which is noncurrent) (see Note 22).

As of 30 April 2020, provision for retained liabilities arising from workers' compensation claims amounted to US\$22.2 million, US\$19.0 million of which is noncurrent (2019: US\$22.6 million, US\$19.3 million of which is noncurrent) (see Note 20).



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

#### 38. Related parties

##### *Related party transactions*

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

All publicly-listed entities, including the Company, have Material Related Party Transaction Policies containing the approval requirements and limits on amounts and extent of related party transactions in compliance with the requirements under the Revised SRC Rule 68 and SEC Memorandum Circular 10, series of 2019.

Other than those disclosed elsewhere in the financial statements, there are no other significant transactions with related parties.

Group			Outstanding balance			
Category/ Transaction	Year	Amount of the transaction US\$'000	Due from Related Parties* US\$'000	Due to Related Parties** US\$'000	Terms	Conditions
Under Common Control						
▪ Shared IT services	2020	177	130	–	Due and	Unsecured; no impairment
	2019	161	242	–	demandable;	
	2018	343	247	–	non-interest bearing	
▪ Sale of tomato paste	2020	–	–	–	Due and	Unsecured; no impairment
	2019	31	–	–	demandable;	
	2018	32	–	–	non-interest bearing	
▪ Sale of apple juice concentrate /materials	2020	5	–	–	Due and	Unsecured; no impairment
	2019	–	1	–	demandable;	
	2018	–	–	–	non-interest bearing	
▪ Inventory count shortage	2020	–	–	–	Due and	Unsecured; no impairment
	2019	–	–	–	demandable;	
	2018	33	–	–	non-interest bearing	
▪ Purchases	2020	83	5	(9)	Due and	Unsecured
	2019	115	3	–	demandable;	
	2018	393	–	–	non-interest bearing	
▪ Tollpack fees	2020	128	55	–	Due and	Unsecured
	2019	556	–	(87)	demandable;	
	2018	572	110	–	non-interest bearing	
• Security Deposit	2020	27	–	–	Due and	Unsecured
	2019	6,000	6,000	–	demandable;	
	2018	–	–	–	non-interest bearing	



Del Monte Pacific Limited and its Subsidiaries

Notes to the financial statements  
For the financial year ended 30 April 2020

38. Related parties (cont'd)

*Related party transactions (cont'd)*

Group	Category/ Transaction	Year	Amount of the transaction US\$'000	Outstanding balance		Terms	Conditions
				Due from Related Parties*	Due to Related Parties**		
				US\$'000	US\$'000		
	<b>Other Related Party</b>						
	▪ Management fees	2020	4	2	–	Due and demandable;	Unsecured;
	from DMPI	2019	96	230	–	non-interest	no
	retirement fund	2018	19	446	–	bearing	impairment
	▪ Rental to DMPI Retirement	2020	1,662	–	(478)	Due and demandable;	Unsecured
		2019	1,558	–	(146)	non-interest	
		2018	1,858	–	–	bearing	
	<b>Other Related Party</b>						
	▪ Rental to NAI Retirement	2020	586	–	(160)	Due and demandable;	Unsecured
		2019	545	–	(50)	non-interest	
		2018	543	–	–	bearing	
	▪ Cash advances	2020	8,731	14,732	–	Short-term;	Unsecured;
	NAI	2019	–	–	–	Non interest	no
		2018	–	–	–	bearing	impairment
		<b>2020</b>	<b>11,403</b>	<b>14,924</b>	<b>(647)</b>		
		2019	9,062	6,476	(283)		
		2018	3,793	803	–		

\*included as part of trade and other receivables excluding long-term loans receivable

\*\*included as part of trade and other payables



# Del Monte Pacific Limited and its Subsidiaries

## Notes to the financial statements For the financial year ended 30 April 2020

### 38. Related parties (cont'd)

#### Related party transactions (cont'd)

Company			Outstanding Balance			
Category/ Transaction	Year	Amount of the Transaction US\$'000	Due from Related Parties* US\$'000	Due to Related Parties** US\$'000	Terms	Conditions
Subsidiaries						
▪ Dividend income	2020	230,473	—	—	Due and demandable; non-interest bearing	Unsecured; no impairment
	2019	33,000	—	—		
	2018	120,000	62,011	—		
▪ Long-term loans receivable	2020	4,107	228,683	—	Due on 2021; Interest- bearing	Unsecured; no impairment
	2019	91,741	202,471	—		
	2018	88,880	88,880	—		
▪ Reimbursement of expenses	2020	236,676	92,607	—	Due and demandable; non-interest bearing	Unsecured; no impairment
	2019	(97,981)	635	—		
	2018	136,455	114,938	—		
▪ Cash advance	2020	37,380	—	59,645	Due and demandable; non-interest bearing	Unsecured
	2019	(20,923)	—	98,104		
	2018	29,801	—	77,400		
▪ Management fees payable to subsidiaries	2020	445	—	445	Due and demandable; non-interest bearing	Unsecured
	2019	437	—	90		
	2018	748	—	1,620		
Joint Venture						
▪ Cash advance	2020	140	2,462	—	Due and demandable; non-interest bearing	Unsecured; no impairment
	2019	99	2,520	—		
	2018	—	2,421	—		
	2020	509,221	323,752	60,090		
	2019	6,373	205,626	98,194		
	2018	375,884	268,250	79,020		

\*included as part of trade and other receivables excluding long-term loans receivable

\*\*included as part of trade and other payables

The transactions with related parties are carried out based on terms agreed between the parties. Pricing for the sales of products are market driven, less certain allowances. For purchases, the Group's policy is to solicit competitive quotations. Purchases are normally awarded based on the lowest price.

Except for transactions identified in the previous section as interest-bearing, outstanding balances at financial reporting date are unsecured, interest-free and settlement occurs in cash and are collectible or payable on demand. For the years ended 30 April 2020 and 2019, the Group has not made any provision for doubtful accounts relating to amounts owed by related parties.



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

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#### 38. Related parties (cont'd)

##### *Related party transactions (cont'd)*

As discussed in Note 19, the Company extended a loan to DMFHII that was used to finance DMFHII's purchase of DMFI's Second Lien term loans. The loan was converted into ordinary shares in DMPLFL in May 2020.

##### *Key management personnel compensation*

Key management personnel of the Group are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. The Directors of the Company and key executive officers (excluding executive directors) are considered as key management personnel of the Group.

The key management personnel compensation is as follows:

	<----- Group ----->			<----- Company ----->		
	Year ended 30 April 2020 US\$'000	Year ended 30 April 2019 US\$'000	Year ended 30 April 2018 US\$'000	Year ended 30 April 2020 US\$'000	Year ended 30 April 2019 US\$'000	Year ended 30 April 2018 US\$'000
<b>Directors -</b>						
Fees and remuneration	2,942	2,964	2,873	2,542	2,541	2,531
<b>Key executive officers (excluding Directors):</b>						
Short-term employee benefits	3,615	3,476	3,317	1,772	1,691	1,486
Post-employment benefits	125	170	180	—	—	—



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

#### 39. Non-controlling interest in subsidiaries

The following table summarises the information relating to the Group's subsidiaries with material non-controlling interests, based on their respective financial statements prepared in accordance with IFRS, modified for fair value adjustments on acquisition and differences in Group's accounting policies.

	30 April 2020 US\$'000	30 April 2019 US\$'000	30 April 2018 US\$'000
<b>DMPLFL</b>			
Ownership interests held by non-controlling interests	10.57%	10.57%	10.57%
Revenue	1,529,840	1,421,317	1,649,060
(Loss) profit	(116,671)	(49,826)	(138,130)
Other comprehensive (loss) income	(21,595)	2,170	18,860
<b>Total comprehensive loss</b>			
Attributable to non-controlling interests:			
- (Loss) profit	(12,329)	(5,265)	(14,597)
- Other comprehensive (loss) income	(2,282)	229	1,993
<b>Total comprehensive loss</b>	<b>(14,611)</b>	<b>(5,036)</b>	<b>(12,604)</b>
Noncurrent assets	1,208,461	1,179,843	1,210,583
Current assets	577,653	659,036	753,475
Noncurrent liabilities	(567,731)	(982,861)	(1,274,477)
Current liabilities	(896,652)	(400,529)	(215,884)
<b>Net assets</b>	<b>321,731</b>	<b>455,489</b>	<b>473,697</b>
<b>Net assets attributable to non-controlling interests</b>	<b>33,823</b>	<b>48,133</b>	<b>50,057</b>
Cash flows provided by (used in) operating activities	212,019	(51,844)	266,304
Cash flows provided by (used in) investing activities	9,511	(4,976)	(24,323)
Cash flows provided by (used in) financing activities, before dividends to non-controlling interests	(217,072)	57,184	(242,599)
Currency realignment	32	9	3
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>4,490</b>	<b>373</b>	<b>(615)</b>





# Del Monte Pacific Limited and its Subsidiaries

## Notes to the financial statements For the financial year ended 30 April 2020

### 39. Non-controlling interest in subsidiaries (cont'd)

30 April  
2020  
US\$'000

#### DMPI

Ownership interests held by non-controlling interests	12%
Revenue	628,521
(Loss) profit	68,405
Other comprehensive (loss) income	1,601
<b>Total comprehensive loss</b>	
Attributable to non-controlling interests:	
- (Loss) profit	—
- Other comprehensive (loss) income	—
<b>Total comprehensive loss</b>	—
Noncurrent assets	333,925
Current assets	330,976
Noncurrent liabilities	(49,348)
Current liabilities	(396,519)
<b>Net assets</b>	219,034
<b>Net assets attributable to non-controlling interests</b>	26,410
Cash flows provided by (used in) operating Activities	111,286
Cash flows provided by (used in) investing activities	(116,280)
Cash flows provided by (used in) financing activities	17,163
Currency realignment	(136)
<b>Net increase (decrease) in cash and cash equivalents</b>	12,033

In the relation to the sale of 12% stake in DMPI, the Group recognised non-controlling interest amounting to US\$26.4 million, representing 12% of the net asset value of DMPI as at 30 April 2020 (see Note 6).



# Del Monte Pacific Limited and its Subsidiaries

## Notes to the financial statements For the financial year ended 30 April 2020

### 40. Supplemental Disclosure of Cash Flow Information

The changes in liabilities arising from financing activities of the Group for the year ended 30 April 2020, 2019 and 2018 are as follows:

	Note	30 April 2019 US\$'000	Cash inflows US\$'000	Cash outflows US\$'000	Accrued interest but not yet paid US\$'000	Foreign exchange movement US\$'000	Reclassifi- cation and others US\$'000	30 April 2020 US\$'000
<b>Group Fiscal Year 2020</b>								
Current interest-bearing loans and borrowings	19	492,740	713,696	(832,321)	—	8,079	916,098	1,298,292
Noncurrent interest-bearing loans and borrowings	19	985,915	75,000	(59,102)	—	—	(904,076)	97,737
Lease liabilities	24	192,283	—	(41,958)	10,001	1,566	(3,367)	158,525
Accrued interest payable	23	10,481	—	(84,250)	82,259	13	542	9,045
Derivative liabilities	20, 23	3,960	—	(2,867)	—	—	4,822	5,915
Total liabilities from financing activities		<u>1,685,379</u>	<u>788,696</u>	<u>(1,020,498)</u>	<u>92,260</u>	<u>9,658</u>	<u>14,019</u>	<u>1,569,514</u>

	Note	30 April 2018 US\$'00	Cash inflows US\$'00	Cash outflows US\$'00	Accrued interest but not yet paid US\$'00	Foreign exchange movement US\$'00	Reclassifi- cation and others US\$'00	30 April 2019 US\$'00
<b>Group Fiscal Year 2019</b>								
Current interest-bearing loans and borrowings	19	481,620	721,538	(710,798)	—	(1,508)	1,888	492,740
Noncurrent interest-bearing loans and borrowings	19	983,603	164,741	(149,833)	—	(406)	(12,190)	985,915
Accrued interest payable	23	11,939	—	(83,958)	82,623	(3)	(120)	10,481
Derivative liabilities	20, 23	5,063	—	(3,536)	—	—	2,433	3,960
Total liabilities from financing activities		<u>1,482,225</u>	<u>886,279</u>	<u>(948,125)</u>	<u>82,623</u>	<u>(1,917)</u>	<u>(7,989)</u>	<u>1,493,096</u>

		30 April 2017 US\$'00	Cash inflows US\$'00	Cash outflows US\$'00	Accrued interest but not yet paid US\$'00	Foreign exchange movement US\$'00	Reclassifi- cation and others US\$'00	30 April 2018 US\$'00
<b>Group Fiscal Year 2018</b>								
Current interest-bearing loans and borrowings		449,698	807,822	(822,773)	—	(6,324)	53,197	481,620
Noncurrent interest-bearing loans and borrowings		1,264,268	—	(234,784)	—	(2,130)	(43,751)	983,603
Accrued interest payable		13,186	—	(85,274)	84,852	—	(785)	11,979
Derivative liabilities		17,973	—	(9,285)	—	—	(3,625)	5,063
Total liabilities from financing activities		<u>1,745,125</u>	<u>807,822</u>	<u>(1,152,116)</u>	<u>84,852</u>	<u>(8,454)</u>	<u>5,036</u>	<u>1,482,265</u>



# Del Monte Pacific Limited and its Subsidiaries

## Notes to the financial statements For the financial year ended 30 April 2020

### 40. Supplemental Disclosure of Cash Flow Information (cont'd)

	Note	30 April 2019 US\$'000	Cash inflows US\$'000	Cash outflows US\$'000	Accrued interest but not yet paid US\$'000	Reclassifi- cation and others US\$'000	30 April 2020 US\$'000
<b>Company Fiscal Year 2020</b>							
Current interest-bearing loans and borrowings, excluding obligations under finance leases and hire purchase contracts	19	135,070	30,000	(60,000)	—	186,212	291,282
Noncurrent interest-bearing loans and borrowings, excluding obligations under finance leases and hire purchase contracts	19	241,015	75,000	(55,000)	—	(186,015)	75,000
Accrued interest payable	23	2,159	—	(15,637)	15,046	—	1,568
Total liabilities from financing activities		378,244	105,000	(130,637)	15,046	197	367,850

	Note	30 April 2018 US\$'000	Cash inflows US\$'000	Cash outflows US\$'000	Accrued interest but not yet paid US\$'000	Reclassifi- cation and others US\$'000	30 April 2019 US\$'000
<b>Company Fiscal Year 2019</b>							
Current interest-bearing loans and borrowings, excluding obligations under finance leases and hire purchase contracts	19	206,034	63,100	(134,170)	—	106	135,070
Noncurrent interest-bearing loans and borrowings, excluding obligations under finance leases and hire purchase contracts	19	129,594	164,741	(53,500)	—	180	241,015
Accrued interest payable	23	2,345	—	(15,927)	15,741	—	2,159
Total liabilities from financing activities		337,973	227,841	(203,597)	15,741	286	378,244

	Note	30 April 2017 US\$'000	Cash inflows US\$'000	Cash outflows US\$'000	Accrued interest but not yet paid US\$'000	Reclassifi- cation and others US\$'000	30 April 2018 US\$'000
<b>Company Fiscal Year 2018</b>							
Current interest-bearing loans and borrowings, excluding obligations under finance leases and hire purchase contracts		43,070	154,570	(45,500)	—	53,894	206,034
Noncurrent interest-bearing loans and borrowings, excluding obligations under finance leases and hire purchase contracts		281,854	—	(100,000)	—	(52,260)	129,594
Accrued interest payable		1,826	—	(12,370)	12,889	—	2,345
Total liabilities from financing activities		326,750	154,570	(157,870)	12,889	1,634	337,973



**40. Supplemental Disclosure of Cash Flow Information (cont'd)**

Reclassification and others include the effect of reclassification of noncurrent portion of interest-bearing loans and borrowings to current due to the passage of time, deferred financing costs, and fair value adjustments of hedge contracts. This also include additions and terminations of lease liabilities.

**41. Subsequent Events**

***DMFI Refinancing***

On 15 May 2020, DMFI issued US\$500.0 million of 11.875% Senior Secured Notes (the "Notes"). The Notes will mature on 15 May 2025 and are redeemable at the option of DMFI. Proceeds of US\$477.5 million from the issuance of the Notes were used to pay-off the balance of the First Lien Term Loan. As of 30 April 2020, prepaid transaction costs of US\$1.6 million, were included in "Prepaid and other current assets" and US\$31.3 million of transaction cost accruals were included in "Trade and other current liabilities" in the consolidated statement of financial position related to this transaction. The Notes include restrictive covenants limiting the Group's ability, and the ability of the Group's restricted subsidiaries, to incur additional indebtedness, create liens, engage in mergers or consolidations, sell or transfer assets, pay dividends and distributions or repurchase the Group's capital stock, make investments, loans or advances, prepay certain indebtedness, engage in certain transactions with affiliates, amend agreements governing certain subordinated indebtedness adverse to the lenders, and change the Group's lines of business.

On 15 May 2020, DMFHII issued 64.546 shares of capital stock to DMFHL. On the same date, DMFHL issued 0.64546 shares of capital stock to DMPLFL and DMPLFL issued 645.46 shares of capital stock to the Company as full payment of the US\$228.4 million loan to finance purchases of the Second Lien Term Loans. Upon issuance of the capital stock to the Company, DMFHL unconditionally released of all liabilities for principal and interest through 30 April 2020 relating to the purchase of the Second Lien Term Loans. On 15 May 2020, DMFHL recorded US\$229.5 million of additional paid-in capital related to this transaction. In addition, the Company and DMPLFL entered into a supplemental agreement dated 11 August 2020 for the issuance of additional 3.23 ordinary shares by DMPLFL to cover the additional accrued interest through 15 May 2020 which amounted to \$1.14 million.



**41. Subsequent Events (cont'd)**

***DMFI Refinancing (cont'd)***

On 15 May 2020, DMFHL issued 0.42395 of ordinary shares to DMPLFL and DMPLFL issued 432.95 shares of preferred stock to the Company in exchange for US\$150.0 million of additional paid-in capital. As a result, DMFHL recorded US\$150.0 million of additional paid-in capital related to this transaction.

On 15 May 2020, DMFHL entered into an agreement to refinance the ABL Credit Agreement with JP Morgan Chase as the administrative agent, and other lenders and agents parties thereto, to provide for senior secured financing of up to US\$450.0 million, subject to availability under the borrowing base, with a term of three years until 15 May 2023. Loans under the ABL Credit Agreement will bear interest based on either the Eurodollar rate of the alternative base rate, plus an applicable margin. Additionally, the Group fully amortised the remaining deferred financing fees related to the previous credit agreement of US\$1.0 million for the year ended 30 April 2020. The ABL Credit Agreement includes restrictive covenants limiting the Group's ability, and the ability of the Group's restricted subsidiaries, to incur additional indebtedness, create liens, engage in mergers or consolidations, sell or transfer assets, pay dividends and distributions or repurchase the Group's capital stock, make investments, loans or advances, prepay certain indebtedness, engage in certain transactions with affiliates, amend agreements governing certain subordinated indebtedness adverse to the lenders, and change the Group's lines of business.

***Trademark Assignment***

On 1 May 2020, Dewey Sdn. Bhd. assigned various trademarks in the Philippines including the "Del Monte" and "Today's" trademarks to Philippine Packing Management Service Corporation.



**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR CONSOLIDATED FINANCIAL STATEMENTS**

The management of **Del Monte Pacific Limited and its Subsidiaries** (collectively referred to as the "**Company**") is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, as at April 30, 2020, and 2019 and for each of the three years in the period ended April 30, 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Signature \_\_\_\_\_

**Rolando C. Gapud, Executive Chairman**

Signature \_\_\_\_\_

**Joselito D. Campos, Jr., Managing Director & Chief Executive Officer**

Signature \_\_\_\_\_

**Parag Sachdeva, Chief Financial Officer**

Signed on the 12<sup>th</sup> day of August 2020.



**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR CONSOLIDATED FINANCIAL STATEMENTS**

The management of Del Monte Pacific Limited and its Subsidiaries (collectively referred to as the "Company") is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, as at April 30, 2020, and 2019 and for each of the three years in the period ended April 30, 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Signature \_\_\_\_\_

Rolando C. Gapud, Executive Chairman

Signature \_\_\_\_\_

Josecito D. Campos, Jr., Managing Director & Chief Executive Officer

Signature \_\_\_\_\_

Parag Sachdeva, Chief Financial Officer

Signed on the 12<sup>th</sup> day of August 2020.



REPUBLIC OF THE PHILIPPINES     )  
CITY OF MAKATI, METRO MANILA    ) S.S.

SUBSCRIBED AND SWORN to before me this 12<sup>th</sup> day of August, 2020, in the City of Makati, by  
the affiant who exhibited to me the following -

Name	Competent Evidence of Identity	Date and Place of Issue/ Expiry Date
Joselito D. Campos, Jr.	Passport No. P0033661A	24 Aug 2016 / DFA-Manila/ valid until 23 Aug 2021
Parag Sachdeva	Passport No. Z4816522	16 May 2018/Manila/ valid until 15 May 2028

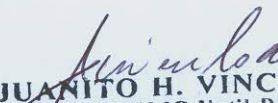
Witness my hand and seal on the date and place first above-written.

Doc. No: 210

Page No: 43

Book No: 34

Series of 2020.

  
**JUANITO H. VINCULADO**  
NOTARY PUBLIC Until Dec. 31, 2021  
PTR 11891764 J, Las Piñas, 1/3/20  
IBP 090636, 8/15/19 for 2020, PPLM  
Roll No. 41092/ MCLE VI-0019646 up to 4/14  
Notarial Appt. No. M-49, 1/17/20, Makati C:  
No. 7, Ipil Road, Forbes Park, makati City  
CP No. 0916-420-3253



**DEL MONTE PACIFIC LIMITED**  
(Incorporated in the British Virgin Islands with limited liability)

*This is the Information Memorandum in relation to the renewal of the shareholders' mandate for Interested Person Transactions referred to in Explanatory Note (vi) in the Notice of Annual General Meeting dated 27 August 2020.*

**INFORMATION MEMORANDUM**

in relation to

**RENEWAL OF SHAREHOLDERS' MANDATE FOR  
INTERESTED PERSON TRANSACTIONS**

**1. Background**

Pursuant to Chapter 9 of the Listing Manual ("**Listing Manual**") of the Singapore Exchange Securities Trading Limited, Del Monte Pacific Limited ("**DMPL**" or the "**Company**") was granted a shareholders' mandate on 26 July 2006 ("**IPT Mandate**") to enable the Company, its subsidiaries and associated companies (as defined in the Appendix\* to this Information Memorandum ("**Appendix**")), or any of them, to enter into any of the transactions falling within the classes of Interested Persons described in the Appendix\* ("**Interested Persons**"), provided that such transactions are made on normal commercial terms and in accordance with the review procedures for Interested Person Transactions ("**IPTs**") as set out in the Appendix. This Appendix is a revised and updated version of Appendix 1 of the Company's Circular to shareholders dated 4 July 2006 which provides information on the rationale of the IPT Mandate, the scope of the IPT Mandate, the benefit to shareholders, the classes of Interested Persons, the particulars of the IPTs and the review procedures for IPTs in respect of which shareholders' approval is sought for the IPT Mandate to be renewed.

**2. Audit and Risk Committee's Statement**

Pursuant to Rule 920(1)(c) of the Listing Manual, the Audit and Risk Committee ("**ARC**"), comprising Mr Benedict Kwek Gim Song, Mr Godfrey E Scotchbrook, Dr Emil Q Javier and Mrs Yvonne Goh, confirms that:

- (i) the review procedures for IPTs set out in the Appendix ("**Review Procedures**") have not changed since shareholders approved the IPT Mandate at the Company's General Meeting of 26 July 2006; and
- (ii) the Review Procedures are sufficient to ensure that the IPTs will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

All transactions carried out with Interested Persons are subject to the periodic review of the ARC to ensure that the prevailing rules and regulations of the Listing Manual (in particular Chapter 9 of the Listing Manual) are complied with.

The ARC will also consider from time to time whether the Review Procedures have become inappropriate or are insufficient to ensure that the transactions are on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

**3. Disclosures**

Disclosure will be made in the Company's Annual Report on the aggregate value of all IPTs conducted pursuant to the IPT Mandate during the financial year from 1 May 2019 to 30 April 2020, and in the Annual Reports for the subsequent financial years that the IPT Mandate is renewed and continues in force, in accordance with the form set out in Rule 907 of the Listing Manual. Further, the aggregate value of the transactions conducted pursuant to the IPT Mandate for each quarterly period will also be disclosed in the quarterly financial statements that will be reported in accordance with Rule 705 of the Listing Manual.

The Company will comply with the provisions of Chapter 9 of the Listing Manual in respect of all future IPTs and, if required under the Listing Manual, the Company will seek a fresh mandate from shareholders should the existing guidelines and procedures for transactions with Interested Persons become inappropriate. If a member of the ARC has an interest in a transaction, he will abstain from participating in the review and approval process in relation to that transaction.

The classes of Interested Persons for which the renewal of the IPT Mandate is sought are:

- (i) NutriAsia Inc and its associates (as such term is defined in paragraph 1.5(c) of the Appendix); and
- (ii) NutriAsia Holdings Ltd and its subsidiaries.

#### **4. Directors' and substantial shareholders' interests**

The interests of the Directors and substantial shareholders of the Company in the issued share capital of the Company can be found in the Company's FY2020 Annual Report.

NutriAsia Pacific Limited and its respective associates, being Interested Persons in relation to the proposed renewal of the IPT Mandate, will abstain from voting their respective shareholdings (if any) in the Company on Resolution 10 relating to the renewal of the IPT Mandate at the forthcoming Annual General Meeting to be held on 17 September 2020.

*This Appendix is a revised and updated extract of Appendix 1 of the Company's Circular to Shareholders dated 4 July 2006 on the rationale and scope of the IPT Mandate, the benefit to shareholders, the classes of Interested Persons, the particulars of the IPTs, and the review procedures for IPTs in respect of which the IPT Mandate is sought to be renewed.*

## **1. CHAPTER 9 OF THE LISTING MANUAL**

1.1 Chapter 9 of the Listing Manual ("**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") governs transactions by a listed company, as well as transactions by its subsidiaries and associated companies that are considered to be at risk, with the listed company's Interested Persons. When this Chapter applies to a transaction and the value of that transaction alone or in aggregation with other transactions conducted with the interested person during the financial year reaches, or exceeds, certain materiality thresholds, the listed company is required to make an immediate announcement, or to make an immediate announcement and seek its shareholders' approval for that transaction.

1.2 Except for certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested person and hence are excluded from the ambit of Chapter 9 of the Listing Manual, immediate announcement and shareholders' approval would be required in respect of transactions with Interested Persons if certain financial thresholds (which are based on the value of the transaction as compared with the listed company's latest audited consolidated net tangible assets ("**NTA**") are reached or exceeded. In particular, shareholders' approval is required for an interested person transaction of a value equal to, or which exceeds:

- (a) 5 per cent of the listed company's latest audited consolidated NTA; or
- (b) 5 per cent of the listed company's latest audited consolidated NTA, when aggregated with other transactions entered into with the same interested person (as such term is construed under Chapter 9 of the Listing Manual) during the same financial year.

1.3 Based on the latest audited consolidated accounts of the Company and its subsidiaries (the "**DMPL Group**" or "**Group**") for the financial year ended 30 April 2020, the consolidated NTA of the DMPL Group was (US\$135,450,060) and 5 per cent of this was (US\$6,772,503).

1.4 Chapter 9 of the Listing Manual permits a listed company, however, to seek a mandate from its shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials (but not in respect of the purchase or sale of assets, undertakings or businesses) that may be carried out with the listed company's Interested Persons.

1.5 Under the Listing Manual:

- (a) an "**entity at risk**" (EAR) means:
  - (i) the listed company;
  - (ii) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or
  - (iii) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed company and/or its subsidiaries (the "**listed group**"), or the listed group and its interested person(s), has control over the associated company;
- (b) an "**associated company**" means a company in which at least 20% but not more than 50% of its shares are held by the listed company or listed group;
- (c) an "**associate**" in relation to an interested person who is a director, chief executive officer or controlling shareholder, includes an immediate family member (that is, the spouse, child, adopted-child, step-child, sibling or parent) of such director, chief executive officer or controlling shareholder, the trustees of any trust of which the director/his immediate family, the chief executive officer/his immediate family or controlling shareholder/his immediate family is a beneficiary or, in the case of a

discretionary trust, is a discretionary object, and any company in which the director/his immediate family, the chief executive officer/his immediate family or controlling shareholder/his immediate family has an aggregate interest (directly or indirectly) of 30% or more, and, where a controlling shareholder is a corporation, its subsidiary or holding company or fellow subsidiary or a company in which it and/or they have (directly or indirectly) an interest of 30% or more;

- (d) an “**approved exchange**” means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to Chapter 9 of the Listing Manual;
- (e) an “**interested person**”<sup>1</sup> means a director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder; and
- (f) an “**interested person transaction**” means a transaction between an entity at risk and an interested person.

## **2. RATIONALE FOR THE NEW IPT MANDATE<sup>1</sup> FOR THE INTERESTED PERSON TRANSACTIONS**

It is envisaged that, in the ordinary course of their businesses, transactions between companies in the EAR Group (as defined below) and the Company’s Interested Persons are likely to occur from time to time. Such transactions would include, but are not limited to, the provision of goods and services in the ordinary course of business of the EAR Group to the Company’s Interested Persons or the obtaining of goods and services from them.

In view of the time-sensitive nature of commercial transactions, the obtaining of a mandate (the “**New IPT Mandate**”) pursuant to Chapter 9 of the Listing Manual will enable:

- (a) DMPL;
- (b) subsidiaries of DMPL (other than subsidiaries listed on the SGX-ST or an approved exchange); and
- (c) associated companies of DMPL (other than associated companies listed on the SGX-ST or an approved exchange) over which the DMPL Group, or the DMPL Group and interested person(s) of DMPL has or have control, (together, the “**EAR Group**”), or any of them, in the ordinary course of their businesses, to enter into the categories of transactions (“**Interested Person Transactions**”) set out in paragraph 6 below with the specified classes of DMPL’s Interested Persons (the “**Interested Persons**”) set out in paragraph 5 below, provided such Interested Person Transactions are made on normal commercial terms.

## **3. SCOPE OF THE NEW IPT MANDATE<sup>1</sup>**

- 3.1 The New IPT Mandate will cover Interested Person Transactions as set out in paragraph 6 below.
- 3.2 The New IPT Mandate will not cover any transaction by a company in the EAR Group with an Interested Person that is below S\$100,000 in value as the threshold and aggregation requirements of Chapter 9 of the Listing Manual would not apply to such transactions.
- 3.3 Transactions with Interested Persons (including the Interested Persons) that do not fall within the ambit of the New IPT Mandate will be subject to the relevant provisions of Chapter 9 of the Listing Manual and/or other applicable provisions of the Listing Manual.

## **4. BENEFIT TO SHAREHOLDERS**

The New IPT Mandate (and its subsequent renewal thereafter on an annual basis) will enhance the ability of companies in the EAR Group to pursue business opportunities which are time-sensitive in nature, and will eliminate the need for DMPL to announce, or

<sup>1</sup> The IPT Mandate which was approved by shareholders in a general meeting held on 26 July 2006 was subsequently renewed on 27 April 2007, 28 April 2008, 27 April 2009, 28 April 2010, 29 April 2011, 30 April 2012, 30 April 2013, 15 April 2014, 28 August 2015, 30 August 2016, 30 August 2017, 17 August 2018, and 28 August 2020 respectively.

to announce and convene separate general meetings on each occasion to seek Shareholders' prior approval for the entry by the relevant company in the EAR Group into such transactions. This will substantially reduce the expenses associated with the convening of general meetings on an ad hoc basis, improve administrative efficacy considerably, and allow manpower resources and time to be channeled towards attaining other corporate objectives.

## **5. CLASSES OF INTERESTED PERSONS**

The New IPT Mandate will apply to the Interested Person Transactions which are carried out with the following classes of Interested Persons:

- (a) NutriAsia Inc and its associates (as such term is defined in paragraph 1.5(c) of this Appendix 1) (the "**NutriAsia Inc Group**");
- (b) NutriAsia Holdings Limited and its subsidiaries (the "**NutriAsia Holdings Group**"); and
- (c) Mr Edgardo M Cruz, Jr, Mr Rolando C Gapud, and their respective associates (as such term is defined in paragraph 1.5(c) of this Appendix 1).

## **6. CATEGORIES OF INTERESTED PERSON TRANSACTIONS**

The Interested Person Transactions with the Interested Persons (as described in paragraph 5 above) which will be covered by the New IPT Mandate are set out below:

### **(a) General Transactions**

This category relates to general transactions ("**General Transactions**") in connection with the provision to, or the obtaining from, Interested Persons of products and services in the normal course of business of the EAR Group or which are necessary for the day-to-day operations of the EAR Group comprising the following:

- (i) the sale and/or purchase, or joint sale and/or purchase, of packaging materials, food or food-related supplies, items and livestock;
- (ii) the provision and obtaining of expansion of food service distribution;
- (iii) the provision and obtaining of food preparation, manufacturing, processing, toll packing and related services;
- (iv) the provision and obtaining of, and sale/purchase of, technical, IT, insurance and other related services (such as procurement/warehouse/inventory management, software support etc.);
- (v) the provision and obtaining of call centre and customer hotline services;
- (vi) the provision of security agency services;
- (vii) the rental of office facilities and share in utility cost, and
- (viii) the provision or the obtaining of such other products and/or services which are incidental to, or in connection with, the provision or obtaining of products and/or services in sub-paragraphs (i) to (vii) above and which are recurring transactions of a revenue or trading nature or necessary for its business.

### **(b) Treasury Transactions**

Treasury transactions comprise the entry into with any Interested Person of forex, swap and option transactions for hedging purposes or in connection with the operations of the DMPL Group ("**Treasury Transactions**").

The EAR Group may be able to benefit from competitive rates and quotes in an expedient manner on the entry into any forex, swap and option transactions with any Interested Persons.

## **7. REVIEW PROCEDURES FOR INTERESTED PERSON TRANSACTIONS**

7.1 The EAR Group has established the following procedures to ensure that Interested Person Transactions are undertaken on an arm's length basis and on normal commercial terms.

### **(a) General Transactions**

#### Review Procedures

*In general, there are procedures established by the EAR Group to ensure that Interested Person Transactions with Interested Persons are undertaken on an arm's length basis and on normal commercial terms consistent with the EAR Group's usual business practices and policies, which are generally no more favourable to the Interested Persons than those extended to unrelated third parties.*

*In particular, the following review procedures have been put in place.*

#### **(aa) Provision of Services or the Sale of Products**

*The review procedures are:*

- (i) all contracts entered into or transactions with Interested Persons are to be carried out at the prevailing market rates or prices of the service or product providers, on terms which are no more favourable to the Interested Person than the usual commercial terms extended to unrelated third parties (including, where applicable, preferential rates/prices/discounts accorded to corporate customers or for bulk purchases) or otherwise in accordance with applicable industry norms; and*
- (ii) where the prevailing market rates or prices are not available due to the nature of the service to be provided or the product to be sold, the EAR Group's pricing for such services to be provided or products to be sold to Interested Persons is determined in accordance with the EAR Group's usual business practices and pricing policies, consistent with the usual margin to be obtained by the EAR Group for the same or substantially similar type of contract or transaction with unrelated third parties. Such comparisons are based on the EAR Group's business experience in relation to those services or products previously provided or sold, which are as comparable as possible to the service or product to be provided or sold. In determining the transaction price payable by Interested Persons for such services or products, factors such as, but not limited to, quantity, volume, consumption, customer requirements, specifications, duration of contract and strategic purposes of the transaction will be taken into account.*

#### **(bb) Obtaining of Services or the Purchasing of Products**

*The review procedures are:*

- (i) all purchases made by the EAR Group, including purchases from Interested Persons, are governed by the same internal control procedures which detail matters such as the constitution of internal approving authorities, their monetary jurisdictions, the number of vendors from whom bids are to be obtained and the review procedures. The guiding principle is to objectively obtain the best products and/or services on the best terms. In determining whether the price and terms offered by vendors, including Interested Persons, are fair and reasonable, factors such as, but not limited to, delivery schedules, specification compliance, track record, experience and expertise, and where applicable, preferential rates, rebates or discounts accorded for bulk purchases, will also be taken into account; and*

- (ii) *in the event that quotations from unrelated third party vendors cannot be obtained (for instance, if there are no unrelated third party vendors of similar products or services, or if the product is a proprietary item), both the Chief Financial Officer (“CFO”) and Chief Executive Officer (“CEO”) of the Company (as long as they have no interest, direct or indirect in that transaction) will determine whether the price and terms offered by the Interested Persons are fair and reasonable by using their business experience in relation to those services or products previously obtained or purchased, which are as comparable as possible to the service or product to be obtained or purchased and will ensure that the terms of supply will (where applicable) be in accordance with, or not higher than, industry norms. If any one of the two has an interest in the transaction, whether direct or indirect, the reasonableness of the price shall be determined by the Audit and Risk Committee of the Company (“ARC”).*

**(b) Treasury Transactions**

Review Procedures

*In general, there are procedures established by the EAR Group to ensure that Treasury Transactions with Interested Persons are undertaken on an arm's length basis and on normal commercial terms consistent with the EAR Group's usual business practices and policies, which are generally no more favourable to the Interested Persons than those extended to unrelated third parties.*

*In relation to forex, swap and option transactions with any Interested Person by the EAR Group, the Company will require that rate quotations shall be obtained from such Interested Person and at least two commercial banks. The EAR Group will only enter into such forex, swap or option transactions with such Interested Person provided that such terms quoted are no less favourable than the terms quoted by such banks.*

**7.2** *In addition to the review procedures, the EAR Group will supplement its internal systems to ensure that Interested Person Transactions are undertaken with Interested Persons on an arm's length basis and on normal commercial terms as follows:*

- (a) *each Interested Person Transaction equal to or exceeding S\$100,000 (or such equivalent in US\$) but less than S\$1,000,000 (or such equivalent in US\$) in value will be endorsed by the CFO of the Company and approved by the CEO of the Company, and the ARC shall be advised; and*
- (b) *each Interested Person Transaction equal to or exceeds S\$1,000,000 (or such equivalent in US\$) in value will be endorsed by the CFO and CEO of the Company, respectively, and approved by the ARC.*

*Where the CFO of the Company has any interest, direct or indirect, in the Interested Person Transaction, such Interested Person Transaction shall be approved by the CEO of the Company. Where such CEO is not available, the ARC shall approve such Interested Person Transaction.*

*Where the CEO of the Company has any interest, direct or indirect, in the Interested Person Transaction, such Interested Person Transaction shall be approved by the ARC. Where any member of the ARC is interested in any of the Interested Person Transactions, he will abstain from voting in relation to such transactions.*

**7.3** *The Company will maintain a register of transactions carried out with Interested Persons pursuant to the New IPT Mandate (recording the transaction values, basis, including the quotations obtained to support such basis, on which they were entered into), and the Company's internal audit plan will incorporate an annual review of all transactions entered into in the relevant financial year pursuant to the New IPT Mandate.*

**7.4** *The ARC shall review the internal audit report on Interested Person Transactions to ascertain that the established review procedures to monitor Interested Person Transactions have been complied with. The ARC shall review the Interested Person Transactions on a quarterly basis.*

7.5 *If, during these periodic reviews by the ARC, the ARC is of the view that the review procedures as stated above have become inappropriate or insufficient in view of changes to the nature of, or the manner in which, the business activities of the EAR Group are conducted, the Company will revert to Shareholders for a fresh mandate based on new guidelines and review procedures to ensure that Interested Person Transactions will be on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.*

**8. EXPIRY AND SUBSEQUENT RENEWAL OF THE NEW IPT MANDATE**

*If approved by Shareholders at the Annual General Meeting of the Company which is scheduled to be held on 17 September 2020, the New IPT Mandate will take effect from the date of passing of the ordinary resolution relating thereto and will continue in force until the conclusion of the next Annual General Meeting of the Company, unless revoked or varied by the Company in a general meeting.*

*The Company will seek the approval of Shareholders for the subsequent renewal of the New IPT Mandate at every Annual General Meeting, subject to the satisfactory review by the ARC of the continued requirements of the New IPT Mandate and the procedures for the Interested Person Transactions.*

**9. DISCLOSURE OF INTERESTED PERSON TRANSACTIONS PURSUANT TO THE NEW IPT MANDATE**

*The Company will announce the aggregate value of transactions conducted with Interested Persons pursuant to the New IPT Mandate for the quarterly financial periods which the Company is required to report on pursuant to the Listing Manual and within the time required for the announcement of such report.*

*Disclosure will be made in the Annual Report of the Company for the financial year ended 30 April 2020 of the aggregate value of transactions conducted with Interested Persons pursuant to the New IPT Mandate during the financial year, and will be made in the Company's Annual Reports for subsequent financial years that the New IPT Mandate continues to be in force, in accordance with the requirements of Chapter 9 of the Listing Manual.*



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Antonio E.S. Ungson

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**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 20-IS**

**INFORMATION STATEMENT PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:

- ☐ Preliminary Information Statement  
☒ Definitive Information Statement

2. Name of Registrant as specified in its charter: Del Monte Pacific Limited

3. British Virgin Islands  
Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number: N/A

5. BIR Tax Identification Code: N/A

6. Craigmuir Chambers, PO Box 71 Road Town, Tortola, British Virgin Islands  
Address of principal office Postal Code

7. Registrant's telephone number, including area code: +65 6324 6822

8. Date, time and place of the meeting of security holders:

Annual General Meeting	
Date:	17 September 2020
Time:	10:00 a.m.
Place:	Online

9. Approximate date on which the Information Statement is first to be sent or given to security holders:  
26 August 2020

10. In case of Proxy Solicitations: N/A  
Name of Person Filing the Statement/Solicitor: \_\_\_\_\_  
Address and Telephone No.: \_\_\_\_\_

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
<b>Ordinary Shares</b>	<b>1,943,960,024</b>
<b>Series A-1 Preference Shares</b>	<b>20,000,000</b>
<b>Series A-2 Preference Shares</b>	<b>10,000,000</b>

12. Are any or all of registrant's securities listed in a Stock Exchange?

Yes ☒ No ☐

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

Singapore Exchange Securities Trading Limited – Ordinary Shares  
The Philippine Stock Exchange, Inc. – Ordinary Shares and Preference Shares



DEL MONTE PACIFIC LIMITED  
(Incorporated in the British Virgin Islands with limited liability on 27 May 1999)

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## NOTICE OF ANNUAL GENERAL MEETING

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NOTICE IS HEREBY GIVEN that the Annual General Meeting (“AGM”) of Del Monte Pacific Limited (the “Company”) will be convened and held by way of electronic means on 17 September 2020 at 10.00 a.m. (Singapore time), for the following purposes:

### AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements of the Company, together with the Auditors’ Report thereon, for the financial year ended 30 April 2020. **[Resolution 1]**
2. To re-appoint the following Directors retiring pursuant to Article 88 of the Company’s Articles of Association and Rule 720(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”):
  - (i) Mr Rolando C Gapud (Retiring under Article 88 and Rule 720(5) of the Listing Manual of the SGX-ST) **[Resolution 2]**
  - (ii) Mr Benedict Kwek Gim Song (Retiring under Article 88 and Rule 720(5) of the Listing Manual of the SGX-ST) **[Resolution 3]**

*Mr Rolando C Gapud will, upon re-appointment as a Director, remain as Board Executive Chairman of the Company, and as a member of the Nominating and Governance Committee.*

*Mr Benedict Kwek Gim Song will, upon re-appointment as a Director of the Company, remain as Chairman of the Audit and Risk Committee, and as a member of the Nominating and Governance Committee and the Remuneration and Share Option Committee, and will be considered independent.  
[See Explanatory Note (i)]*

3. To transact any other ordinary business which may be transacted at an AGM.

### AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions:

4. To approve the payment of Directors’ fees of up to US\$496,800/- for the financial year ending 30 April 2021 (“FY2021”) (FY2020: US\$496,800/-), to be paid quarterly in arrears, computed based on the fee structure set out below:
  - Board Chairman: US\$79,200 per annum
  - Directors: US\$43,200 per annum
  - Audit and Risk Committee Chairman: US\$19,800 per annum
  - Remuneration and Share Option Committee Chairman: US\$9,900 per annum
  - Nominating and Governance Committee Chairman: US\$9,900 per annum
  - Audit and Risk Committee Members: US\$10,800 per annum
  - Remuneration and Share Option Committee Members: US\$5,400 per annum
  - Nominating and Governance Committee Members: US\$5,400 per annum*[See Explanatory Note (ii)]* **[Resolution 4]**
5. To authorise the Directors of the Company to fix, increase or vary the emoluments of Directors of up to US\$100,000/- with respect to services to be rendered in any capacity to the Company. **[Resolution 5]**  
*[See Explanatory Note (iii)]*

6. To re-appoint Ernst & Young LLP as the Auditors of the Group and to authorise the Directors of the Company to fix their remuneration.

**[Resolution 6]**

7. To re-appoint Sycip Gorres Velayo & Co (Ernst & Young Philippines) as the Philippine Auditors of the Group and to authorise the Directors of the Company to fix their remuneration.

**[Resolution 7]**

8. **Authority to Issue Shares**

That pursuant to Article 15(2) of the Company's Articles of Association and Rule 806 of the Listing Manual of the SGX-ST, the Directors of the Company be authorised and empowered to:

- (a)
  - (i) issue shares in the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or
  - (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including, but not limited to, the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions, and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

- (1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings in each class) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro rata basis to Shareholders of the Company shall not exceed 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings in each class) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares and subsidiary holdings in each class) shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings in each class) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
  - (a) new Shares arising from the conversion or exercise of any convertible securities;
  - (b) new Shares arising from the exercise of share options, which are outstanding or subsisting at the time of the passing of this Resolution; and
  - (c) any subsequent bonus issue, consolidation or subdivision of Shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next AGM of the Company or the date

by which the next AGM of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iv)]

**[Resolution 8]**

9. **Authority to Allot and Issue Shares under the Del Monte Pacific Executive Share Option Plan 2016**

That approval be and is hereby granted to the Directors of the Company, acting through its Remuneration and Share Option Committee, to allot and issue from time to time such Shares as may be allotted and issued pursuant to the exercise of the Del Monte Pacific Executive Share Option Plan 2016 (“**ESOP**”), provided always that the aggregate number of Shares to be allotted and issued pursuant to the ESOP shall not exceed ten percent (10%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings in each class) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (v)]

**[Resolution 9]**

10. **Renewal of Shareholders’ Mandate for Interested Person Transactions**

That for the purposes of Chapter 9 of the Listing Manual of the SGX-ST:

- (a) approval be given for the renewal of the mandate for the Company, its subsidiaries and target associated companies or any of them to enter into any of the transactions falling within the types of Interested Person Transactions as set out on page 5 of the Company’s information memorandum (“**Information Memorandum**”) with any party who is of the class of Interested Persons described in the Information Memorandum, provided that such transactions are carried out in the normal course of business, at arm’s length and on commercial terms, and in accordance with the guidelines of the Company for Interested Person Transactions, as set out in the Information Memorandum (the “**IPT Mandate**”);
- (b) the IPT Mandate shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next AGM of the Company; and
- (c) authority be given to the Directors to complete and do all such acts and things (including executing all such documents as may be required) as they may consider necessary, desirable or expedient to give effect to the IPT Mandate as they may think fit.

[See Explanatory Note (vi)]

**[Resolution 10]**

By Order of the Board

Antonio E S Ungson  
Company Secretary  
27 August 2020

**Explanatory Notes to Resolutions to be passed –**

- (i) The bio-data of Directors seeking re-appointment are appended for Shareholders’ information:

Mr Rolando C Gapud, Executive Chairman, 78  
(Appointed on 20 January 2006 and last re-elected on 30 August 2017)

Mr Rolando C Gapud, if re-appointed will remain as Board Executive Chairman of the Company, and as a member of the Nominating and Governance Committee. In line with Provision 4.4 of the 2018 Code of Corporate Governance (“**2018 CG Code**”): (a) there are no relationships or business relationships which Mr Gapud, his immediate family member, or an organisation which Mr Gapud or his immediate family member is a substantial shareholder, partner (with 5% or more stake), executive officer or director in has with the Company or any of its related corporations, and Mr Gapud’s direct association with a substantial shareholder of the Company, in the current and immediate past financial year; and (b) Mr Gapud does

not hold directorships in other listed companies and the details of his other principal commitments can be found in the FY2020 Annual Report, under the “Board of Directors” section.

Additional information on Mr Rolando C Gapud as required to be furnished pursuant to Rule 720(6) of the Listing Manual of the SGX-ST is also found in the FY2020 Annual Report, under the “Board of Directors” section.

Mr Rolando C Gapud has over 45 years of experience in banking, finance and general management, having worked as CEO of several Philippine companies, notably Security Bank and Trust Company, Oriental Petroleum and Minerals Corp and Greenfield Development Corp. He was also the COO of the joint venture operations of Bankers Trust and American Express in the Philippines. He has served in the Boards of various major Philippine companies, including the Development Bank of the Philippines, the development finance arm of the Philippine Government. Mr Gapud is the Chairman of the Board of Del Monte Foods, Inc, DMPL's US subsidiary, and Executive Chairman of Del Monte Philippines, Inc, DMPL's Philippine subsidiary. He is also a Director of FieldFresh Foods Private Ltd, a joint venture of DMPL with the Bharti Group of India. He holds a Master of Science in Industrial Management degree from the Massachusetts Institute of Technology. He is a member of the Asian Executive Board of the Sloan School of MIT and the Board of Governors of the Asia School of Business, a joint venture between the Sloan School of MIT and Bank Negara, the Central Bank of Malaysia.

Mr Benedict Kwek Gim Song, Lead Independent Director, 73  
(Appointed on 30 April 2007 and last re-appointed on 30 August 2017)  
(Appointed as Lead Director on 11 September 2013)

Mr Benedict Kwek Gim Song, if re-appointed will remain as Chairman of the Audit and Risk Committee, and as a member of the Nominating and Governance Committee and the Remuneration and Share Option Committee, and will be considered independent. In line with Provision 4.4 of the 2018 CG Code: (a) there are no relationships or business relationships which Mr Kwek, his immediate family member, or an organisation which Mr Kwek or his immediate family member is a substantial shareholder, partner (with 5% or more stake), executive officer or director in has with the Company or any of its related corporations, and Mr Kwek's direct association with a substantial shareholder of the Company, in the current and immediate past financial year; and (b) Mr Kwek does not hold directorships in other listed companies and the details of his other principal commitments can be found in the FY2020 Annual Report, under the “Board of Directors” section.

Additional information on Mr Kwek as required to be furnished pursuant to Rule 720(6) of the Listing Manual of the SGX-ST is also found in the FY2020 Annual Report, under the “Board of Directors” section.

Mr Benedict Kwek Gim Song is a Director of Del Monte Foods, Inc, DMPL's US subsidiary. Mr Kwek was Chairman of previously SGX-listed Pacific Shipping Trust from 2008 to 2012. He was also a Director and Chairman of the Audit Committee of listed companies including Ascendas REIT. He has over 30 years of banking experience, having served as the President and CEO of Keppel TatLee Bank. He has held various key positions at Citibank in the Philippines, Hong Kong, New York and Singapore. He holds a Bachelor of Social Science (Economics) degree from the then University of Singapore and attended a management development programme at Columbia University in the United States.

- (ii) The Ordinary Resolution 4 above is to approve the payment of Directors' fees for FY2021, to be paid quarterly in arrears in accordance with the proposed fee structure. The fee structure is based on guidelines recommended by the Singapore Institute of Directors and disclosed in the Corporate Governance Report in the Annual Report. The proposed Directors' fees for FY2021 are commensurate with the onerous responsibilities placed on the Directors and in particular, to better reflect the time and contribution of each Director towards the improved performance of the Company.

The Ordinary Resolution 4 if passed, will authorise the payment of Directors' fees for FY2021, in accordance with the fee structure, amounting up to US\$496,800/- and there is no change from prior year on a per Director basis.

- (iii) The Ordinary Resolution 5 proposed above, if passed, will also authorise the Directors of the Company to fix, increase or vary the emoluments of Directors of up to US\$100,000/- with respect of services to be rendered in any capacity to the Company. This would provide flexibility for the Company to engage or procure the specialist services of Directors as appropriate and as may be required by the Company. In particular, this resolution is meant for the specialist services of Dr Emil Q Javier, for his services rendered to the Company at the plantation and for chairing the Group's Plantation Oversight Committee.

- (iv) The Ordinary Resolution 8 proposed above, if passed, will empower the Directors of the Company, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue Shares, make or grant Instruments convertible into Shares and to issue Shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings in each class) in the capital

of the Company, of which up to 15% may be issued other than on a pro rata basis to Shareholders. For determining the aggregate number of Shares that may be issued, the total number of issued Shares (excluding treasury shares and subsidiary holdings in each class) will be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holdings in each class) in the capital of the Company at the time this Ordinary Resolution is passed, after adjusting for new Shares arising from the conversion or exercise of any convertible securities or share options which are outstanding or subsisting at the time when this Ordinary Resolution is passed, and any subsequent bonus issue, consolidation or subdivision of Shares.

- (v) The Ordinary Resolution 9 proposed above, if passed, will empower the Directors of the Company, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to allot and issue from time to time such number of fully-paid Shares in the capital of the Company, as may be required to be issued pursuant to the exercise of options under the ESOP. The aggregate number of Shares which may be issued pursuant to the ESOP and any other share option plan(s)/ share plan(s) which the Company may have in place shall not exceed ten percent (10%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings in each class) in the capital of the Company from time to time.
- (vi) The Ordinary Resolution 10 proposed above, if passed, will authorise the Interested Person Transactions, as described in the Information Memorandum accompanying the FY2020 Annual Report and recurring in the year; and will empower the Directors to do all acts necessary to give effect to the IPT Mandate. This authority will, unless previously revoked or varied by the Company at a general meeting, expire at the conclusion of the next AGM of the Company.
- (vii) **Dividend Policy for Ordinary Shares**

The Company's dividend payment policy is to distribute a minimum of 33% of full year profit but remains subject to review by the Board.

The dividend payout was 75% from 2006 to 2012 and 50% for 2013, 2016, 2017 and 2019. For FY2020, the Company declared a special dividend of 1.54 US cents (US\$0.0154) despite its net loss position. DMPL completed the sale of a 12% stake in DMPI for US\$120 million to a private equity investor. The transaction generated a net gain of US\$77.0 million for DMPL which was recorded as part of Retained Earnings as at 30 April 2020 and not in the Income Statement.

#### **Notes for Shareholders:**

1. The AGM is being convened, and will be held by way of electronic means pursuant to the COVID-19 (Temporary Measures) Act 2020 released on 7 April 2020 and the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 issued on 13 April 2020.

**Due to the current COVID-19 situation, shareholders will not be able to attend the AGM in person.**

2. Printed copies of this Notice will be sent to shareholders. A copy of this Notice will also be available on the Company's website at the URL [https://www.delmontepacific.com/investors/shareholder-centre#Notice\\_of\\_AGM](https://www.delmontepacific.com/investors/shareholder-centre#Notice_of_AGM) and on the SGX-ST website at the URL <https://www.sgx.com/securities/company-announcements>.
3. Alternative arrangements relating to the (i) attendance at the AGM via electronic means (including arrangements by which the AGM can be electronically accessed via live webcast); (ii) submission of questions to the Chairman of the Meeting ahead of the AGM; and (iii) voting by appointing the Chairman of the Meeting as proxy at the AGM, are set out in the accompanying Company's announcement dated 27 August 2020.
4. Shareholders at record date at the close of business on 15 September 2020 are entitled to attend and vote at the AGM. A Shareholder entitled to attend and vote at the AGM is entitled to appoint the Chairman of the Meeting to attend and vote in his/her/it stead (for Philippines,). The Chairman of the Meeting need not be a Member of the Company. Where a shareholder (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/ she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

The accompanying proxy form and voting instruction form for the AGM may also be accessed at the Company's website at the URL <https://www.delmontepacific.com/investors/news-and-filings> and on the SGX-ST website at the URL <https://www.sgx.com/securities/company-announcements>.

6. If a Depositor wishes to appoint the Chairman of the Meeting to attend, speak and vote at the AGM, then he/she/it must:
  - (a) complete and deposit the Depositor proxy form at the office of the Share Transfer Agent:

- i. in Singapore - Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623
  - ii. in Philippines - BDO Unibank Inc — Trust and Investments Group, at its office address at the Securities Services and Corporate Agencies Department, 15th Floor South Tower, BDO Corporate Centre, 7899 Makati Avenue, Makati City, 0726 Philippines, for the attention of Ms Carla B Salonga, **or**
- (b) submit via email
- i. In Singapore, to [DelMonteAGM@boardroomlimited.com](mailto:DelMonteAGM@boardroomlimited.com)
  - ii. In Philippines, to [bdo-stock-transfer@bdo.com.ph](mailto:bdo-stock-transfer@bdo.com.ph)

In either case, at least forty-eight (48) hours before the time of the AGM.

Due to the current COVID-19 situation, shareholders are **strongly encouraged** to submit the completed proxy forms electronically via email.

7. If the Depositor is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.

### **Submission of questions prior to the AGM**

Shareholders and Investors will not be able to ask questions “live” during the Live Webcast. However, all Shareholders and Investors of the Company may submit questions relating to the resolutions to be tabled for approval at the AGM or the Company’s businesses and operations, no later than 10.00 a.m. on 14 September 2020 via the Pre-registration Website. The Company will endeavour to address questions which are substantial and relevant prior to, or at, the AGM proceedings.

### ***Personal data privacy:***

By submitting an instrument appointing the Chairman of the Meeting as proxy to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member’s personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists (if required), minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the “**Purposes**”), (ii) warrants that where the member discloses the personal data of the member’s proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member’s breach of warranty.



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## NOTICE OF GENERAL MEETING

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### DEL MONTE PACIFIC LIMITED

(incorporated in the British Virgin Islands with limited liability on 27 May 1999)  
(the “Company”)

### NOTICE OF GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a General Meeting (“GM”) of the Company will be held by way of electronic means on 17 September 2020 at 10.00 a.m., for the purpose of considering and, if thought fit, passing with or without modifications, the resolution as set out below.

All capitalised terms used in this Notice of GM which are not defined herein shall, unless otherwise defined herein, have the same meanings ascribed to them in this Circular.

#### **AS AN ORDINARY RESOLUTION**

**THE RATIFICATION OF THE SALE OF ISSUED AND PAID UP ORDINARY SHARES IN DEL MONTE PHILIPPINES, INC., AN INDIRECT SUBSIDIARY OF DEL MONTE PACIFIC LIMITED, TO SEA DINER HOLDINGS (S) PTE. LTD.**

#### **RESOLVED THAT:-**

- (a) the disposal of 12% of the total issued paid-up ordinary share capital of Del Monte Philippines, Inc. to SEA Diner Holdings (S) Pte. Ltd. (the “Investor”) upon the terms and conditions of the Agreement dated 24 January 2020 (“Agreement”) and as amended and supplemented by the Supplemental Agreement dated 30 April 2020 between the Company, CARI, DMPI and the Investor (the “Disposal”), as a major transaction pursuant to Chapter 10 of the Listing Manual of the Singapore Exchange Securities Trading Limited, be and is hereby approved, confirmed and ratified;
- (b) the execution by the Company of the Agreement and the Supplemental Agreement (including without limitation, execution of all such documents as may be required) be and is hereby approved, confirmed and ratified;
- (c) the Directors and each of them be, and is hereby, authorised from time to time to cause the completion and the performance of all acts and things as the Directors or each of them may consider necessary, desirable or expedient to give effect to the approvals given in this Ordinary Resolution, including without limitation to the foregoing, to negotiate, sign, execute and deliver all documents, approve any amendments, alterations or modifications to any instruments, filings, notices, announcements, agreements and any other document(s) (if required) as the Directors or each of them shall think fit and in the interests of the Company; and
- (d) any acts, matters and things done or performed, and/or documents signed, executed, sealed and/or delivered by any Director in connection with the Disposal, the Agreement, the Supplemental Agreement and this Ordinary Resolution be and are hereby approved, confirmed and ratified.

By Order of the Board

Antonio E S Ungson  
Company Secretary  
27 August 2020

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## NOTICE OF GENERAL MEETING

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### Explanatory Notes to Resolution to be passed –

#### Notes for Shareholders:

1. The GM is being convened, and will be held by way of electronic means pursuant to the COVID-19 (Temporary Measures) Act 2020 released on 7 April 2020 and the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 issued on 13 April 2020.

**Due to the current COVID-19 situation, shareholders will not be able to attend the GM in person.**

2. Printed copies of this Notice will be sent to shareholders. A copy of this Notice will also be available on the Company's website at the URL [https://www.delmontepacific.com/investors/shareholder-centre#Notice\\_of\\_AGM](https://www.delmontepacific.com/investors/shareholder-centre#Notice_of_AGM) and on the SGX-ST website at the URL <https://www.sgx.com/securities/company-announcements>.
3. Alternative arrangements relating to the (i) attendance at the GM via electronic means (including arrangements by which the GM can be electronically accessed via live webcast); (ii) submission of questions to the Chairman of the Meeting ahead of the GM; and (iii) voting by appointing the Chairman of the Meeting as proxy at the GM, are set out in the accompanying Company's announcement dated 27 August 2020.
4. Shareholders at record date at the close of business on 15 September 2020 are entitled to attend and vote at the GM. A Shareholder entitled to attend and vote at the GM is entitled to appoint the Chairman of the Meeting to attend and vote in his/her/it stead (for Philippines,). The Chairman of the Meeting need not be a Member of the Company. Where a shareholder (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/ she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

The accompanying proxy form and voting instruction form for the GM may also be accessed at the Company's website at the URL <https://www.delmontepacific.com/investors/news-and-filings> and on the SGX-ST website at the URL <https://www.sgx.com/securities/company-announcements>.

6. If a Depositor wishes to appoint the Chairman of the Meeting to attend, speak and vote at the GM, then he/she/it must:
  - (a) complete and deposit the Depositor proxy form at the office of the Share Transfer Agent:
    - i. in Singapore - Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623
    - ii. in Philippines - BDO Unibank Inc — Trust and Investments Group, at its office address at the Securities Services and Corporate Agencies Department, 15th Floor South Tower, BDO Corporate Centre, 7899 Makati Avenue, Makati City, 0726 Philippines, for the attention of Ms Carla B Salonga, **or**
  - (b) submit via email
    - i. In Singapore, to [DelMonteAGM@boardroomlimited.com](mailto:DelMonteAGM@boardroomlimited.com)
    - ii. In Philippines, to [bdo-stock-transfer@bdo.com.ph](mailto:bdo-stock-transfer@bdo.com.ph)

In either case, at least forty-eight (48) hours before the time of the AGM.

Due to the current COVID-19 situation, shareholders are **strongly encouraged** to submit the completed proxy forms electronically via email.

7. If the Depositor is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.

#### Submission of questions prior to the AGM

Shareholders and Investors will not be able to ask questions "live" during the Live Webcast. However, all Shareholders and Investors of the Company may submit questions relating to the resolutions to be tabled for approval at the AGM or the Company's businesses and operations, no later than 10.00 a.m. on 14 September

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## NOTICE OF GENERAL MEETING

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2020 via the Pre-registration Website. The Company will endeavour to address questions which are substantial and relevant prior to, or at, the AGM proceedings.

### **Personal data privacy:**

By submitting an instrument appointing [the Chairman] as proxy(ies), a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the GM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the GM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.



DEL MONTE PACIFIC LIMITED  
(Incorporated in the British Virgin Islands with limited liability on 27 May 1999)

## PROXY FORM

Due to the current COVID-19 situation, a Shareholder will **NOT** be able to attend the Annual General Meeting (AGM) in person. The Meeting will be held virtually and the Shareholder can attend if he/she/it wishes to but will not be able to speak and vote live. A Shareholder (whether individual or corporate) must complete this Proxy Form to effect the appointment of the Chairman of the Meeting as his/her/its proxy to speak and vote on his/her/its behalf at the Meeting in respect of the Shareholder(s) Shares.

The undersigned, being a shareholder of **DEL MONTE PACIFIC LIMITED** (the “Company”), whose name is in the Register of Members as at 15 September 2020 (“**Record/Cut Off Date**”) hereby constitutes and appoints::

The Chairman of the Meeting, as proxy, to represent, act and vote in his/her name and stead at the AGM of the Company to be held by way of electronic means on 17 September 2020 at 10.00 a.m. and at any adjournment thereof, as fully and to all intents and purposes as the undersigned might do if present and acting in person.

(Please indicate your vote “For” or “Against” or “Abstain” with a tick [✓] within the box provided.)

	Resolutions relating to:	For	Against	Abstain
1	Directors' Statement and Audited Financial Statements for the financial year ended 30 April 2020			
2	Re-appointment of Mr Rolando C Gapud as a Director of the Company			
3	Re-appointment of Mr Benedict Kwek Gim Song as a Director of the Company			
4	Approval of payment of Directors' fees for the financial year ending 30 April 2021			
5	Authority to fix, increase or vary emoluments of Directors			
6	Re-appointment of Ernst & Young LLP as Auditors of the Group			
7	Re-appointment of Sycip Gorres Velayo & Co. (Ernst & Young Philippines) as the Philippine Auditors of the Group			
8	Authority to issue Shares			
9	Authority to allot and issues shares under the Del Monte Pacific Executive Share Option Plan 2016			
10	Renewal of Shareholders' Mandate for Interested Person Transactions			

Printed Name and Signature of Shareholder

Number of Shares Held

Date/Place

### NOTES:

- This Proxy Form should be duly completed, submitted to, and received by, the Company's Philippine Stock Transfer Agent, BDO Unibank Inc — Trust and Investments Group in the following manners:
  - Submit via post on or before **15 September 2020 at 10.00 a.m.**, at its office address at the Securities Services and Corporate Agencies Department, 15th Floor South Tower, BDO Corporate Centre, 7899 Makati Avenue, Makati City, 0726 Philippines, for the attention of, Mr Oliver L Galvez; or
  - Submit via email to [bdo-stock-transfer@bdo.com.ph](mailto:bdo-stock-transfer@bdo.com.ph).

in either case, at least forty-eight (48) hours before the time of the Annual General Meeting.

Due to the current COVID-19 situation, shareholders are strongly encouraged to submit the completed Proxy Forms electronically via email.
- Validation of proxies shall be held on **16 September 2020 at 12:00 p.m.** at the office of the Philippine Share Transfer Agent.
- This proxy, when properly executed, will be voted in the manner as directed herein by the shareholder(s). If no direction is made, this proxy will be voted for the election of all nominees and for the approval of the matters stated above and for such other matters as may properly come before the meeting in the manner described in the information statement and/or as recommended by management or the board of directors.
- A shareholder giving a proxy has the power to revoke it at any time before the right granted is exercised.
- The Company shall be entitled to reject any proxy form which is incomplete, improperly completed or illegible, or where the true intentions of the shareholder are not ascertainable from the instructions of the shareholder specified on any proxy form. It is the shareholder's responsibility to ensure that this proxy form is properly completed.

### PERSONAL DATA PRIVACY

By submitting an instrument appointing the Chairman of the Meeting as a proxy, the Member accept(s) and agree(s) to the personal data privacy terms set out in the Notice of AGM dated 27 August 2020.



DEL MONTE PACIFIC LIMITED  
(Incorporated in the British Virgin Islands with limited liability on 27 May 1999)

## PROXY FORM

Due to the current COVID-19 situation, a Shareholder will **NOT** be able to attend the General Meeting (GM) in person. The Meeting will be held virtually and the Shareholder can attend if he/she/it wishes to but will not be able to speak and vote live. A Shareholder (whether individual or corporate) must complete this Proxy Form to effect the appointment of the Chairman of the Meeting as his/her/its proxy to speak and vote on his/her/its behalf at the Meeting in respect of the Shareholder(s) Shares.

The undersigned, being a shareholder of **DEL MONTE PACIFIC LIMITED** (the “Company”), whose name is in the Register of Members as at 15 September 2020 (“**Record/Cut Off Date**”) hereby constitutes and appoints:

The Chairman of the Meeting, as proxy, to represent, act and vote in his/her name and stead at the GM of the Company to be held by way of electronic means on 17 September 2020 at 10.30 a.m. (or immediately following the conclusion or adjournment of the Annual General Meeting to be held at 10.00 a.m. on the same day) and at any adjournment thereof, as fully and to all intents and purposes as the undersigned might do if present and acting in person.

(Please indicate your vote “For” or “Against” or “Abstain” with a tick [✓] within the box provided.)

	Resolutions relating to:	For	Against	Abstain
1	The Ratification of the Sale of Issued and Paid Up Ordinary Shares in Del Monte Philippines, Inc., and indirect subsidiary of Del Monte Pacific Limited, to Sea Diner Holdings (S) Pte. Ltd.			

Printed Name and Signature of Shareholder

Number of Shares Held

Date/Place

### NOTES:

- This Proxy Form should be duly completed, submitted to, and received by, the Company's Philippine Stock Transfer Agent, BDO Unibank Inc — Trust and Investments Group in the following manners:
  - Submit via post on or before **15 September 2020 at 10.00 a.m.**, at its office address at the Securities Services and Corporate Agencies Department, 15th Floor South Tower, BDO Corporate Centre, 7899 Makati Avenue, Makati City, 0726 Philippines, for the attention of, Mr Oliver L Galvez; or
  - Submit via email to [bdo-stock-transfer@bdo.com.ph](mailto:bdo-stock-transfer@bdo.com.ph).in either case, at least forty-eight (48) hours before the time of the Annual General Meeting.
- Due to the current COVID-19 situation, shareholders are strongly encouraged to submit the completed Proxy Forms electronically via email.
- Validation of proxies shall be held on **16 September 2020 at 12:00 p.m.** at the office of the Philippine Share Transfer Agent.
- This proxy, when properly executed, will be voted in the manner as directed herein by the shareholder(s). If no direction is made, this proxy will be voted for the election of all nominees and for the approval of the matters stated above and for such other matters as may properly come before the meeting in the manner described in the information statement and/or as recommended by management or the board of directors.
- A shareholder giving a proxy has the power to revoke it at any time before the right granted is exercised.
- The Company shall be entitled to reject any proxy form which is incomplete, improperly completed or illegible, or where the true intentions of the shareholder are not ascertainable from the instructions of the shareholder specified on any proxy form. It is the shareholder's responsibility to ensure that this proxy form is properly completed.

### PERSONAL DATA PRIVACY

By submitting an instrument appointing the Chairman of the Meeting as a proxy, the Member accept(s) and agree(s) to the personal data privacy terms set out in the Notice of GM dated 27 August 2020.

## INFORMATION REQUIRED IN INFORMATION STATEMENT

### A. GENERAL INFORMATION

#### 1. Date, Time and Place of Meeting of Security Holders.

- a. The Annual General Meeting (“AGM”) of the shareholders of Del Monte Pacific Limited (the “Company”) will be held on 17 September 2020 at 10.00 a.m., and will be convened and held by electronic means.

The mailing address of the Company in Singapore is at c/o 17 Bukit Pasoh Road, Singapore 089831, while its mailing address in the Philippines is at c/o 10<sup>th</sup> Floor, JY Campos Centre, 9<sup>th</sup> Avenue corner 30<sup>th</sup> Street, Bonifacio Global City, Taguig City, 1634 Philippines.

- b. The approximate date on which copies of the Information Statement shall be first sent and given to the shareholders shall be on 26 August 2020.

#### 2. Dissenters' Right of Appraisal

Not applicable.

#### 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

- a. Except for the resolutions stated in Section 15(a)(ii), (iii), (iv), (viii) and (ix) below, none of the Directors or officers of the Company, or any nominee to the Board, or any association of the foregoing persons have any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon during the AGM other than election to office.
- b. None of the Directors have informed the Company in writing that he or she intends to oppose any matter to be acted upon at the AGM.
- c. No cumulative voting rights are available.

### B. CONTROL AND COMPENSATION INFORMATION

#### 4. Voting Securities and Principal Holders Thereof

- a. The Company has a total of 1,943,960,024 outstanding Ordinary Shares, 20,000,000 Series A-1 Preference Shares, and 10,000,000 Series A-2 Preference Shares as of the date of this Information Statement.

Holders of Ordinary Shares are entitled to one vote for each share of stock held as of the established record date. On the other hand, holders of Preference Shares are generally not entitled to (i) attend, speak or vote at any meeting of the members of the Company; or (ii) vote on any resolution of members.<sup>1</sup>

As of 30 June 2020, 95.66% of the total outstanding shares or 1,859,626,165 Ordinary Shares of the Company are foreign-owned shares.

- b. All shareholders as of 15 September 2020 are entitled to attend and vote at the AGM.

In determining the date of shareholders entitled to attend and vote, the Company takes into account the definition of “record date” under the 2015 SRC Rules, and Articles 71(1)(b) and 71(1)(d) of the Company's Articles of Association.

2015 SRC Rule 20.2.1.5 defines “record date” as the date on which the holders of securities *entitled to vote* at the meeting, in person or by written consent or authorization, shall be determined.

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<sup>1</sup> Under the Company's Articles of Association, holders of the preference shares shall have the right to attend, speak and vote at a general meeting convened for any of the following purposes:

- i. Reducing the Company's authorized or issued share capital
- ii. Winding up the Company;
- iii. Sanctioning a sale of the whole or substantially the whole of the business, or undertaking of the Company;
- iv. Where the proposal to be submitted to the general meeting directly affects the rights and privileges of holders of the preference rates.

They also have the right to attend, speak and vote at any general meeting when the dividend on the Series A Preference Shares has been declared by the Board and has not been paid in full when due, and remains unpaid for at least six (6) months.

As a rule, every member is entitled to attend and vote at a general meeting of the Company. However, if a member appoints a proxy, Article 71(1)(b) of the Articles of Association states that the "Depository shall be deemed to have appointed as the Depository's proxies to vote on behalf of the Depository at a general meeting of the Company each of the Depositors who are individuals and whose names are shown on the records of the Depository as at a time not earlier than 48 hours prior to the time of the relevant general meeting." Article 71(1)(d) further provides that "the Company shall reject any CDP proxy form of a nominating depositor if his name is not shown in the records of the Depository as at a time not earlier than 48 hours prior to the time of the general meeting."

c. Security Ownership of Certain Record and Beneficial Owners and Management

i. Security Ownership of Certain Record and Beneficial Owners of More Than 5%

The table below sets forth the security ownership of certain record and beneficial owners of more than 5% of the Company's voting securities as of the date of this Information Statement.

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Common Shares Held	% of Total Outstanding Shares
Ordinary Shares	NutriAsia Pacific Limited (" <b>NAPL</b> ")  Trident Chambers Road Town, Tortola, British Virgin Islands  Shareholder	NAPL is the beneficial and record owner of the shares indicated.*	British Virgin Islands	1,196,539,958 Ordinary Shares	61.55%
Ordinary Shares	HSBC (Singapore) Nom's Pte. Ltd. (" <b>HSBC</b> ")  21 Collyer Quay #13-01 HSBC Building Singapore 049320  Shareholder	Bluebell Group Holdings Limited (" <b>Bluebell</b> ") is the beneficial owner of the shares indicated.*  The shares are held in nominee by HSBC.	British Virgin Islands	189,736,540 Ordinary Shares	10.1%
Ordinary Shares	Lee Pineapple Company Pte. Ltd. (" <b>Lee</b> ")  65 Chulia St, #44-01 OCBC Centre Singapore 049513  Shareholder	Lee is the beneficial and record owner of the shares indicated.**	Singapore	100,422,000 Ordinary Shares	5.17%

Notes:

\* NAPL and Bluebell are beneficially owned by Mr. Joselito D. Campos, Jr. and the Campos family of the Philippines.

\*\* Lee is beneficially owned by the Lee Family of Malaysia.

ii. Security Ownership of Management

The table below sets forth the security ownership of the Company's directors and executive officers as of the date of this Information Statement.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership		Citizenship	Percent of Class
Ordinary	Joselito D. Campos, Jr.	7,621,466	Direct	Filipino	0.39%
Ordinary	Rolando C. Gapud	2,651,203	Direct	Filipino	0.14%
Ordinary	Edgardo M. Cruz, Jr.	2,984,632	Direct	Filipino	0.15%
Ordinary	Emil Q. Javier	611,828	Direct	Filipino	0.03%
Ordinary	Benedict Kwek Gim Song	117,092	Direct	Singaporean	0.01%
Ordinary	Godfrey E. Scotchbrook	117,092	Direct	British	0.01%
Ordinary	Luis F. Alejandro	3,381,600	Indirect	Filipino	0.19%
		299,400	Direct		

Preference		15,000	Direct		0.08%
Ordinary	Ignacio C. O. Sison	1,079,736	Direct	Filipino	0.06%
Preference		8,000	Direct		0.04%
Preference	Parag Sachdeva	15,000	Direct	Indian	0.08%
Ordinary	Antonio E. S. Ungson	597,864	Direct	Filipino	0.03%
Ordinary	Ma. Bella B. Javier	392,359	Direct	Filipino	0.02%
Preference		2,000	Direct		0.02%

d. Voting Trust Holders of 5% or More

There are no persons holding more than 5% of a class of shares of the Company under a voting trust or similar agreement as of the date of this Information Statement.

e. Changes in Control

There are no arrangements which may result in a change in control of the Company as of the date of this Information Statement.

## 5. Directors and Executive Officers

a. Directors, Independent Directors and Executive Officers

i. Directors and Board Committees

The overall management and supervision of the Company, including the exercise of corporate powers and the conduct of the business of the Company, are undertaken by the Board. There are seven members of the Board, three of whom are Executive Directors and the remaining four are Non-Executive Directors who are also Independent Directors.

As of the date of this Information Statement, the composition of the Board is as follows:

Name	Age	Citizenship	Position	Year First Appointed	Year Last Elected (if ID, state no. of years served as ID)
Rolando C. Gapud	78	Filipino	Executive Chairman	2006	2017
Joselito D. Campos, Jr.	69	Filipino	Managing Director & Chief Executive Officer	2006	2006
Edgardo M. Cruz, Jr.	65	Filipino	Executive Director	2006	2018
Benedict Kwek Gim Song	73	Singaporean	Lead Independent Director	2007	2017 (ID:12)
Godfrey E. Scotchbrook	74	British	Independent Director	2000	2018 (ID: 19)
Emil Q. Javier	79	Filipino	Independent Director	2007	2019 (ID: 12)
Yvonne Goh	67	Singaporean	Independent Director	2015	2019 (ID:4)

In this year's AGM, the following are the incumbent Directors of the Company who are retiring pursuant to Article 88 of the Company's Articles of Association and due for re-election:

**Rolando C. Gapud**

Executive Chairman

Appointed on 20 January 2006

Last re-elected on 30 August 2017

**Benedict Kwek Gin Song**

Independent Director

Appointed on 30 April 2007

Last re-elected on 30 August 2017

Under Article 88, all Directors hold office for a maximum period of three (3) years, whereupon they shall retire in accordance with the Company's Articles of Association, but are eligible for re-election.



In reviewing the nomination for the re-election of the retiring Directors, the Nominating and Governance Committee (the “**NGC**”) had considered the contributions and performance of each Director, taking into account his attendance and participation at Board and Board committee meetings, as well as his or her independence.

All Directors retiring have consented to continue in office and have offered themselves for re-election at the Company’s AGM.

Both Mr. Gapud and Mr. Song are not family-related to the other directors, substantial shareholders, or shareholders who own at least 10% of the Company.

The Certification of Independent Director executed by Mr. Song is attached herein as **Annex “A-1”**.

The NGC, on an annual basis, determines whether or not a director is independent, taking into account the definition of the 2012 Code of Corporate Governance of Singapore (the “**2012 Code**”), which defines “independence” to mean that Directors have no relationship with the Company, or its related corporations, its 10% shareholders or its officers that could or be reasonably perceived to interfere with the exercise of the Director’s independent business judgment. Disclosures of Directors’ interests and their interest in transactions are standing agenda items in all Board meetings, and would be circulated and tabled for Board members’ information, as appropriate.

The 2012 Code states that the independence of any Director who has served on the Board beyond nine years from the date of his first appointment should be subject to particularly rigorous review.

Consistent with previous practice, the NGC undertook a rigorous review of the independence of each Independent Director, including those whose tenure had exceeded nine years from the date of their first appointment. Led by the NGC Chairperson and facilitated by Boardroom Corporate & Advisory Services Pte Ltd, the Company’s external corporate secretarial service provider, the assessment was conducted by means of a confidential and incisive questionnaire completed by each Director and confirmation completed by the Independent Directors.

As part of this rigorous review, Board members were asked to share their observations on how the Independent Directors whose tenure had exceeded 9 years, namely Messrs Benedict Kwek Gim Song, Emil Q Javier and Godfrey Scotchbrook, have demonstrated their independence on the Board. Board members were invited to cite, as appropriate, specific instances and examples.

The results were analysed and discussed at the NGC and Board meetings. It was concluded that there is a strong sense of independence amongst all Board members. Management is constantly challenged and questioned on proposals that come before the Board with all Directors engaging in thorough and robust discussion and deliberation, taking into consideration the interest of the Group’s stakeholders.

Based on the assessment, Messrs Benedict Kwek Gim Song (first appointed on 30 April 2007), Emil Q Javier (first appointed on 30 April 2007) and Godfrey E Scotchbrook (first appointed on 28 December 2000) have demonstrated independent mindedness and conduct at Board and Board committee meetings. The NGC is also of the firm view and opinion that these Directors continue to exercise independent judgment in the best interest of the Company in the discharge of their duties as Directors, and their more than nine years of exemplary service on the Board have not in any way affected their independence as throughout their tenure in office they had continually challenged and provided constructive feedback to Management.

Each member of the NGC had abstained from deliberations in respect of the assessment on his own independence.

Management, together with the Board Committees, including the Audit & Risk Committee (“**ARC**”), NGC, and Remuneration and Share Option Committee (“**RSOC**”) support the Board in discharging its responsibilities. The members of the Board Committees are as follows:

<b>Audit and Risk Committee</b>	
Benedict Kwek Gim Song (Lead Independent Director)	ARC Chairman
Godfrey E. Scotchbrook (Independent Director)	Member
Emil Q. Javier (Independent Director)	Member
Yvonne Goh (Independent Director)	Member
<b>Nominating and Governance Committee</b>	
Yvonne Goh (Independent Director)	NCG Chairperson

Benedict Kwek Gim Song (Lead Independent Director)	Member
Godfrey E. Scotchbrook (Independent Director)	Member
Emil Q. Javier (Independent Director)	Member
Rolando C. Gapud (Executive Chairman)	Member
Edgardo M. Cruz (Executive Director)	Member
<b>Remuneration and Share Option Committee</b>	
Godfrey E. Scotchbrook (Independent Director)	RSOC Chairman
Benedict Kwek Gim Song (Lead Independent Director)	Member
Emil Q. Javier (Independent Director)	Member
Yvonne Goh (Independent Director)	Member

ii. Senior Management

As of the date of this Information Statement, the following are the Company's Senior Management:

Name	Age	Citizenship	Position	Year Position was Assumed
Joselito D. Campos, Jr.	69	Filipino	Managing Director and CEO	2006
Luis F. Alejandro	66	Filipino	Chief Operating Officer	2008
Ignacio C. O. Sison	56	Filipino	Chief Corporate Officer	2006
Parag Sachdeva	50	Indian	Chief Financial Officer	2015
Antonio E. S. Ungson	48	Filipino	Chief Legal Counsel and Chief Compliance Officer	2008
			Company Secretary	2015
Ruiz G. Salazar	56	Filipino	Chief Human Resource Officer	2016

b. Significant Employees

The Board and the Senior Management of the Company have been an integral part of its success. Their knowledge, experience, business relationships and expertise greatly contribute to the Company's operating efficiency and financial performance.

The Company maintains that it considers the collective efforts of the Board and all of its employees as instrumental to its overall success. The business of the Company is not dependent on any individual person. No employee is indispensable in the organization. The Company has institutionalized, through documentation, its processes and training to ensure continuity and scalability in the business without relying on any particular employee.

c. Family Relationships

Other than as provided below, there are no other family relationships known to the Company:

Ms. Jeanette Beatrice Campos Naughton is Vice President, Strategic Planning of the Company's U.S. subsidiary, Del Monte Foods, Inc ("DMFI"). She is the daughter of Mr. Joselito D Campos, Jr., the Company's Managing Director and CEO, and DMFI's Vice Chairman and Director.

d. Involvement in Certain Legal Proceedings

*As to Directors, Executive Officers and Nominees for Election:*

Except as set out below, the Company is not aware that any of the incumbent Directors and any nominee for election as director, executive officer or control person of the Company has been the subject of any: (a) bankruptcy petition; (b) conviction by final judgment in a criminal proceeding, domestic or foreign; (c) order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and (d) judgment of violation of a securities or commodities law or regulation by a domestic or foreign court of competent jurisdiction, in a civil action, the Philippine SEC or a comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, which has not been reversed, suspended or vacated, for the past five (5) years up to the latest date that is material to the evaluation of his ability or integrity to hold the relevant position in the Company:

Mr. Luis F. Alejandro, the Group's Chief Operating Officer, is not involved in any criminal, bankruptcy or insolvency investigation or any other proceeding against him, except only the libel case pending between GMA Network, Inc and ABS-CBN Broadcasting Corp where he was impleaded eight years ago as co-accused in his capacity as then President and Chief Operating Officer of ABS-CBN Broadcasting Corp.

*As to the Company and its Subsidiaries:*

The Group is the subject of, or a party to, other various suits and pending or threatened litigation. While it is not feasible to predict or determine the ultimate outcome of these matters, the Company believes that none of these legal proceedings will have a material adverse effect on its financial position.

#### e. Certain Relationships and Related Transactions

- a) The following is a summary of Interested Person Transactions ("IPT") entered into by the Company and/or its subsidiaries (the "**Group**") with certain Interested Persons<sup>2</sup> for FY2020 (1 May 2019 to 30 April 2020), FY2019 (1 May 2018 to 30 April 2019), and FY2018 (1 May 2017 to 30 April 2018):

Related Party Transaction	Relationship	Nature	FY2020 US\$'000	FY2019 US\$'000	FY2018 US\$'000
Del Monte Philippines, Inc (DMPI Retirement Fund)	Retirement fund of the Company's subsidiary	Rental to DMPI Retirement Fund	1,662	1,558	1,858
		Security Deposit to DMPI Retirement Fund	(21)	-	-
		Management fees from DMPI Retirement Fund	(4)	(4)	(4)
Del Monte Philippines, Inc (DMPI Provident Fund)	Retirement fund of the Company's subsidiary	Rental to DMPI Provident Fund	-	-	-
NutriAsia Inc (NAI)	Affiliate of the Company	Rental to NAI Retirement Fund	586	545	543
		Security deposit to NAI Retirement Fund	(6)	-	-
		Purchases of Production Materials	29	34	233
		Toll Pack Fees	128	556	572
		Utilities / Parking Space Rental	55	81	160
		Recharge of Inventory Count Shortage	-	-	(33)
		Management fee	-	(92)	(15)
		Shared IT & Other Services from NAI	(177)	(161)	(343)
		Sale of other raw materials with NAI	-	(31)	(1)
		Sale of tomato sauce with NAI	(5)	-	(31)
		Cash Advances	(8,731)	(6,000)	
<b>TOTAL</b>			<b>(6,485)</b>	<b>(3,514)</b>	<b>2,939</b>

#### Review

The Company has an IPT and Related Party Transactions (RPT) policy and manual that set out the definitions, general guidelines, and review and monitoring procedures to be adopted across the Group for IPTs compliance with the Listing Manual of the SGX-ST and the SEC Memorandum Circular No. 10 (Series of 2019) or the *Rules on Material Related Party Transactions for Publicly Listed Companies*. The manual presents a comprehensive view of IPT and RPT and the procedures that all affected Group personnel, including members of senior management, directors and employees in Purchasing, Treasury, Finance, Sales, Legal, Internal Audit, must follow. The policy

<sup>2</sup> Under the SGX-ST Listing Manual, "Interested Person" is defined as: (a) a Director, CEO or Controlling Shareholder of the listed company; or (b) an Associate of any such Director, CEO or Controlling Shareholder. A "Controlling Shareholder" is one who: (a) holds directly or indirectly 15% or more of the nominal amount of all voting shares in the company; or (b) in fact exercises control over a company.

and manual set out materiality thresholds for IPTs and RPTs that could trigger certain approval and disclosure requirements.

The Company established review procedures to ensure that IPTs and RPTs: (i) are carried out on an arm's length basis and on normal commercial terms, consistent with the Group's usual business practices and policies; and (ii) will not be prejudicial to the interests of the Company and its minority shareholders.

In general, the transactions with related parties are carried out based on terms agreed between the parties. Pricing for the sales of products are market driven, less certain allowances. For purchases, the Group's policy is to solicit competitive quotations. Bids from any related party are evaluated on arm's length commercial terms and subject to bidding against third party suppliers. Purchases are normally awarded based on the lowest price.

The ARC reviews the internal audit report on the IPTs and RPTs on a quarterly basis to ascertain that the established review procedures are complied with. If during these periodic reviews, the ARC is of the view that the review procedures as stated above have become inappropriate or insufficient in view of changes to the nature of, or the manner in which, the business activities of the Group are conducted, the Company will revert to its shareholders for a fresh mandate based on a new set of guidelines and review procedures that would ensure compliance with the established standards above.

The Company maintains a register of transactions carried out with Interested Persons, as defined in the IPT manual, and the Company's internal audit plan will incorporate an annual review of all transactions entered into in the relevant financial year pursuant to the IPT mandate.

#### *Approval or Ratification*

The following are the categories of IPTs in the Company's manual:

1. Mandated IPT – refers to an IPT between the Group and any Interested Person pursuant to a shareholders' mandate approved on an annual basis by the Company's shareholders, which is subject to renewal each year at the annual general meeting. However, despite the existence of the shareholders' mandate, Mandated IPTs are still subject to auditors and AC's review.
2. Non-Mandated IPT – refers to purchase or sale of fixed assets, undertakings or businesses, as well as transactions not included under the shareholders mandate, which may require announcements, management approval, Board approval and/or shareholders' approval, depending on the amounts involved.

#### *Monitoring and Recording*

To facilitate recording of IPTs, each Group subsidiary's Controller shall establish two holding accounts that will be used in recording IPTs – one to record Mandated IPTs and the other to record Non-Mandated IPTs. Transactions recorded under these two holding accounts will then be cleared monthly to the proper accounts. The transactions that are recorded under the holding accounts will then be reported on a quarterly basis to the CFO for consolidation which will then be submitted to the ARC for evaluation and review.

- b) Other than standard terms and conditions typical for these kinds of contracts and negotiated at arm's length and upon normal commercial terms with counterparties, there are no other commitments resulting from these arrangements.

Considering the arm's length negotiation of these IPTs and the Company's established IPT review, approval, monitoring and disclosure processes, we do not see any material risks arising from these transactions.

#### **f. Resignation of Directors due to Disagreement**

No Director has resigned from, or declined to stand for re-election to, the Board since the date of the 2018 AGM due to any disagreement with the Company on any matter relating to its operations, policies or practices.

- g. No provision of the Company's Articles of Association, which relates to the selection, nomination and election of Independent Directors, has been recently amended. The Company's selection and election processes for independent directors are in accordance with the Company's Articles of Association and the 2012 Code.

## 6. Compensation of Directors and Executive Officers

The aggregate compensation paid or incurred during the last two fiscal years and estimated to be paid in the ensuing fiscal year to the CEO and senior executive officers of the Company are as follows:

Name and principal position	Year	Salary (in PhP)	Bonus (in PhP)
A. Chief Executive Officer and most highly compensated executive officers*	FY 2020 (Est)	221,618,598	178,941,582
	FY 2019	208,436,679	127,436,023
	FY 2018	188,109,963	100,182,352
B. All other officers and directors as a group unnamed	FY 2020 (Est)	160,407,561	40,097,159
	FY 2019	174,232,939	40,547,278
	FY 2018	154,015,088	43,483,998

\*The CEO and executive officers of the Company are as follows: Managing Director & CEO, Mr. Joselito D Campos, Jr. and the executives (in alphabetical order): Luis F. Alejandro, Parag Sachdeva, Ignacio Carmelo O. Sison, and Antonio Eugenio S. Ungson.

### Standard Arrangement

The Directors receive a fixed remuneration annually based on the following fee structure:

- Board Chairman: US\$79,200 per annum;
- Directors: US\$43,200 per annum;
- ARC Chairman: US\$19,800 per annum;
- RSOC Chairman: US\$9,900 per annum;
- NGC Chairman: US\$9,900 per annum;
- ARC Members: US\$10,800 per annum;
- RSOC Members: US\$5,400 per annum; and
- NGC Members: US\$5,400 per annum.

The Directors do not receive any allowance for attending Board or Board committee meetings.

### Other Arrangements

Dr. Emil Q. Javier has a consultancy agreement with the Company to act as a consultant, amongst other things, to provide guidance and support to the Group on its plantation operations and development of agri-based initiatives.

Except as described above, there are no other arrangements pursuant to which any of the Company's Directors and officers are compensated, or are to be compensated, directly or indirectly.

### Employment Contracts and Termination of Employment and Change-in-Control Arrangements

There are no arrangements for compensation to be received by any executive officer from the Company in the event of a resignation, or termination of the executive officer's employment or a change of control of the Company. The Company, however, provides retirement benefits to qualified employees, including Key Management Personnel.

### Share Options

There are no outstanding share options as of the date of this Information Statement. All unexercised options which were granted pursuant to the Del Monte Pacific Executive Stock Option Plan 1999 had already lapsed on 6 March 2018.

### Share Awards

All share awards granted to Directors had since 20 September 2017 been vested and released to Directors.

Except as disclosed [in the Company's Annual Report], no Director who held office at the end of the financial year had interests in shares, debentures, warrants, share options or share-based incentives of the Company or of related corporations, either at the beginning or at the end of the financial year.

## 7. Independent Public Accountants

- a) The external auditor of the Group for the most recently completed fiscal year is Ernst & Young LLP (“**EY Singapore**”), which is the same accounting firm tabled for re-appointment for the current fiscal year at the AGM of shareholders.

Sycip Gorres Velayo & Co. (“**EY Philippines**”), the Group’s auditors in the Philippines for the most recently completed fiscal year, is likewise tabled for re-appointment for the current fiscal year at the AGM.

- b) Mr. Alvin Phua Chun Yen is the partner-in-charge from EY Singapore for the audited financial statements of the Company and the Group for the fiscal year ended 30 April 2020. Representatives of EY Singapore are expected to be present during the AGM. The representatives may make statements, if they desire to do so, and will be available to respond to appropriate questions raised by the shareholders at the AGM.

Ms. Catherine E. Lopez is the partner-in-charge from EY Philippines<sup>20</sup>.

- c) The aggregate annual external audit fees billed for each of the last two fiscal years for the audit of the Group’s annual financial statements or services that are normally provided by the external auditor are as follows:

	<b>FY2020</b>	<b>FY2019</b>
	<b>in US\$’000</b>	<b>in US\$’000</b>
1. Audit Fees		
Payable to the Company’s auditors	353	345
Payable to other auditors	1,150	998
2. Non-Audit Fees		
Payable to the Company’s auditors	57	3
Payable to other auditors	96	141

## 8. Compensation Plans

Except as stated in Section 9 below, there are no actions to be taken with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed during the AGM.

## C. ISSUANCE AND EXCHANGE OF SECURITIES

### 9. Authorization or Issuance of Securities Other than for Exchange

- a. *Title and Amount of Securities to be Authorized*

**At the AGM**, the following matters shall be submitted for shareholders’ approval:

- i) *Authority to Issue Shares*

*That pursuant to Article 15(2) of the Company’s Articles of Association and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), the Directors of the Company be authorised and empowered to:*

- (a) (i) *issue shares in the Company (“**Shares**”) whether by way of rights, bonus or otherwise; and/or*  
(ii) *make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require Shares to be issued, including, but not limited to, the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,*

*at any time and upon such terms and conditions, and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and*

- (b) *(notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,*

provided that:

- (1) *the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro rata basis to Shareholders of the Company shall not exceed 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);*
- (2) *(subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares) shall be based on the total number of issued Shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:*
  - (a) new Shares arising from the conversion or exercise of any convertible securities;*
  - (b) new Shares arising from the exercise of share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and*
  - (c) any subsequent bonus issue, consolidation or subdivision of Shares;*
- (3) *in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association of the Company; and*
- (4) *unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.*

If passed, this Ordinary Resolution will empower the Directors of the Company, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held, or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue Shares, make or grant Instruments convertible into Shares and to issue Shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 15% may be issued other than on a pro rata basis to Shareholders.

For determining the aggregate number of Shares that may be issued, the total number of issued Shares (excluding treasury shares and subsidiary holdings) will be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution is passed, after adjusting for new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed, and any subsequent bonus issue, consolidation or subdivision of Shares.

ii) *Authority to Allot and Issue Shares under the Del Monte Pacific Executive Share Option Plan 2016*

*That approval be and is hereby granted to the Directors of the Company, acting through its Remuneration and Share Option Committee, to allot and issue from time to time such Shares as may be allotted and issued pursuant to the exercise of the Del Monte Pacific Executive Share Option 2016 ("ESOP"), provided always that the aggregate number of Shares to be allotted and issued pursuant to the ESOP shall not exceed ten percent (10%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings in each class) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.*

If passed, this Ordinary Resolution will empower the Directors of the Company, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held, or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to allot and issue from time to time such number of fully-paid Shares in the capital of the Company, as may be required to be issued, pursuant to the ESOP. The aggregate number of Shares which may be issued pursuant to the ESOP shall not exceed ten percent (10%) of

the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time.

b. *Description of the Company's Securities*

At present, the Company has an authorized capital of U.S.\$630,000,000.00 consisting of 3,000,000,000 Ordinary Shares with a par value of U.S.\$0.01 each, and 600,000,000 Preference Shares with a par value of U.S.\$1.00 each, which may be issued in one or more series.

Out of the authorized capital stock, the Company has (i) 1,943,960,024 Ordinary Shares; (b) 20,000,000 Series A-1 Preference Shares; and (c) 10,000,000 Series A-2 Preference Shares outstanding. The total issued Ordinary Shares are 1,944,935,826 Ordinary Shares, which includes 975,802 Ordinary Shares that are held by the Company as treasury shares.

**10. Modification or Exchange of Securities**

There are no actions to be taken with respect to the modification or exchange of the Company's securities.

**11. Financial and Other Information**

The Management Report discussing the operational, financial and other information of the Company is attached herein as **Annex "B"**.

The consolidated audited financial statements of the Group for the fiscal year ended 30 April 2019 are likewise attached herein as **Annex "C"**.

**12. Mergers, Consolidations, Acquisitions and Similar Matters**

There are no actions to be taken in relation to any merger, acquisition or business combination.

**13. Acquisitions and Investments**

There are no matters to be taken with respect to any merger, consolidation, acquisition of any property.

**14. Restatement of Accounts**

There are no actions to be taken and submitted for shareholders' approval with respect to the restatement of any asset, capital or surplus account of the Company.

**D. OTHER MATTERS**

**15. Action with Respect to Reports and Other Items**

- a) The following shall be submitted for shareholders' approval during the AGM:
- (i) To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company, together with the Auditors' Report thereon, for the financial year ended 30 April 2019. **(Resolution 1)**
  - (ii) To re-appoint the following Directors of the Company who are retiring pursuant to Article 88 of the Company's Articles of Association:
    - a. Mr. Rolando C. Gapud **(Resolution 2)**
    - b. Mr. Benedict Kwek Gim Song **(Resolution 3)**
  - (iii) To approve the payment of Directors' fees of up to US\$496,800/- for the financial year ending 30 April 2021 ("FY2021") (FY2019:496,800/-), to be paid quarterly in arrears. **(Resolution 4)**
  - (iv) To authorize the Directors to fix, increase or vary the emoluments of Directors of up to US\$100,000/- with respect to services to be rendered in any capacity to the Company. **(Resolution 5)**
  - (v) To re-appoint Ernst & Young LLP as the Auditors of the Group, and to authorize the Directors to fix their remuneration. **(Resolution 6)**
  - (vi) To re-appoint Sycip Gorres & Velayo & Co. (Ernst & Young Philippines) as the Philippine Auditors of the Group, and to authorize the Directors to fix their remuneration. **(Resolution 7)**



(vii) To authorize the Directors to issue shares in the Company, whether by way of rights, bonus or otherwise, and/or make grant offers, agreements or options that may or would require the issuance of shares, including, but not limited to, the creation and issue of options, warrants, debentures or other instruments convertible into shares, upon such terms and conditions, and for such purposes as the Directors of the Company may deem fit. **(Resolution 8)**

(viii) To authorize the Directors to allot and issue Shares under the Del Monte Pacific Executive Share Option Plan 2016. **(Resolution 9)**

(ix) To approve the renewal of shareholders' mandate for Interested Person Transactions (IPT). **(Resolution 10)**

The Information Memorandum in relation to the renewal of shareholders' mandate for IPT is incorporated by reference, a copy of which is attached herein as **Annex "D"**.

For details on the foregoing resolutions, please refer to the enclosed Notice of AGM.

b) The following shall be submitted for shareholders' approval during the GM:

(i) The Ratification of the Sale of Issued and Paid Up Ordinary Shares in Del Monte Philippines, Inc., and indirect subsidiary of Del Monte Pacific Limited, to Sea Diner Holdings (S) Pte. Ltd.

For details on the foregoing resolution, please refer to the enclosed Notice of GM.

#### **16. Matters Not Required to be Submitted**

There are no actions to be taken at the AGM with respect to any matter which is not required to be submitted to a vote of security holders.

#### **17. Amendment of Charter, By-laws or Other Documents**

There are no actions to be taken at the AGM with respect to any amendment of the Company's Memorandum of Association and Articles of Association.

#### **18. Other Proposed Action**

No other actions on any matter are proposed to be taken except matters of incidence that may properly arise during the AGM.

#### **19. Voting Procedures**

a) As to vote required:

For "Ordinary Resolutions", a simple majority of votes of the shares which were present at the meeting and entitled to vote thereon and were voted on, and not abstained.

For "Special Resolutions", the following rules shall apply:

- i. A majority of not less than three-fourths of the votes of the shares which were present at the meeting and entitled to vote thereon and were voted and not abstained; or
- ii. A majority of not less than three-fourths of the votes of each class or series of shares which were present at the meeting and entitled to vote thereon as a class or series and were voted and not abstained; or

A resolution consented to in writing by (1) a majority of not less three-fourths of the votes of shares entitled to vote thereon; or (2) a majority of not less than three-fourths of the votes of each class or series of shares entitled to vote thereon as a class or series.

b) As to method: The voting at the AGM in Singapore will be carried out via electronic poll voting. Philippine shareholders who are unable to attend the meeting in Singapore, but can attend the videoconference in Manila, will still be able to vote by manual voting.

c) The Company appointed independent scrutineers, Drewcorp Services Pte. Ltd. and Ortega Bacorro Odulio Calma & Carbonell Law Office, to validate the votes. The scrutineers will be responsible for

counting votes based on the number of shares entitled to vote owned by the shareholders who are present or represented by proxies at the AGM of the shareholders, in the presence of the Group's external auditors.

Upon a written request of a stockholder, the Company undertakes to furnish said stockholder with a copy of the Company's Annual Report or SEC Form 17-A free of charge. Any written request for a copy of the said report shall be addressed to the following:

**DEL MONTE PACIFIC LIMITED**  
c/o JY Campos Centre  
9<sup>th</sup> Avenue corner 30<sup>th</sup> Street  
Bonifacio Global City  
Taguig City

Attention:  
**Mr. Ignacio C. O. Sison**  
Chief Corporate Officer

You may also contact the Company's Investor Relations Officer, Ms. Jennifer Luy at [jluy@delmontepacific.com](mailto:jluy@delmontepacific.com).

#### **SIGNATURE PAGE**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Taguig on 12 August 2020.

**Del Monte Pacific Limited**  
Issuer

By:

  
**Antonio Eugenio S. Ungson**  
Chief Legal Counsel and Chief Compliance Officer





**FOREIGN SERVICE OF THE  
REPUBLIC OF THE PHILIPPINES**

EMBASSY OF THE PHILIPPINES )  
Consular Section ) S.S.  
Singapore )

**CERTIFICATE OF AUTHENTICATION**

I, **LAARNI ZORAYDA S. GANDAROSA, Consul** of the Embassy of  
the Republic of the Philippines to Singapore, duly commissioned and qualified, do  
hereby certify that **MELISSA GOH**  
before whom the annexed instrument has been executed, to wit:

**NOTARIAL CERTIFICATE SIGNED BY TAN MARY**

was at the time he/she signed the same **SINGAPORE ACADEMY OF LAW**  
and that his/her signature affixed thereto is genuine.

The Embassy assumes no responsibility for the contents of the annexed  
instrument.

**IN WITNESS HEREOF**, I have hereunto set my hand and affixed the seal of the  
Embassy of the Philippines in Singapore this day of **12 August 2020**

Service No. : 5841  
O.R. No. : 2392091  
Fee Paid : \$42.50

  
**LAARNI ZORAYDA S. GANDAROSA**  
Consul





## MANAGEMENT REPORT

## I. BUSINESS AND GENERAL INFORMATION

Overview

Del Monte Pacific Limited (the “**Company**” or “**DMPL**”) was incorporated as an international business company in the British Virgin Islands on 27 May 1999 under the International Business Companies Act (Cap. 291) of the British Virgin Islands. It was automatically re-registered as a company on 1 January 2007 when the International Business Companies Act was repealed and replaced by the Business Companies Act 2004 of the British Virgin Islands. The registered office of the Company is located at Craigmuir Chambers, Road Town, Tortola, British Virgin Islands.

The principal activity of the Company is that of investment holding. Its operating subsidiaries are principally engaged in growing, processing and selling packaged fruits, vegetable and tomato, fresh pineapples, sauces, condiments, pasta, broth and juices, mainly under the brand names of *Del Monte*, *S&W*, *Today's*, *Contadina*, *College Inn* and other brands. The Company's subsidiaries also produce and distribute private label food products.

On 2 August 1999, the Company was admitted to the Official List of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”). On 10 June 2013, the Ordinary Shares of the Company were also listed on The Philippine Stock Exchange, Inc (the “**PSE**”). On 7 April 2017 and 15 December 2017, the Series A-1 and Series A-2 Preference Shares of the Company were listed on the PSE, respectively.

Subsidiaries

A subsidiary is considered significant, as defined under the SGX-ST Listing Manual, if its net tangible assets represent 20% or more of the Company and its subsidiaries' (the “**Group**”) consolidated net tangible assets, or if its pre-tax profits account for 20% or more of the Group's consolidated pre-tax profits.

The details of the Company's subsidiaries and their principal activities, as of 30 April 2020, are as follows:

<b>Name of subsidiary</b>	<b>Date of Incorporation</b>	<b>Principal activities</b>	<b>Place of incorporation</b>	<b>Effective equity held by the Group</b>
<b><i>Held by the Issuer</i></b>				
Del Monte Pacific Resources Limited (“ <b>DMPRL</b> ”)	21 Dec 1990	Investment holding	British Virgin Islands	100.00%
DMPL India Pte Ltd (“ <b>DMPLI</b> ”)	29 Mar 2004	Investment holding	Singapore	100.00%
DMPL Management Services Pte Ltd	29 Apr 1999	Providing administrative support and liaison services to the Group	Singapore	100.00%
GTL Limited	9 Mar 1998	Trading food products mainly under the brand name “ <i>Del Monte</i> ” and buyer's own labels	Federal Territory of Labuan, Malaysia	100.00%
S&W Fine Foods International Limited (“ <b>S&amp;W</b> ”)	12 Nov 2007	Selling processed and fresh food products under the “ <b>S&amp;W</b> ” trademark; Owner of the “ <b>S&amp;W</b> ” trademark in Asia (excluding Australia and New Zealand), the Middle East, Western Europe, Eastern Europe and Africa	British Virgin Islands	100.00%
DMPL Foods Limited (“ <b>DMPLFL</b> ”)	11 Dec 2013	Investment holding	British Virgin Islands	Approximately 89.43%
<b><i>Held by DMPRL</i></b>				
Central American Resources, Inc. (“ <b>CARI</b> ”)	16 Dec 1971	Investment holding	Panama	100.00%

## ANNEX “B”

Name of subsidiary	Date of Incorporation	Principal activities	Place of incorporation	Effective equity held by the Group
Dewey Limited (“Dewey”) <sup>(a)</sup>	13 Dec 1990	Owner of trademarks in various countries; investment holding	Bermuda	100.00%
<b>Held by CARI</b>				
Del Monte Philippines, Inc (“DMPI”)	11 Jan 1926	Growing, processing and distribution of food products mainly under the brand name “Del Monte”	Philippines	88.00%
South Bukidnon Fresh Trading, Inc.	20 Jun 2014	Growing, packing and sale and export of fresh produce	Philippines	100.00%
<b>Held by DMPI</b>				
Philippines Packing Management Service Corporation	18 Jun 2007	Management, logistics and support services	Philippines	88.00%
Del Monte Txanton Distribution, Inc. (b)	7 Jan 2015	Inactive	Philippines	35.20%
<b>Held by Dewey</b>				
Dewey Sdn Bhd	5 Oct 2009	Owner of various trademarks	Malaysia	100.00%
<b>Held by DMPLI</b>				
DMPL India Limited	12 Aug 2004	Investment holding	Mauritius	Approximately 95.13%
<b>Held by S&amp;W</b>				
S&W Japan Limited	24 April 2017	Support and marketing services for S&W	Japan	100.00%
<b>Held by DMPLFL</b>				
Del Monte Foods Holdings Limited (“DMFHL”)	11 Nov 2013	Investment holding	British Virgin Islands	Approximately 89.43%
<b>Held by DMFHL</b>				
Del Monte Foods Holdings II, Inc. (“DMFHII”)	15 Mar 2018	Investment holding	State of Delaware, U.S.A.	Approximately 89.43%
<b>Held by DMFHII</b>				
Del Monte Foods Holdings, Inc. (“DMFHI”)	2 Jun 2014	Investment holding	State of Delaware, U.S.A.	Approximately 89.43%
<b>Held by DMFHI</b>				
Del Monte Foods, Inc (“DMFI”)	16 Sep 2013	Manufacturing, processing and distributing food, beverages and other related products	State of Delaware, U.S.A.	Approximately 89.43%
<b>Held by DMFI</b>				
Sager Creek Foods, Inc. (formerly Vegetables Acquisition Corp.)	24 Feb 2015	Manufacturing, processing and distributing food, beverages and other related products	State of Delaware, U.S.A.	Approximately 89.43%
Del Monte Andina C.A. (“DM Andina”)	16 Jul 1998	Manufacturing, processing and distributing food, beverages and other related products	Venezuela	-

## ANNEX “B”

Name of subsidiary	Date of Incorporation	Principal activities	Place of incorporation	Effective equity held by the Group
Del Monte Colombiana S.A.	27 Oct 1999	Manufacturing, processing and distributing food, beverages and other related products	Colombia	Approximately 73.31%
Industrias Citricolas de Montemorelos, S.A. de C.V. (ICMOSA)	1 Nov 1974	Manufacturing, processing and distributing food, beverages and other related products	Mexico	Approximately 89.43%
Del Monte Peru S.A.C.	18 Jan 2000	Distribution of food products	Peru	Approximately 89.43%
Del Monte Ecuador DME C.A.	10 Feb 2000	Distribution of food, beverages and other related products	Ecuador	Approximately 89.43%
Hi-Continental Corp.	15 Jul 1959	Distributor of non-Del Monte products	State of California, U.S.A.	Approximately 89.43%
College Inn Foods	17 Jul 1958	Distributor of College Inn brand products	State of California, U.S.A.	Approximately 89.43%
Contadina Foods, Inc	26 Jan 1998	Distributor of Contadina brand products	State of Delaware, U.S.A.	Approximately 89.43%
S&W Fine Foods, Inc.	26 Feb 2001	Distributor of S&W Fine Foods, Inc.	State of Delaware, U.S.A.	Approximately 89.43%
Del Monte Ventures, LLC (“DM Ventures”)	19 June 2017	Investment holding	State of Delaware, U.S.A.	Approximately 89.43%
<b>Held by DM Ventures</b>				
Del Monte Avo, LLC	21 June 2017	Development, production, marketing, sale and distribution of UHP avocado products	State of Delaware, U.S.A.	Approximately 45.61%
Del Monte Chilled Fruit Snacks, LLC	21 June 2017	Development, production, marketing, sale and distribution of processed refrigerated fruit products	State of Delaware, U.S.A.	Approximately 45.61%
<b>Held by DM Andina (Venezuela)</b>				
Del Monte Argentina S.A.	22 Sep 2000	Inactive	Argentina	-

- (a) On 30 April 2019, the Board of Directors of CARI approved the transfer of its outstanding shares in Dewey, as well as all rights, title and interest attributed thereto, to DMPRL.
- (b) In its special meeting held on 22 April 2019, DMTDI's board of directors approved the dissolution and liquidation of DMTDI by shortening its corporate term to 30 April 2019.
- (c) On 21 May 2020, CARI completed the sale of 12% stake in DMPI to Sea Diner. Conditions of the sale were already met as of 30 April 2020, as confirmed by both parties.
- (d) In December 2019, DMPLI invested an additional US\$1.5 million in DMPL India Limited, thereby increasing ownership to 95.13%

**MARKET PRICE INFORMATION**

The Company has been listed on the SGX-ST for nearly 15 years since 1999. The Company also listed its Ordinary- Shares on the PSE in 2013, making DMPL the first entity to be dual-listed on the SGX-ST and the PSE.

The Company’s share price highlights for its Ordinary Shares for the past three years are as follows:

Year	Quarter	PSE (PHP)		SGX (SGD)	
		High	Low	High	Low
2020	2Q 2020	4.50	3.40	0.114	0.090
	1Q 2020	5.40	2.50	0.148	0.079
2019	4Q 2019	6.05	4.82	0.144	0.121
	3Q 2019	6.40	5.40	0.157	0.129
	2Q 2019	6.18	5.30	0.154	0.116
	1Q 2019	6.85	6.00	0.154	0.123
2018	4Q 2018	7.45	6.32	0.188	0.117
	3Q 2018	8.27	6.56	0.195	0.171
	2Q 2018	10.48	7.62	0.24	0.16
	1Q 2018	11.20	10.00	0.29	0.24
2017	4Q 2017	11.80	10.80	0.31	0.28
	3Q 2017	12.00	11.18	0.33	0.29
	2Q 2017	12.40	11.20	0.35	0.32
	1Q 2017	12.80	11.74	0.36	0.33
2016	4Q 2016	13.18	11.74	0.37	0.33
	3Q 2016	13.04	11.46	0.38	0.34
	2Q 2016	12.50	10.60	0.37	0.29
	1Q 2016	13.40	11.00	0.40	0.30

On 7 April 2017 and 15 December 2017, the Company also listed its Series A-1 and Series A-2 Preference Shares, respectively on the PSE. The Company’s share price highlights for its Preference Shares for the past years are as follows:

Series A-1 Preference Shares:

Year	Quarter	PSE (USD)	
		High	Low
2020	2Q 2020	10.30	9.60
	1Q 2020	10.30	10.00
2019	4Q 2019	10.40	10.00
	3Q 2019	10.40	10.10
	2Q 2019	10.40	10.00
	1Q 2019	10.40	10.00
2018	4Q 2018	10.70	10.00
	3Q 2018	10.32	10.00
	2Q 2018	10.30	10.00
	1Q 2018	10.50	10.10
2017	4Q 2017	11.10	10.00
	3Q 2017	11.00	10.50
	2Q 2017	10.90	10.00
	1Q 2017	-	-

Series A-2 Preference Shares:

Year	Quarter	PSE (USD)	
		High	Low
2020	2Q 2020	10.28	9.60
	1Q 2020	10.30	9.70
2019	4Q 2019	10.30	9.90
	3Q 2019	10.50	10.00



	2Q 2019	10.40	10.00
	1Q 2019	10.20	10.00
2018	4Q 2018	10.26	9.70
	3Q 2018	10.26	9.80
	2Q 2018	10.28	10.00
	1Q 2018	10.40	10.00
	4Q 2017	10.30	10.00

The Company has an authorized capital stock of U.S.\$630.0 million consisting of 3,000,000,000 Ordinary Shares, each with a par value of U.S.\$0.01 and 600,000,000 Preference Shares, each with a par value of U.S.\$1.00. Out of the authorized capital stock, the Company has: (i) 1,943,960,024 Ordinary Shares, (ii) 20,000,000 Series A-1 Preference Shares; and (iii) 10,000,000 Series A-2 Preference Shares outstanding.

The number of Ordinary Shares outstanding excludes 975,802 Ordinary Shares held by the Company as treasury shares. The Company has a total of 1,944,935,826 issued Ordinary Shares, including treasury shares.

The top 20 shareholders of the Company's Ordinary Shares, Series A-1 Preference Shares and Series A-2 Preference Shares as of 27 July 2020 are as follows:

a. Ordinary Shares

Rank	Name	No. of Shares	%
1	Nutriasia Pacific Limited	1,196,539,958	61.55
2	HSBC (Singapore) Nominees Pte Ltd	196,399,890	10.10
3	Lee Pineapple Company Pte Ltd	100,422,000	5.17
4	DBS Nominees (Private) Limited	67,353,244	3.46
5	BNP Paribas Nominees Singapore Pte. Ltd.	53,136,290	2.73
6	Raffles Nominees (Pte.) Limited	35,080,105	1.80
7	Government Service Insurance System	15,957,937	0.82
8	Wee Poh Chan Phyllis	15,700,400	0.81
9	Citibank Nominees Singapore Pte Ltd	10,116,779	0.52
10	Col Financial Group, Inc.	9,600,214	0.49
11	United Overseas Bank Nominees (Private) Limited	8,535,280	0.44
12	Joselito Jr Dee Campos	7,621,466	0.39
13	Saw Paik Peng	7,600,000	0.39
14	Pineapples Of Malaya Private Limited	6,432,000	0.33
15	Banco De Oro - Trust Banking Group	6,282,266	0.32
16	Uob Kay Hian Private Limited	5,611,820	0.29
17	OCBC Securities Private Limited	5,583,985	0.29
18	Maybank Kim Eng Securities Pte. Ltd.	4,975,890	0.26
19	CTS Global Equity Group, Inc.	4,652,600	0.24
20	IGC Securities Inc.	4,358,784	0.22
<b>Subtotal (Top 20 Stockholders)</b>		<b>1,761,960,908</b>	<b>90.62</b>
Others		181,999,116	9.38
<b>Total Outstanding</b>		<b>1,943,960,024</b>	<b>100.00</b>

b. Series A-1 Preference Shares

Rank	Name	No. of Shares	%
1	China Banking Corporation - Trust Group	4,359,790	21.80
2	BDO Securities Corporation <sup>2</sup>	3,960,040	19.80
3	Banco De Oro - Trust Banking Group	3,133,560	15.67
4	Citibank N.A.	3,033,290	15.17
5	RCBC Trust & Investment Division - Various Taxable Accts	2,521,660	12.61
6	PNB Trust Banking Group	2,070,550	10.35
7	Sterling Bank Of Asia Trust Group	249,810	1.25
8	RCBC Trust & Investment Division	245,500	1.23
9	China Bank Securities Corporation	180,000	0.90
10	Armstrong Securities, Inc	50,450	0.25
11	Wealth Securities, Inc	47,270	0.24
12	First Metro Securities Brokerage Corporation	30,540	0.15
13	Astra Securities Corporation	27,290	0.14
14	Eastwest Banking Corporation - Trust Division	22,830	0.11
15	Bpi Securities Corporation	22,430	0.11
16	Luis F Alejandro	15,000	0.08
17	Parag Sachdeva	15,000	0.08
18	Philippine Equity Partners, Inc	13,600	0.07
19	Ignacio Carmelo Sison	8,000	0.04

20	AP Securities Incorporated	2,890	0.01
	<b>Subtotal (Top 20 Stockholders)</b>	<b>19,999,500</b>	<b>100.00</b>
	Others	500	0.00
	<b>Total Outstanding</b>	<b>20,000,000</b>	<b>100.00</b>

## c. Series A-2 Preference Shares

Rank	Name	No. of Shares	%
1	BDO Securities Corporation	2,495,110	24.96
2	China Banking Corporation - Trust Group	2,141,420	21.43
3	Citibank N.A.	1,439,510	14.40
4	Banco De Oro - Trust Banking Group	1,373,320	13.74
5	PNB Trust Banking Group	1,292,770	12.93
6	United Coconut Planters Life Assurance Corporation	190,000	1.90
7	RCBC Trust & Investment Division - Various Taxable Accts	187,400	1.87
8	Philippine Equity Partners, Inc	176,260	1.76
9	First Metro Securities Brokerage Corporation	168,530	1.69
10	China Bank Securities Corporation	153,100	1.53
11	Eastwest Banking Corporation - Trust Division	115,420	1.15
12	Standard Chartered Bank	60,000	0.60
13	Sterling Bank Of Asia Trust Group	59,400	0.59
14	Wealth Securities, Inc	56,190	0.56
15	Bpi Securities Corporation	33,510	0.34
16	Astra Securities Corporation	14,900	0.15
17	MBTC - Trust Banking Group	12,960	0.13
18	United Fund, Inc	10,000	0.10
19	The Hongkong And Shanghai Banking Corp. Ltd. -Clients' Acct	9,700	0.10
20	Sunsecurities, Inc	5,280	0.05
	<b>Subtotal (Top 20 Stockholders)</b>	<b>9,994,790</b>	<b>99.95</b>
	Others	5,210	0.05
	<b>Total Outstanding</b>	<b>10,000,000</b>	<b>100.00</b>

## DIVIDENDS

Under the Company's Articles of Association and the terms of the Company's Preference Shares, the Company may, by a resolution of directors, declare and pay dividends on Ordinary Shares provided there are adequate and available funds for dividends on Preference Shares which have priority over Ordinary Shares.

Dividends shall only be declared and paid out of surplus. No dividends shall be declared and paid, unless the Directors determine that, immediately after the payment of the dividends: (a) the Company will be able to satisfy its liabilities as they become due in the ordinary course of its business; and (b) the realizable value of the assets of the Company will not be less than the sum of its total liabilities, other than its deferred taxes, as shown in its books of accounts, and its capital.

	30 April 2020 US\$'000	30 April 2019 US\$'000	30 April 2018 US\$'000
<b>Declared and paid during the financial year:</b>			
<i>Dividends on ordinary shares</i>			
2020: US\$0.0052 (2019: US\$nil; 2018: US\$0.0061)	10,112	-	11,882
<i>Dividends on preference shares</i>			
A-1 preference shares for 2020, 2019 and 2018: US\$0.6625	13,250	13,250	13,250
A-2 preference shares for 2020 and 2019: US\$0.6500 2018: US\$0.20403	6,500	6,500	2,040
	19,750	19,750	15,290
	29,862	19,750	27,172
<b>Proposed but not recognised as a liability as at reporting date:</b>			
<i>Dividends on ordinary shares</i>			
2020: US\$0.0154 (2019: US\$0.0052)	29,937	10,109	-

*Dividends on Ordinary Shares*

The Company's dividend payment policy for Ordinary Shares has been to distribute a minimum of 33% of full year profit. The holders of Ordinary Shares are entitled to receive dividends, as declared from time to time, after dividends of Preference Shares are paid.

On 24 July 2020, the Company declared a special dividend of US\$0.0154 per share to ordinary shareholders on record as at 12 August 2020. The special dividend will be paid on 19 August 2020.

On 20 June 2019, the Company declared dividends of US\$0.0052 per share for ordinary shareholders on record as at 12 July 2019. The final dividend was paid on 19 July 2019.

On 23 August 2017, the Company declared a dividend of US\$0.0061 per share to stockholders on record as at 28 August 2017. The final dividend was paid on 8 September 2017.

*Dividends on Preference Shares*

The holders of Preference Shares are entitled to cash dividends based on the issue price, at the dividend rate per annum from the issue date, payable every 7 October and 7 April of each year following the issue date, upon declaration by the Company.

On 11 March 2020, the Company declared dividends to holders of Series A-1 Preference Shares, at the fixed rate of 6.625% per annum, or equivalent to US\$0.33125 per Series A-1 Preference Share for the six-month period from 8 October 2019 to 7 April 2020. The Company also declared dividends to holders of Series A-2 Preference Shares at the fixed rate of 6.5% per annum, or equivalent to US\$0.32500 per Series A-2 Preference Share for the six-month period from 8 October 2019 to 7 April 2020. The final dividends were paid on 7 April 2020.

On 9 September 2019, the Company declared dividends to the holders of the Series A-1 Preference Shares at the fixed rate of 6.625% per annum, or equivalent to US\$0.33125 per Series A-1 Preference and Series A-2 Preference Shares at the fixed rate of 6.5% per annum, or equivalent to US\$0.32500 per series A-2 Preference Shares for the six-month period from 8 April 2019 to 7 October 2019. The final dividends were paid on 7 October 2019.

The Company endeavours to pay dividends to its shareholders in a timely manner within 30 days after being declared. The dividend policy and terms, including the declaration and payment dates, are provided in the Company's website.

**BOARD OF DIRECTORS AND SENIOR MANAGEMENT**

The following comprises the Company's Board of Directors:

Name	Age	Citizenship	Position
Rolando C. Gapud	78	Filipino	Executive Chairman
Joselito D. Campos, Jr.	69	Filipino	Managing Director & Chief Executive Officer
Edgardo M. Cruz, Jr.	65	Filipino	Executive Director
Benedict Kwek Gim Song	73	Singaporean	Lead Independent Director
Godfrey E. Scotchbrook	74	British	Independent Director
Dr. Emil Q. Javier	79	Filipino	Independent Director <sup>1</sup>
Yvonne Goh	67	Singaporean	Independent Director

The following comprises the Group's Senior Management:

Name	Age	Citizenship	Position
Joselito D. Campos, Jr.	69	Filipino	Managing Director and CEO
Luis F. Alejandro	66	Filipino	Chief Operating Officer

<sup>1</sup>Dr. Emil Q. Javier is an Independent Director, pursuant to Sec. 2.3 of the Monetary Authority of Singapore.

Ignacio C. O. Sison	56	Filipino	Chief Corporate Officer
Parag Sachdeva	50	Indian	Chief Financial Officer
Antonio E.S. Ungson	48	Filipino	Chief Legal Counsel and Chief Compliance Officer, and Company Secretary
Ruiz G. Salazar	56	Filipino	Chief Human Resource Officer
Ma. Bella B. Javier	60	Filipino	Chief Scientific Officer

The following is a brief description of the business experience of the Company's Board of Directors and Senior Management for the past five (5) years.

**Mr Rolando C Gapud**  
**Executive Chairman, 78**

Appointed on 20 January 2006 and last re-elected on 30 August 2017

Mr Rolando C Gapud has over 45 years of experience in banking, finance and general management, having worked as CEO of several Philippine companies, notably Security Bank and Trust Company, Oriental Petroleum and Minerals Corp and Greenfield Development Corp. He was also the COO of the joint venture operations of Bankers Trust and American Express in the Philippines. He has served in the Boards of various major Philippine companies, including the Development Bank of the Philippines, the development finance arm of the Philippine Government. Mr Gapud is the Chairman of the Board of Del Monte Foods, Inc, DMPL's US subsidiary, and Executive Chairman of Del Monte Philippines, Inc, DMPL's Philippine subsidiary. He is also a Director of FieldFresh Foods Private Ltd, a joint venture of DMPL with the Bharti Group of India. He holds a Master of Science in Industrial Management degree from the Massachusetts Institute of Technology. He is a member of the Asian Executive Board of the Sloan School of MIT and the Board of Governors of the Asia School of Business, a joint venture between the Sloan School of MIT and Bank Negara, the Central Bank of Malaysia.

**Mr Joselito D Campos, Jr**  
**Executive Director, 69**

Appointed on 20 January 2006 and last elected on 28 April 2006

Mr Joselito D Campos, Jr is Chairman and CEO of the NutriAsia Group of Companies, a major food conglomerate in the Philippines. He is also Chairman of Fort Bonifacio Development Corp and Chairman of Ayala-Greenfield Development Corp, two major Philippines property developers. He is a Director of San Miguel Corporation, one of the largest and oldest business conglomerates in the Philippines. Mr Campos is the Vice Chairman of Del Monte Foods, Inc, DMPL's US subsidiary, and a Director of Del Monte Philippines, Inc, DMPL's Philippine subsidiary. He is also a Director of FieldFresh Foods Private Ltd, a joint venture of the Company with the Bharti Group of India. He was formerly Chairman and CEO of United Laboratories, Inc and its regional subsidiaries and affiliates. Unilab is the Philippines' largest pharmaceutical company with substantial operations in the Asian region. Mr Campos is the Consul General in the Philippines for the Republic of Seychelles. He is also Chairman of the Metropolitan Museum of Manila, Bonifacio Arts Foundation Inc, The Mind Museum and the Del Monte Foundation, Inc. He is a Trustee and Global Council Member of the Asia Society in the Philippines; a Trustee of the Philippines-China Business Council and the Philippines Center for Entrepreneurship; a National Advisory Council Member of the World Wildlife Fund-Philippines; and a Director of the Philippine Eagle Conservation Program Foundation, Inc. Mr Campos holds an MBA from Cornell University.

**Mr Edgardo M Cruz, Jr**  
**Executive Director, 65**

Appointed on 2 May 2006 and last re-elected on 17 August 2018

Mr Edgardo M Cruz, Jr is a member of the Board of the NutriAsia Group of Companies. Mr Cruz is a Director of Del Monte Foods, Inc, DMPL's US subsidiary, and an Executive Director of Del Monte Philippines, Inc, DMPL's Philippine subsidiary. He is the Chairman of the Board of Bonifacio Gas Corporation, Bonifacio Water Corporation, Bonifacio Transport Corporation and Crescent West Development Corporation. He is a member of the Board of Evergreen Holdings Inc, Fort Bonifacio Development Corporation and the BG Group of Companies. He is also a Board member and Chief Financial Officer of Bonifacio Land Corporation. He sits on the Boards of Ayala Greenfield Development Corporation and Ayala Greenfield Golf and Leisure Club Inc. He is a member of the Board of Trustees of Bonifacio Arts Foundation Inc, The Mind Museum and the Del Monte Foundation, Inc. Mr Cruz earned his MBA degree from the Asian Institute of Management after graduating from De La Salle University. He is a Certified Public Accountant.

**Mr Benedict Kwek Gim Song**  
**Lead Independent Director, 73**

Appointed on 30 April 2007 and last re-elected on 30 August 2017

Appointed as Lead Independent Director on 11 September 2013

Mr Benedict Kwek Gim Song is a Director of Del Monte Foods, Inc, DMPL's US subsidiary. Mr Kwek was Chairman of previously SGX-listed Pacific Shipping Trust from 2008 to 2012. He was also a Director and Chairman of the Audit Committee of listed companies including Ascendas REIT. He has over 30 years of banking experience, having served as the President and CEO of Keppel TatLee Bank. He has held various key positions at Citibank in the Philippines, Hong Kong, New York and Singapore. He holds a Bachelor of Social Science (Economics) degree from the then University of Singapore and attended a management development programme at Columbia University in the United States.

**Mr Godfrey E Scotchbrook**  
**Independent Director, 74**

Appointed on 28 December 2000 and last re-elected on 17 August 2018

Mr Godfrey E Scotchbrook is an independent practitioner in corporate communications, issues management and investor relations with more than 40 years of experience in Asia. In 1990, he founded Scotchbrook Communications and his prior appointments included being an executive director of the then publicly listed Shui On Group. A proponent of good corporate governance, he is an Independent Director of Boustead Singapore Ltd and a Non-Executive Director of Hong Kong-listed Convenience Retail Asia. He is a Fellow of the Hong Kong Management Association and also of the British Chartered Institute of Public Relations. He is also a Director of Del Monte Foods, Inc, DMPL's US subsidiary. Mr Scotchbrook earned his DipCam PR having studied Media and Communications at City University, London.

**Dr Emil Q Javier**  
**Independent Director, 79**

Appointed on 30 April 2007 and last re-elected on 30 August 2016

Dr Emil Q Javier is a Filipino agronomist with a broad understanding of developing country agriculture. He was the first and only developing country scientist to Chair the Technical Advisory Committee of the prestigious Consultative Group for International Agricultural Research (CGIAR), a global consortium led by the World Bank and the Food and Agriculture Organization of the United Nations (FAO). He was Director General of the Asian Vegetable Research and Development Center (AVRDC) based in Taiwan and has served as Chairman of the Board of International Rice Research Institute (IRRI), and as Chairman and Acting Director of the Southeast Asian Regional Center for Graduate Study and Research in Agriculture (SEARCA). In the Philippines at various periods, he had been President of the University of the Philippines, Minister for Science and Technology and President of the National Academy of Science and Technology, Philippines (NAST PHL). In May 2019, he was elected by his peers in NAST as a National Scientist, the highest honour conferred by the President of the Philippines to a Filipino in the field of science and technology. Dr Javier is an Independent Director of Del Monte Foods, Inc, DMPL's US subsidiary, and of Del Monte Philippines, Inc, DMPL's Philippine subsidiary, and is an Independent Director of Philippine-listed Centro Escolar University. He holds doctorate and master's degrees in plant breeding and agronomy from Cornell University and University of Illinois at Urbana-Champaign, respectively. He completed his bachelor's degree in agriculture at the University of the Philippines Los Baños.

**Mrs Yvonne Goh**  
**Independent Director, 67**

Appointed on 4 September 2015 and last re-elected on 30 August 2016

Mrs Goh is a Director of UNLV Singapore Limited, the Singapore campus of the University of Nevada Las Vegas (UNLV), USA. Mrs Goh is also a Director of EQUAL-ARK Singapore Ltd, a charity registered under the Charities Act and an Institution of a Public Character (IPC), assisting at-risk-kids and the elderly through equine-assisted learning and therapy. She also serves on the Board of Del Monte Foods, Inc, DMPL's US subsidiary. Mrs Goh was previously Managing Director of the KCS Group in Singapore, a professional services organisation and Managing Director of Boardroom Limited, a company listed on the SGX. Mrs Goh had served on the Board of WWF Singapore Limited, the Singapore chapter of WWF International, a leading global NGO. She was a Council Member and Vice Chairman of the Singapore Institute of Directors as well as Chairman of its Professional Development Committee. Mrs Goh was also a Director of the Accounting and Corporate Regulatory Authority (ACRA) and a past Chairman of the Singapore Association of the Institute of Chartered Secretaries and Administrators. Mrs Goh is a Fellow of the Singapore Institute of Directors and a Fellow of the Institute of Chartered Secretaries and Administrators, UK.

**Luis F. Alejandro**  
**Chief Operating Officer**

Mr Luis F Alejandro has over 30 years of experience in consumer product operations and management. He started his career with Procter & Gamble where he spent 15 years in brand management before joining Kraft Foods Philippines Inc as President and General Manager. Later, he joined Southeast Asia Food Inc and Heinz UFC Philippines, Inc, two leading consumer packaged condiment companies of the NutriAsia Group, as President and

Chief Operating Officer. He then became President and Chief Operating Officer of ABS-CBN Broadcasting Corporation, a leading media conglomerate in the Philippines. Mr Alejandro is a Director of Del Monte Foods, Inc, DMPL's US subsidiary, and Del Monte Philippines, Inc, DMPL's Philippine subsidiary. He is also a Director of FieldFresh Foods Private Ltd, a joint venture of DMPL with the Bharti Group of India. He holds a Bachelor's degree in Economics from the Ateneo de Manila University and an MBA from the Asian Institute of Management.

**Ignacio C. O. Sison**

Chief Corporate Officer

Mr Ignacio C O Sison is DMPL's Chief Corporate Officer responsible for strategic planning, sustainability, risk management and investor relations. He has been with DMPL since 1999 and was the group's Chief Financial Officer for nine years. Mr Sison has nearly 30 years of experience spanning corporate and strategic planning, financial planning, treasury, controllership, corporate sustainability, risk management and investor relations. Before joining Del Monte Pacific, he was CFO of Macondray and Company, Inc, then DMPL's parent company, for three years. Amongst others, he also worked for Pepsi-Cola Products Philippines and SGV & Co, the largest audit firm in the Philippines. Mr Sison holds an MSc degree in Agricultural Economics from Oxford University; an MA, Major in Economics, from the International University of Japan; a BA in Economics, *magna cum laude*, from the University of the Philippines; and an International Baccalaureate from the Lester B Pearson United World College of the Pacific in Canada. In 2010, Mr Sison received the Best CFO award from the Singapore Corporate Awards.

**Parag Sachdeva**

Chief Financial Officer

Mr Parag Sachdeva has 25 years of management and finance experience spanning planning and controllership, performance management, mergers and acquisitions, treasury, IT and human resources. Before joining DMPL, he was with Carlsberg Asia for more than a year and supported efficiency and effectiveness programmes across the Asian and African regions. Prior to Carlsberg, he was with HJ Heinz for 20 years and held leadership positions in Asia Pacific regions in finance, IT and human resources. Mr Sachdeva graduated from the Aligarh Muslim University in India, Major in Accounting and Commerce. He also has an MBA degree, Major in Finance from the same university.

**Antonio E. S. Ungson**

Chief Legal Counsel, Chief Compliance Officer, and Company Secretary

Mr Antonio E S Ungson is Chief Legal Counsel, Chief Compliance Officer and Company Secretary of the Company. He is also Head of the Legal Department of Del Monte Philippines, Inc since March 2007. Prior to joining the Group in 2006, Mr Antonio E S Ungson was a Senior Associate in SyCip Salazar Hernandez & Gatmaitan in Manila, where he served various clients for eight years in assignments consisting mainly of corporate and transactional work including mergers and acquisitions, securities and government infrastructure projects. He also performed litigation work and company secretarial services. Mr Ungson was a lecturer on Obligations and Contracts and Business Law at the Ateneo de Manila University Loyola School of Management. He obtained his MBA from Kellogg HKUST, his Bachelor of Laws from the University of the Philippines College of Law and his undergraduate degree in Economics, *cum laude* and with a Departmental award at the Ateneo de Manila University.

**Ruiz G. Salazar**

Chief Human Resource Officer

Mr Ruiz G Salazar is a Human Resources and Organisation Development Leader with over 25 years of professional career focused on delivering strategic and effective solutions as a value-driven partner to business, most of which was spent with Johnson & Johnson (J&J). He was Regional Human Resources Director of J&J Asia Pacific, where he was responsible for talent management, organisation transformation, succession pipelining and capability development covering mostly J&J's Consumer Division across the region. Prior to J&J, he was also Group Head – Human Resources and Organisation Development of NutriAsia Food, Inc. Mr Salazar completed the J&J's Senior Management Program at the Asian Institute of Management in 1996, and the J&J's Advanced Management Program at the University of California in 1995. He obtained his Bachelor of Arts degree (Major in Economics) from the University of Santo Tomas.

**Ma. Bella B. Javier**  
Chief Scientific Officer

Ms Ma Bella B Javier has more than 30 years of experience in R&D from leading fast moving consumer goods in the food industry. She spent 20 years at Kraft Foods, with her last assignment as the Director for Asia Pacific Beverage Technology and Southeast Asia Development. In her present role, she heads the Consumer Product and Packaging Development and the Quality Assurance functions for the Group. She is driving the Technology Development roadmap for the Company, including plantation research programmes that impact consumer product development. She is a Certified Food Scientist from the Institute of Food Technologists, Chicago, Illinois, USA. Ms Javier is a Licensed Chemist with a Bachelor's degree in Chemistry from the University of the Philippines (UP). She sits in the Board of Trustees of UP's Chemistry Alumni Foundation. Ms Javier was accorded the 2015 UP Distinguished Alumni in the field of Science and Technology.

Directorships in Other Listed Companies

The table below sets forth the directorships in other listed companies, both current and in the past three years:

Name	Position	Company	Date
Joselito D Campos, Jr	Director	San Miguel Corporation	2010 – Present
Emil Q Javier	Independent Director	Centro Escolar University	2002 – Present
Godfrey E Scotchbrook	Independent Director	Boustead Singapore Ltd. (Singapore)	2000 – Present
	Non-Executive Director	Convenience Retail Asia (HK)	2002 – Present

None of the Company's Directors are Chairman in other listed companies.

**INDEPENDENT PUBLIC ACCOUNTANT AND EXTERNAL AUDIT FEES**

- The external auditor of the Company for the most recently completed fiscal year was Ernst and Young LLP (“**EY Singapore**”), which is the same accounting firm tabled for reappointment for the current fiscal year at the AGM of shareholders. Sycip Gorres Velayo & Co. (“**EY Philippines**”), the Group's auditors in the Philippines for the most recently completed fiscal year, is likewise tabled for reappointment for the current fiscal year at the AGM.
- Mr Alvin Phua Chun Yen is the partner-in-charge from EY Singapore for the audited financial statements of the Company and the Group for the fiscal year ended 30 April 2020. On the other hand, Ms Catherine E. Lopez is the partner-in-charge from EY Philippines for the audited financial statements of the Company and the Group for the fiscal year ended 30 April 2020.
- The aggregate annual external audit fees billed for each of the last two fiscal years for the audit of the Company's annual financial statements or services that are normally provided by the external auditor are as follows:

	FY2020 U.S.\$	FY2019 U.S.\$
1. Audit, other Assurance and Related Fees	353,132	345,240

During the Company's two most recent fiscal years or any subsequent interim period:

- No independent accountant who was previously engaged as the principal accountant to audit the Group's financial statements, or an independent accountant on whom the principal accountant expressed reliance in its report regarding a significant subsidiary, has resigned or was dismissed; and
  - There were no disagreements with the former accountant on any matter of accounting principles or policies, financial disclosures, or auditing procedure.
- EY Singapore was first appointed as the external auditors of the Group at the AGM of the Company held on 28 August 2015. EY Philippines was also appointed at the said AGM as the Group's auditors in the Philippines. They were the auditors of the Group for the most recently completed fiscal year.
  - The Audit and Risk Committee (the “**ARC**”) reviews the scope and results of the audit and its cost effectiveness. It also ensures the independence and objectivity of the external auditors. Likewise, it reviews the non-audit services provided by the Company's external auditors. In the year in review, the ARC had reviewed the audit and non-audit services of the external auditors and was satisfied that the auditors continue to be independent.

## II. FINANCIAL INFORMATION

### As of the fiscal year ended 30 April 2020

The financial statements of the Group as of 30 April 2020 are attached and incorporated herein by reference.

## MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

### Impact of COVID-19

Del Monte Pacific Group’s results had been favourably impacted by the pandemic. As consumers stayed home, prepared more meals and consumed more snacks, they purchased trusted brand names and consumed healthier, shelf-stable culinary products. DMPL’s retail business in the USA and Philippines posted higher sales. The Group offers more health and wellness product options to consumers and supports this with campaigns highlighting the functional health benefits of its products.

Amidst the pandemic, operations were ongoing and compliant with COVID-19 precautions for employee protection. Facility safety measures were strictly enforced and flexible work arrangements were adopted across sites. Critically, performance was achieved through focus, dedication and personal sacrifice especially across Plantation, Production, Supply Chain and Sales – to execute despite community quarantine challenges.







### Sales

DMPL generated sales of US\$2.1 billion in FY2020, higher by 9% versus the prior year on higher sales across all geographies - United States, Philippines, S&W Asia and Europe.

### USA

DMPL’s US subsidiary, Del Monte Foods, Inc (DMFI), generated sales of US\$1.5 billion or 72% of Group sales, higher by 8% versus prior year driven by a surge in demand across all categories due to the pandemic. DMFI benefited in the categories and segments with strong leadership positions, as consumers turned to trusted brand names. All principal categories experienced strong growth as consumer behaviour shifted to healthy, shelf-stable products in response to COVID-19 stay-at-home orders. Momentum peaked in mid-March, with volume similar to what was typically seen during holidays, as consumers stocked their pantries.

DMFI maintained its leading market share position for the full year in canned vegetable and fruit.

Strong Market Position in Key Categories in the USA			
Products	Market Share	Market Position	Brands
Canned Vegetable	29.8%	#1	
Canned Fruit	25.3%	#1	
Fruit Cup Snacks	26.0%	#2	
Canned Tomato*	7.5%*	#2	  

Canned market shares are for branded only, ex-private labels

\*Combined share for Del Monte, S&W and Contadina brands

Source: Nielsen Scantrack dollar share, Total xAOC, 12M ending 2 May 2020



In sync with trends for health, snacking and convenience, Del Monte Foods introduced a number of new products in FY2020 in new categories which include fruit parfait, fruit cup with boba, ready-to-eat vegetable bowls and frozen snacks.

In May 2019, Del Monte launched an innovative product, Del Monte Fruit Crunch Parfait, which features layers of non-dairy coconut crème, crunchy granola, a full serving of fruit, plus two billion probiotics to aid digestive health.

Del Monte's first foray into the frozen segment was through Del Monte Veggiesful Bites and Contadina Pizzettas, frozen snacks made with cauliflower crust and a full serving of vegetable in five bites. With Veggiesful Bites, Del Monte sets out to create a healthy snack with vegetables as the primary ingredient.

This was followed in June 2019 with the shipment of Del Monte Bubble Fruit, exciting fruit cups with juicy popping boba great for kids' snacks. DMFI also started shipping new flavours of Del Monte Fruit & Oats - Strawberry Apple and Blueberry Apple, and Del Monte Fruit & Chia Apple Raspberry Cherry.

In August 2019, Del Monte introduced the ready-to-eat Del Monte Veggiesful Bowl which features one serving of vegetables with quinoa blended with whole grain and flavourful sauce.

DMFI also introduced College Inn Culinary Stock with fine artisanal ingredients such as free-range chicken and grass-fed beef, and College Inn Simple Starter, convenient for one pot meals.

New products launched in the past two years contributed US\$77.6 million or 5% to DMFI's retail and foodservice sales in FY2020.

#### Cross-selling

As part of DMPL's growth and globalisation initiative, the distribution of product from the Philippines has extended its reach beyond Asian ethnic market to mainstream grocery channel in the US. To strengthen the Group's global supply chain network, DMFI will continue to work to accelerate the distribution expansion and increase cross-selling effort between the US and Asia by expanding its international product portfolio to meet the growing demand for ethnic food product in the US.

DMFI has continued to export its S&W canned specialty fruits, corn and tomato products to Asia. It has also introduced its Contadina sauces to certain markets in Asia.

#### **Philippines**

The Philippine market sales in FY2020 were US\$338.9 million, up 6.6% and 10.1% in peso and US dollar terms, respectively, mainly on higher volume. Price increase and lower trade promotion spend contributed +2.6% to net sales growth, driven by price increases across all categories mostly in 2019. Sales in the general trade segment (about 50% of Philippines sales) grew by 9.1%, as the Group made progress in improving its distributor business that had impacted results in the prior year. Sales in the modern trade (about 35% of Philippines sales) increased by 14.7%.

On the other hand, the foodservice channel which accounted for 15% of sales pre-COVID, had shifted its focus to e-commerce and community delivery services, partially recouping declines caused by restaurant shutdowns during the lockdown. Even as foodservice rebuilds with the re-opening of malls, this work will also create the foundation for a future increasingly reliant on e-commerce.

Del Monte continued campaigns to drive category relevance (including its new Tomato Sauce “Sauce Special”) and affordable line extensions such as Pineapple Tidbits and Ketchup in pouch designed to expand downline sales.

Amidst the pandemic in the fourth quarter ending April, faster growth was seen across all categories, most especially behind flagship Del Monte brands of 100% Pineapple Juice, Spaghetti Sauce and Tomato Sauce. The relevance and imagery of these iconic Del Monte brands became magnified in a pandemic environment where consumers became more concerned with health, and shifted to home cooking. Digital communications highlighted health and immunity (100% Pineapple Juice ACE), product quality and taste, and meal planning and preparation (Del Monte Kitchenomics), sustaining growth even as the lockdown eased.

Del Monte leads in the major categories it competes in and has improved its market share across most product categories in fiscal year 2020 versus the prior year period.

Market Leader in Various Categories in the Philippines			
Products	Market Share	Market Position	Brands
Packaged Pineapple	86.7%	#1	
Canned Mixed Fruit <sup>1</sup>	71.4%	#1	 
RTD Juices ex-SUP <sup>2</sup>	44.0%	#1	
Tomato Sauce	84.3%	#1	
Spaghetti Sauce <sup>3</sup>	38.7%	#1	  

<sup>1</sup>Combined share for Del Monte and Today's brands

<sup>2</sup>SUP is Stand Up Pouch or what is locally referred to as “doy pack”

<sup>3</sup>Combined share for Del Monte, Today's and Contadina brands

Source: Nielsen Retail Index, 12M to April 2020

### S&W in Asia and the Middle East

Sales of the S&W branded business in Asia reached US\$109.8 million in FY2020, 9% higher than US\$100.6 million in FY2019 driven by higher sales of packaged and mixed fruits in Asia and the Middle East, and fresh pineapples in North Asia on expanded distribution. The fresh segment accounted for 75% of S&W's total sales, while the packaged segment accounted for the balance of 25%.

The Group's Nice Fruit joint venture, utilising patented technology that allows fruits to be picked at their optimal ripeness and frozen for up to 3 years while preserving their nutrients and original properties, launched frozen pineapple spears in 7-Eleven stores in Japan in June 2018. These are produced in Bukidnon, Philippines. Individually packaged and known as Pineapple Stick, it is positioned as an on-the-go healthy snack placed in the store's chiller section. The Group recently launched this frozen Pineapple Stick in Family Mart and other convenience stores in China through Xianfeng and Eachtake.

The Group also continues to supply sliced pineapple to McDonald's and Burger King in China for their burgers.

As part of S&W's master plan to provide high-quality, healthy products globally, it launched the Not From Concentrate (NFC) Pineapple Juice, made of 100% MD2 Pineapple Juice, ie from the premium fresh pineapple variety. It has been rolled out in several markets in Europe and Asia. With the increasing trend on healthy lifestyle and fruit drinks becoming more popular, customers and manufacturers use S&W NFC Juice to delight consumers with pineapple smoothies, ice lollies, flavoured soda or packaged NFC juice.

In Singapore, S&W launched the Pinabar machine offering added value and convenience to consumers. An automated Pinabar machine is placed in the supermarket to cut and peel pineapples which then put the pineapple slices into a container.

### FieldFresh India

Sales at FieldFresh Foods, our Indian joint venture (JV), which are equity accounted and not consolidated, were US\$76.8 million in FY2020, up 1% in Rupee terms but down 1% in US dollar terms, versus prior year. US\$67.0 million came from the Del Monte-branded packaged segment and US\$9.8 million from the FieldFresh-branded fresh segment.

B-to-B accounts for more than 50% of sales of the Group's JV in India. As a result, the pandemic had an unfavourable impact on DMPL's Indian business. DMPL's share of loss was unfavourable at US\$2.0 million from

US\$0.1 million in the prior year period due to lower foodservice volume as impacted by the pandemic in the fourth quarter, higher operating costs mainly from marketing spends for brand advertising and higher raw material cost from tomato paste, soya oil and dairy products partly offset by improved margins from Olive Oil.

The leadership team will mitigate the risks by increasing the share of retail sales, leveraging e-commerce and reducing costs.

### **Gross Profit and Margin**

DMPL generated a gross profit of US\$452.2 million, higher by 14.5% versus the prior year, while gross margin increased to 21.2% from 20.2% in the same period last year.

DMFI generated higher gross profit and margin of 17.6% from 16.4% due to higher volume, more favourable sales mix and better pricing across multiple channels. These improvements were partially offset by the increase in metal packaging costs and higher delivered costs.

DMPL ex-DMFI delivered higher gross margin of 28.1% from 27.3% mainly from higher sales and improved margins from the Philippine market and higher sales of fresh pineapples despite some slowdown in the fourth quarter due to the pandemic.

### **EBITDA and Net Profit**

DMPL generated an EBITDA of US\$142.2 million of which US\$33.2 million came from DMFI and US\$103.3 million from DMPL ex-DMFI. DMPL's EBITDA was slightly lower by 1% mainly due to one-off expenses of US\$83.5 million from the closure/sale of four plants in the United States.

Excluding the one-off expenses, the Group's EBITDA would have been US\$225.7 million, 45% higher versus the recurring EBITDA of US\$156.1 million in the prior year period. DMFI contributed a recurring EBITDA of US\$116.7 million, significantly higher by 80%, while DMPL ex-DMFI generated an EBITDA of US\$103.3 million, higher by 18%, both due to better sales contributing to improved operating results. Group EBITDA was also favourably impacted by the adoption of IFRS 16, Leases. Please refer to Notes no. 3.2 of the Financial Statements for more details.

As part of the Group's strategy to improve operational excellence, reduce fixed costs and increase competitiveness, DMFI closed/sold four of its facilities. Production at rationalised facilities has been transitioned to other DMFI production facilities in the USA as well as to strategic co-packers. These divestitures are enabling DMFI to significantly improve capacity utilisation at the remaining plants in its production network. While DMFI's Asset-Light Strategy has been a complex undertaking, it has been a critical step in repositioning DMFI for the future. Execution of this strategy and other cost saving initiatives should improve the Group's EBITDA by US\$50-60 million over 24 months from November 2019.

In preparation for its capital raising initiatives, DMPL's Philippine subsidiary, Del Monte Philippines, Inc, declared a dividend to its parent in the first quarter which was taxed at 15% amounting to US\$39.6 million. It also booked a deferred tax of US\$7.5 million in relation to future dividends based on the dividend policy.

In view of this and the one-off expenses incurred by DMFI due to plant closures/sale and retirement of loans, the Group reported a net loss of US\$81.4 million in FY2020, unfavourable compared to the prior year period's net profit of US\$20.3 million. DMFI reported a net loss of US\$100.4 million while DMPL ex-DMFI a net income of US\$47.8 million. Last year's Group net profit had also included a one-off gain, net of transaction costs, of US\$16.7 million pre-tax or US\$13.0 million post-tax from the purchase of US\$105.6 million of DMFI's Second Lien Term Loan at a discount in the secondary market.

Without the one-off items, the Group achieved a recurring net profit of US\$32.2 million, significantly higher compared to last year's recurring net profit of US\$15.8 million. DMFI had a recurring net loss of US\$37.0 million versus a loss of US\$43.0 million in the prior year.

Del Monte Philippines, Inc (DMPI), the Group's most profitable business where it is a dominant market leader, generated a net income of US\$67.7 million in FY2020.

Please refer to the following table for the schedule of one-off items.

Non-Recurring Expense/(Income) (in US\$m)	FY2019	FY2020	Booked under
Closure/sale of plants <sup>1</sup>	5.1	79.8	G&A and other income /expense
Severance and others	7.3	3.6	G&A and other income/ expense
Gain due to loan purchase <sup>2</sup>	(16.7)	(1.5)	Interest income
Loan retirement (swap settlement etc)	-	11.2	Interest expense
Total expense/(income) (pre-tax basis)	(4.3)	93.1	
Dividends tax <sup>3</sup>	-	47.1	Tax Expense
Total (net of tax and non-controlling interest of 10.6%)	(4.5)	113.6	

<sup>1</sup>As part of its multiyear restructuring project to streamline operations and improve profitability, the Group closed/sold four plants in the US in FY2020

<sup>2</sup>In FY2019, the Group purchased an additional US\$105.6 million Second Lien Term Loans bringing the total purchased loans to US\$231.4 million out of US\$260 million. These loans were the highest-interest bearing loans for DMFI. The one-off gain of US\$16.7 million pre-tax or US\$13.0 million post-tax booked in FY2019 was a result of principal savings given the purchase discount.

<sup>3</sup>In preparation for its capital raising initiatives, DMPL's Philippine subsidiary, Del Monte Philippines, Inc, declared a dividend to its parent in the first quarter of FY2020 which was taxed at 15%

## INVENTORIES

DMPL's inventories decreased to US\$482.5 million as at 30 April 2020, from US\$664.9 million as at 30 April 2019 mainly due to higher sales in the USA and Philippines.

## CAPEX

Capital expenditures were US\$130.5 million in FY2020, higher than the US\$121.6 million in FY2019. DMFI accounted for US\$20.6 million of Group capex in FY2020, lower than the US\$21.7 million in FY2019 due to reduced projects with plant closures, while DMPL ex-DMFI's capex accounted for US\$109.9 million in FY2020, up from US\$99.9 million in FY2019 due to additions to biological assets.

## CASH FLOW AND DEBT

The Group's cash flow from operations in FY2020 was US\$375.7 million, higher versus prior year's cash flow of US\$180.9 million mainly from higher sales, higher operating profit and increase in trade and other payables.

The Group had negative working capital at the end of the fiscal year amounting to US\$653.7 million. This was mainly driven by the First Lien Term Loan of DMFI that became current in the last quarter of FY2020 and current portion of long-term loans of DMPI and DMPL that were due within FY2021. DMFI has successfully refinanced its loans through senior secured notes amounting to US\$500 million due 2025. DMPL and DMPI are also in the process of refinancing the current portion of long-term loans due in August 2020.

The Group's net debt (borrowings less cash and bank balances) amounted to US\$1.36 billion as at 30 April 2020, lower than US\$1.46 billion as at 30 April 2019 due to significant improvement in cash flow from operations which were used to pay off loans.

Out of the total net debt of US\$1.36 billion, DMFI accounted for US\$706.1 million while DMPL ex-DMFI accounted for US\$656.8 million.

The Group's net debt to equity ratio decreased to 240.8% from 242.4% in the prior year.

#### DMFI REFINANCING

On 15 May 2020, the Group completed the refinancing of Del Monte Foods, Inc. DMFI raised new financing of US\$1.3 billion consisting of a US\$500 million five-year bond issue, a new three-year Asset-Based Loan of US\$450 million, and equity contribution of US\$378 million from DMPL, thereby recapitalising DMFI's balance sheet. DMPL invested US\$150 million in new equity and converted US\$228 million of Second Lien Repurchase Loans into common equity in DMFI. (Please refer to the footnote on Non-Recurring Expenses table above regarding the Second Lien Repurchase Loans).

Bond investors responded positively to DMFI's March-April performance, the success of its asset-light cost management initiatives, and plans for growth and profitability going forward.

#### PRIVATE EQUITY INVESTMENT IN DEL MONTE PHILIPPINES

On 20 May 2020, the Group completed the private equity investment of a 12% stake in DMPI for US\$120 million. This gives an implied valuation of US\$1 billion for DMPI, which attests to its strong franchise and prospects. This is highly commendable amidst a stressed and declining capital market with the PSE index down around 25% from the peak of 2019. This resulted in a net gain of US\$77 million which under IFRS rules had to be booked in retained earnings, instead of recognising it as net income. The proceeds from the private equity investment were used for repayment of DMPL's bank loans.

This transaction is a testament to Del Monte Philippines' solid standing and future prospects for growth as a food company. Del Monte is well-positioned in this environment given its nutritious long shelf-life products which consumers are using to prepare more meals at home as well as build their immunity.

#### REVIEW OF COST OF GOODS SOLD AND OPERATING EXPENSES

% of Turnover	For the year ended 30 April		
	FY2020	FY2019	Explanatory Notes
Cost of Goods Sold	78.8	79.8	Overall impact of increase in sales, than increase in cost of production, resulting to higher margin rate
Distribution and Selling Expenses	10.0	10.4	Total expense is lower versus prior year due to higher variable selling cost as well as higher promotion spending for new product launches. Lower turnover rate is due to overall impact of increase in sales.
G&A Expenses	5.6	5.9	Total admin expense is higher mainly from higher benefits this year. Lower turnover rate is due to overall impact of increase in sales.
Other Operating Expenses (Income)	3.2	(0.2)	Losses incurred on DMFI plant closures

## REVIEW OF OTHER MATERIAL CHANGES TO INCOME STATEMENTS

<i>In US\$'000</i>	For the year ended 30 April			
	<b>FY2020</b>	<b>FY2019</b>	<b>%</b>	<b>Explanatory Notes</b>
Depreciation and amortization	<b>(178,503)</b>	(138,706)	(28.7)	Same as 4Q
Reversal/ (Provision) of asset impairment	<b>(40,746)</b>	(1,262)	(3,128.7)	Impairment relating to closure of plant assets
Reversal/ (Provision) for inventory obsolescence	<b>859</b>	(229)	475.1	Reversals mainly from lower inventory as a result of higher demand this year compared to unmet demand in prior year resulting to provision for obsolescence
Provision for doubtful debts	<b>23</b>	(2,637)	101	Higher provision for trade receivables last year
Net gain/(loss) on disposal of fixed assets	<b>(2,502)</b>	6,158	(140.6)	Same as 4Q
Foreign exchange gain/(loss)- net	<b>(631)</b>	394	(260.2)	Attributed to forex losses from devaluation of Mexican Peso during the year. Last year's forex gain was due to valuation of US\$ denominated receivables on depreciating Philippine Peso
Interest income	<b>2,569</b>	18,125	(85.8)	Higher recognised gain on second lien buyout last year
Interest expense	<b>(114,693)</b>	(96,958)	(18.3)	While there was repayment of loans which reduced borrowing year on year, on the overall, interest was higher due to higher average loan balance during the year
Share in net loss of JV	<b>(2,887)</b>	(983)	(193.7)	Same as 4Q
Taxation Benefit (Expense)	<b>(29,176)</b>	13,524	(315.7)	Final taxes paid on intercompany dividends

## REVIEW OF GROUP ASSETS AND LIABILITIES

Balance Sheet	30 April 2020 (Unaudited)	30 April 2019 (Audited)	30 April 2018 (Audited)	FY20 vs FY19 Variance %	Explanatory Notes
<i>In US\$'000</i>					
<b>ASSETS</b>					
Property, plant and equipment - net	507,497	582,033	610,889	(12.8)	Attributable to DMFI's disposal of its machineries and equipment
Right-of-use assets	166,085	-	-	0.0	Change in accounting policy (IFRS 16)
Investment in joint ventures	22,855	24,212	25,195	(5.6)	Mainly from losses recorded during the year
Intangible assets and goodwill	701,347	707,997	714,651	(0.9)	nm
Other noncurrent assets	34,937	41,622	41,223	(16.1)	Change in accounting policy (IFRS 16) reclassified most deferred rentals to right-of-use assets
Deferred tax assets - net	144,974	106,321	79,829	36.4	Higher tax loss carry forward from DMFI
Pension assets	6,675	8,240	10,607	(19.0)	No actual funding due to over payment of fund in prior years.
Biological assets	63,278	54,002	43,592	17.2	Higher fair value of agricultural growing produce attributed to price changes
Inventories	482,463	664,922	760,981	(27.4)	Due to increase in sales in the US as well all Philippine markets
Trade and other receivables	323,065	149,054	161,627	116.7	Due to increase in sales and timing of collection of sales revenue
Prepaid expenses and other current assets	67,712	34,190	30,782	98.0	Driven by DMFI, due to higher prepayments which were amortized subsequently.
Cash and cash equivalents	33,465	21,636	24,246	54.7	Higher cash inflow from higher operating results and lower inventories and lower receivables
Noncurrent assets held for sale	-	4,465	5,504	(100.0)	Unsold held-for-sale assets repositioned to property and equipment
<b>EQUITY</b>					
Share capital	49,449	49,449	49,449	-	nm
Share premium	478,339	478,339	478,323	-	nm
Retained earnings	60,763	96,074	95,505	(36.8)	Net loss during the year and dividend pay-out
Reserves	(77,474)	(65,827)	(64,082)	(17.7)	Driven by reserve from sale of shares of DMPI
Non-controlling interest	54,820	43,106	49,065	27.2	Share in the losses during the year
<b>LIABILITIES</b>					
Loans and borrowings	1,396,029	1,478,655	1,465,223	(5.6)	Due to loan repayments
Lease liabilities	158,525	-	-	nm	Change in accounting policy (IFRS 16)
Other noncurrent liabilities	23,380	30,015	35,195	(22.1)	Attributable to the decrease in derivative liability of DMFI. Also, lease liabilities are presented separately due to the adoption of IFRS 16
Employee benefits	105,345	91,421	114,550	15.2	Higher liability due to changes in financial assumptions in remeasuring retirement plans
Environmental remediation liabilities	9,587	697	144	1,275.5	Higher provisions related to plant closures
Deferred tax liabilities - net	12,447	6,404	7,128	94.4	Recognition of deferred final tax on undistributed profits of DMPI for the year
Trade and other current liabilities	276,893	188,669	276,618	46.8	Mainly on timing of payment of trade payables and higher accruals driven by DMFI for refinancing activity
Current tax liabilities	6,250	1,692	2,008	269.4	Taxes on Non PEZA activities increased during the year.

### Key Performance Indicators

The following sets forth the explanation why certain performance ratios (i.e. current ratio, debt to equity ratio, net profit margin, return on asset, and return on equity) do not fall within the benchmarks indicated by the Securities and Exchange Commission of the Philippines (the “SEC”).

#### A. Current Ratio

	30-Apr-20	30-Apr-19	Benchmark
<b>Current Ratio</b>	<b>0.6</b>	<b>1.3</b>	<b>Minimum of 1.2</b>

Mainly due to increase current liabilities from loans which have turned current as at fourth quarter of the fiscal year. This was subsequently refinanced in May 2020.

#### B. Debt to Equity

	30-Apr-20	30-Apr-19	Benchmark
<b>Debt to Equity</b>	<b>3.5</b>	<b>3.0</b>	<b>Maximum of 2.5</b>

The increase is due to increase in trade and other payables mainly from timing of payment, as well as increase of lease liability to comply with the new IFRS standard on leases (IFRS 16).

#### C. Net Profit Margin

	30-Apr-20	30-Apr-19	Benchmark
<b>Net Profit/(Loss) Margin attributable to owners of the company</b>	<b>-3.82%</b>	<b>1.04%</b>	<b>Minimum of 3%</b>

The Group generated a net loss margin for the full year of FY2020, largely unfavourable compared to prior year, due to significant expenses incurred due to plant closure losses.

#### D. Return on Asset

	30-Apr-20	30-Apr-19	Benchmark
<b>Return on Asset</b>	<b>-3.67%</b>	<b>0.59%</b>	<b>Minimum of 1.21</b>

The DMPL Group generated a negative return on asset for the full year of FY2020, largely unfavourable compared to prior year, due to significant expenses incurred due to plant closure losses.

#### E. Return on Equity

	30-Apr-20	30-Apr-19	Benchmark
<b>Return on Equity</b>	<b>-16.58%</b>	<b>2.36%</b>	<b>Minimum of 8%</b>

The DMPL Group generated a negative return on equity for the full year of FY2020, largely unfavourable compared to prior year, due to significant expenses incurred due to plant closure losses.



**Material Changes in Accounts****A. Cash and cash equivalent**

Increase is due to higher cash inflow from higher operating results and lower inventories and lower receivables.

**B. Inventories**

Decrease in inventory is mainly due to increase in sales in the US as well all Philippine markets.

**C. Prepaid and other current assets**

Increase is due to higher prepayments which were amortized subsequently.

**D. Biological assets**

Increase is higher fair value of agricultural growing produce attributed to price changes.

**F. Deferred tax assets**

Due to higher future tax benefits from loss carry-forwards of DMFI.

**G. Trade & Other Payables**

Increase in trade and other payable is mainly on timing of payment of trade payables and higher accruals driven by DMFI for refinancing activity.

**H. Employee benefits– non-current**

Higher liability due to changes in financial assumptions in remeasuring retirement plans.

**I. Other noncurrent liabilities**

Decrease is attributable to the decrease in derivative liability of DMFI. Also, lease liabilities are presented separately due to the adoption of IFRS 16.

### Review of Operating Performance for FY2019 vs FY2018





#### **Sales**

DMPL generated sales of US\$2.0 billion in FY2019, lower by 11% versus the prior year as higher sales in S&W in Asia were offset by lower sales in the United States, Philippines and Europe.

#### **USA**

DMPL's US subsidiary, Del Monte Foods, Inc (DMFI), generated sales of US\$1.4 billion or 73% of Group sales, lower by 14% versus prior year due to the divestiture of the Sager Creek vegetable business in September 2017, and lower volume of retail branded products due to price increase and reduced promotional spend. There was also a decline in non-branded products which was in line with DMFI's strategy, partially offsetting lower retail trade spend.

DMFI maintained its leading market share position for the full year in canned vegetable and fruit. Business fundamentals remain on solid ground with strong shelving, new innovation and sustained marketing investments.

<b>Strong Market Position in Key Categories in the USA</b>			
<b>Products</b>	<b>Market Share</b>	<b>Market Position</b>	<b>Brands</b>
Canned Vegetable	29.4%	#1	
Canned Fruit	37.8%	#1	
Fruit Cup Snacks	31.1%	#2	
Canned Tomato*	8.4%*	#2	

*Canned market shares are for branded only, ex-private labels*

*\*Combined share for Del Monte, S&W and Contadina brands*

*Source: Nielsen Scantrack dollar share, Total US Grocery + WalMart, 12M ending 27 April 2019*

#### Campaigns

A new, integrated master brand campaign “Growers of Good” was launched in September 2018 promoting Del Monte as an advocate for doing what is good – Del Monte nurtures Earth's goodness today to grow a healthier and more hopeful tomorrow. Bibie Wu, DMFI's Chief Marketing Officer said, “Growers of Good tells multiple stories about our product line. It will feel very big because it will have the scale of an effective campaign, but also be able to highlight different parts of our portfolio”.

DMFI relaunched the *Contadina* brand with national marketing support. In 2018, *Contadina* celebrated its 100<sup>th</sup> Anniversary. To honour its 100-year-history of being in the kitchen of confident female cooks, *Contadina* – which is Italian for “woman in the field” – celebrated 100 years of women in the culinary field. As part of the programme, *Contadina* partnered with Cherry Bombe, a bi-annual magazine that champions women and food, for the launch of The Cherry Bombe 100, its inaugural list of 100 women who are making unique and lasting contributions to the food industry.

#### New Products - Retail

Three years ago, to meet the unique snacking needs of on-the-go adults, DMFI introduced *Del Monte Fruit Refreshers*, the first-ever adult fruit cup. This won the 2017 Product of the Year Award in the Healthy Snacking category in the USA. Two years ago, DMFI expanded the adult fruit cup snacking segment with the launch of *Del Monte Fruit & Chia*, combining fruit with wholesome chia. Nearly 50% of US food consumption is in snacking, hence, the exciting potential in the fruit cup segment.

DMFI's thrust on innovation accelerated in FY2019 with entry into new categories. Following the success of *Del Monte Fruit Refreshers* and *Del Monte Fruit & Chia*, DMFI entered a new segment with the launch of innovative *Del Monte Fruit & Oats* in June 2018. It is the first shelf stable ready-to-eat oatmeal item combining healthy fruit

and wholesome oats in a cup, is delicious, filling as well as convenient for breakfast and snack. *Del Monte Fruit & Oats* was voted 2019 Product of the Year in the Breakfast category in the USA, backed by votes of 40,000 consumers in a national representative survey, conducted by research firm Kantar, a global leader in consumer research.

In synch with trends for health, snacking and convenience, and to diversify beyond the declining centre-of-store canned goods aisle, Del Monte introduced four products in the growing refrigerated produce and frozen categories - *Del Monte Citrus Bowls*, *Del Monte Fruit Crunch Parfaits*, *Del Monte Veggiesful Bites* and *Contadina Pizzettas*.

DMFI launched *Del Monte Citrus Bowls* in the refrigerated produce section in February 2019. These are grapefruit and citrus salad in 100% juice with a longer shelf life than fresh cut fruit, and without any preservatives. Del Monte entered a new category and introduced, *Del Monte Fruit Crunch Parfaits*, which feature layers of non-dairy coconut crème, crunchy granola, a full serving of fruit, plus two billion probiotics to aid digestive health.

Del Monte's first foray into the frozen segment was through *Del Monte Veggiesful Bites* and *Contadina Pizzettas*, frozen snacks made with cauliflower crust, with no artificial flavours or preservatives. Both of these come with a full serving of vegetable in five bites, making eating vegetables easier and crave-worthy! “With *Veggiesful Bites*, we set out to create a healthy snack with vegetables as the primary ingredient,” said DMFI's CEO Gregory Longstreet. “In fact,” he adds, “we are the only brand in the frozen snack space that can list vegetables as the largest ingredient in the recipe, with veggies in the filling and the dough. This meets consumers' desire for quick, convenient, delicious snacks that are wholesome and nutritious.”

#### New Products - Foodservice

For the foodservice channel, DMFI also entered new product categories with *Riced Cauliflower* and other vegetables with broadly positive industry reception. These are pre-cut, recipe ready vegetables which provide easy and tasty alternative to high carbohydrate-sides. Del Monte is the first national player in this rapidly-growing new category. Items are now stocked nationally throughout the United States.

One foodservice operator, Clean EatZ (with over 50 locations) offers as an alternative to rice to provide healthy menu options. Its commissary prepares contracted meals sold through Gold's Gym as well. Selection was based on Del Monte's higher quality and consistency versus the fresh products in the market.

*Del Monte Nice Fruit Fresh Frozen Pineapple* from the Philippines had also been placed within the College and University segment in the USA at Stanford University as well as University of California Davis. With the patented Nice Fruit freezing technology, frozen pineapple retains cellular integrity and when thawed, retains fresh-quality colour, taste and texture.

DMFI introduced grab-and-go singles for foodservice and vending operators. These are single-serve fruit cups with 'sporks' in the lid, for convenient snacking on the go perfect for college students. Aramark is a contract foodservice management company. Del Monte placed its Adult Fruit Cup singles with Aramark's college and university division and initial shipment will put the cups into 500 locations across the USA.

Response was positive from distributors and operators, especially on the *Del Monte Fruit Crunch Parfaits*, due to the micro-mart need for diverse offerings and extended shelf life.

DMFI's foodservice team has also realigned and reinforced its relationship with Vistar, the leading nationwide distributor for Vending, Concessions and Hospitality. Its partnership with Vistar is expected to increase the availability of its products to operators across the USA.

DMFI's foodservice teams are focusing efforts and Broker attention on key channels where it has the strongest opportunity to succeed: College and University, Healthcare and Lodging channels. Del Monte product benefits (branded quality, healthy ingredients, labour solutions, grab and go snacking occasions) resonate most with the needs of these channels, and these operators are drawn to Del Monte's new innovative products.

#### Cross-selling

As part of DMPL's growth and globalisation initiative, the distribution of imported product from the Philippines has extended its reach beyond Asian ethnic market to mainstream grocery channel in the US. To strengthen the Group's global supply chain network, DMFI will work to increase the cross-selling effort between the US and Asia by expanding its international product portfolio to meet the growing demand of ethnic food product in the US.




DMFI has continued to export its *S&W* canned specialty fruits, corn and tomato products to Asia. It has also introduced its *Contadina* sauces and *College Inn* broth to certain markets in Asia.

## Philippines

The Philippine market sales in FY2019 were US\$307.8 million, down 4.2% and 8.0% in peso and US terms, respectively. Decline was mainly in the general trade and mixed fruit categories as a result of operational issues and distributor transition. Decline in sales was further driven by unfavourable sales mix and higher direct promotion spending. These were partly offset by price increases implemented across several categories in line with inflation.

Specific to distributor operations, FY2019 was a year of transformation as the Group worked to upgrade operations and processes. As some of its legacy distributors have lagged in terms of modernisation required, the Group felt it necessary to transition out of these distributors and replace them with those that could support the level of expansion that the Group expects, particularly in a fast-changing, highly competitive environment. While the transition impacted Philippine market sales in FY2019, the Group believes it will help set up a stronger base for future growth. Improvements are expected to be seen beginning in the first quarter of FY2020.

Despite operational issues, DMPL continues to lead in market share position in most categories it competes in.

Market Leader in Various Categories in the Philippines			
Products	Market Share	Market Position	Brands
Packaged Pineapple	85.3%	#1	
Canned Mixed Fruit <sup>1</sup>	70.3%	#1	 <b>Today's</b>
Canned and Carton RTD Juices	83.1%	#1	
Tomato Sauce	82.9%	#1	
Spaghetti Sauce <sup>2</sup>	39.3%	#1	 <b>Today's</b> 

<sup>1</sup>Combined share for Del Monte and Today's brands

<sup>2</sup>Combined share for Del Monte, Today's and Contadina brands

Source: Nielsen Retail Index, 12M to April 2019

Some of the highlights for the Philippine retail market in FY2019 were the following:

- Expanded successful 1-litre carton packaging format to the *Del Monte 100% Pineapple Juice* line as Filipinos' way of building their immunity (ACE variant), detoxify daily (Fibre-Enriched variant) or manage cholesterol (Heart Smart variant) in a more affordable and convenient format.
- Drove continued improvements in consumption metrics for its base Tomato-Based Sauces category behind impactful campaigns and relevant in-trade value packs, even as we expanded *Del Monte Culinary's* footprint amongst working moms via *Del Monte Quick 'n Easy* and amongst millennials and culinary hobbyists behind *Contadina's* Gourmet Made Easy campaign.
- Penetrated Culinary Schools with sampling and school partnerships with Contadina.
- Continued to build consumption for *Del Monte Pineapple* behind a successful national ad campaign, banner preference for Pina-Adobo amongst 3 out of 4 kids, even as we worked to improve consumption in Visayas and Mindanao with a Sweet & Sour Fish recipe highlight.
- Expanded beyond traditional media with a stronger push on digital, collaborating heavily with Facebook and Google on hackathons, training and executions.
- Recognition received include the following: being one of only 3 food and beverage brands in the Campaign Asia Pacific Top 20 Brands in the Philippines, as well as PANAta Awards for Excellence in Marketing Innovation (Silver), Excellence in Brand Positioning (Bronze) (please also refer to the Awards section).

Foodservice sales in the Philippines remained strong, riding on the rapid expansion of quick service restaurants and convenience stores, as well as Del Monte Philippines' growth of its juice dispensers, meal partnerships and customised products.

Del Monte Philippines supplies Jollibee, the largest local fast food chain, with their pineapple juice requirements, and supplies Greenwich, the Philippines' largest pizza chain, with all their pineapple tidbits requirements. Moreover, *Del Monte 100% Pineapple Juice* is available in all of Cebu Pacific's flights, while it continues to supply Philippine Airlines for all their international flights.

The Group will continue to drive dispenser juice and condiments sachet expansion to grab opportunities in convenience stores as emerging channel for ready-to-eat meals amongst young, urban professionals. It will expand portfolio range via ready-to-eat recipe ideations with convenience store commissaries.

### **S&W in Asia**

Sales of the S&W business in Asia reached US\$115.4 million in FY2019, 9% higher than the US\$106.1 million in FY2018, a record for this brand since the Group acquired it in 2007. The fresh segment accounted for 79% of S&W's total sales, while the packaged segment accounted for the balance 21%.

Improved sales were driven by the robust 19% growth of the *S&W Sweet 16* fresh pineapple mainly in China on the back of increased distribution of fresh pineapple in Tier 1-3 cities.

However, the packaged segment's sales were lower mostly in Turkey, Korea and Indonesia. Turkey was impacted by currency devaluation and political instability, while North Asia suffered from increased competition from cheaper canned pineapple products from Thailand and Indonesia, partly offset by new customers.

The Group's Nice Fruit joint venture, utilising patented technology that allows fruits to be picked at their optimal ripeness and frozen for up to 3 years, while preserving its nutrients and original properties, successfully launched frozen pineapple spears in 7-Eleven stores in Japan in June 2018. These are produced in Bukidnon, Philippines. Individually packaged and known as *Pineapple Stick*, it is positioned as an on-the-go healthy snack placed in the store's chiller section. The joint venture followed this with the launch of frozen pineapple chunks called *Golden Pineapple* in the same convenience store chain in November.

### **FieldFresh India (equity accounted)**

Sales at FieldFresh Foods, our Indian joint venture (JV), which are equity accounted and not consolidated, were US\$77.5 million in FY2019, 10% and 2% higher in rupee and US\$ terms, respectively, versus prior year. US\$69.3 million came from the *Del Monte*-branded packaged segment and US\$8.2 million from the *FieldFresh*-branded fresh segment.

The *Del Monte* business in India was up 12% in rupee terms on continued product innovation, as well as trade, marketing and digital campaigns.

Tapping into the growing consumer trend for healthier snacking alternatives amongst young working adults, Del Monte extended its dried fruit range, adding variants like *Dried Cherries*, *Cherry Berry Mix* and *Nutty Cruiser Trail Mix*. The latter is a delicious and healthy blend of almonds, cashews, dried cranberries and black raisins. Del Monte also started working with fitness and running communities to promote this range and an overall healthier lifestyle.

October saw the relaunch of *Del Monte* gourmet pasta sauces. The range was revamped to include two tomato-based sauces, *Napoletana & Puttanesca*, and one vegetarian *Alfredo* sauce with real cheese (a first for the Indian market). Also, in line with its desire to move to cleaner products and labels, these sauces contain no added preservatives, making *Del Monte* the only brand to offer preservative-free pasta sauces in India.

The year also saw Del Monte introduce a range of low unit priced-SKUs like Mayonnaise 80g and Tomato Ketchup 200g to expand its presence in traditional trade outlets in India. On the back of these introductions, Del Monte managed to increase its distribution in top metros like Delhi and Mumbai by 20%.

Del Monte joined Aahar, India's largest B2B food exhibition in New Delhi with 100,000+ footfalls over 5 days and with 10,000+ visits to the Del Monte stall.

FieldFresh sustained its positive EBITDA, growing by double-digit, while DMPL's share of loss in the FieldFresh joint venture in India was lower at US\$0.1 million from US\$0.3 million in the prior year on higher sales and margins.

### **Gross Profit and Margin**

DMPL generated a gross profit of US\$395.0 million, lower by 9% versus the prior year, while gross margin increased to 20.2% from 19.7% in the same period last year.

DMFI's gross margin increased to 16.4% from 15.0% driven by lower trade spend, increase in retail list prices, higher USDA pricing and favourable sales mix, partially offset by higher costs.

DMPL ex-DMFI gross margin was 27.3% from 30.4% due to lower, cyclical pineapple juice concentrate pricing, unfavourable sales mix and higher product costs. These were partly offset by price increases in the Philippine market in line with inflation.

### EBITDA and Net Profit

DMPL generated an EBITDA of US\$143.7 million of which US\$52.5 million came from DMFI and US\$87.9 million from DMPL ex-DMFI. DMPL's EBITDA improved by 40.5% due to a net one-off gain of US\$4.5 million in FY2019 versus a net one-off expense of US\$48.5 million in the prior year.

As part of the Group's strategy to improve operational excellence and streamline operations, DMFI divested its underperforming Sager Creek vegetable business in FY2018. This resulted in incremental one-off expenses for the year ended. Please refer to the table below for the schedule of one-off items.

Non-Recurring Expense/(Income) (in US\$m)	FY2018	FY2019	Booked under
Closure of plants <sup>1</sup>	55.1	6.2	CGS, G&A and other income /expense
Gain due to loan purchase <sup>2</sup>	(33.6)	(16.7)	Interest income
Severance and others	7.6	6.2	G&A expense and other income/ expense
<b>Total expense/(income) (pre-tax basis)</b>	<b>29.1</b>	<b>(4.3)</b>	
Write-off of Deferred Tax Asset at DMFI	39.8 <sup>3</sup>	-	Tax expense
<b>Total (net of tax and non-controlling interest of 10.6%)</b>	<b>48.5</b>	<b>(4.5)</b>	

<sup>1</sup>As part of its multiyear restructuring project to streamline operations and improve profitability, the Group closed two plants in the US in FY2018-2019.

<sup>2</sup>Please refer to the “Cash Flow and Debt” section in the next page for the purchase of loan in the USA.

<sup>3</sup>The Group wrote off US\$39.8m of deferred tax assets at DMFI due to the change in Federal income tax rate from 35% to 21%. Other companies in the US with deferred tax assets have similar write-offs due to the reduction in income tax rates. However, this should be more than offset by the reduced tax rates in future years which will be substantial.

Excluding one-off expenses, the Group's EBITDA would have been US\$156.1 million, 5% lower versus the recurring EBITDA of US\$165.0 million in the prior year. DMFI contributed an EBITDA of US\$64.9 million, higher by 21% mainly from lower marketing and general and administrative (G&A) expenses while DMPL ex-DMFI generated an EBITDA of US\$87.9 million, lower by 17% due to reduced sales in the Philippines.

The Group reported a net income of US\$20.3 million for the full year, favourable compared to the prior year's net loss of US\$36.5 million. Of the US\$20.3 million of Group income, DMFI reported a loss of US\$51.5 million while DMPL ex-DMFI reported a net income of US\$41.9 million. This year's one-off adjustments from DMFI's continued restructuring initiatives and sale of Sager Creek were more than offset by the one-off gain worth US\$16.7 million pre-tax or US\$13.0 million post-tax from the additional purchase of US\$105.5 million of DMFI's second lien loan at a discount in the secondary market. Total loans bought back including that of FY2018 amounted to US\$231 million out of the total US\$260 million.

Without the one-off items, the Group achieved a recurring net income of US\$15.8 million as compared to last year's net income of US\$12.0 million. DMFI had a recurring net loss of US\$43.0 million from a loss of US\$57.7 million in the prior year mainly due to lower sale of branded fruits and vegetables and sale of Sager residual inventory. However, DMFI's recurring loss was reduced versus prior year loss due to increased list price, lower trade promotion, marketing and G&A expenses. DMPL ex-DMFI had no one-off expenses and as such, its reported net income of US\$41.9 million was also its recurring net income.

### INVENTORIES

DMPL's inventories decreased to US\$664.9 million as at 30 April 2019, from US\$761.0 million as at 30 April 2018 mainly due to lower level of inventories in its USA subsidiary, DMFI.

### CAPEX

Capital expenditures (capex) were US\$121.6 million in FY2019, lower than the US\$148.2 million in the prior year. DMFI accounted for US\$21.7 million of Group capex in FY2019, lower than the US\$37.3 million in FY2018 due to timing, while DMPL ex-DMFI's capex accounted for US\$99.9 million, down from US\$110.8 million in FY2018 due to lower spending on capital projects.

### CASH FLOW AND DEBT

The Group's cash flow from operations in FY2019 was US\$180.9 million, lower versus prior year's cash flow of US\$357.0 million mainly driven by lower trade and other payables.

In FY2018, the Group purchased from certain lenders US\$125.9 million worth of principal amount of DMFI's Second Lien Term Loans at a 30% discount to par value in the secondary market. In FY2019, the Group purchased an additional US\$105.5 million bringing the total purchased loans to US\$231.4 million out of US\$260 million. The Second Lien Term Loans are the highest-interest bearing loans for DMFI with an interest rate of LIBOR or 1%, plus 7.25% (10.15% p.a. until 24 June 2019 and 9.47% thereafter) and will mature in August 2021.

While the Second Lien Term Loans that have been acquired currently remain on DMFI's balance sheet as an obligation, the intercompany holdings of the loans and related interest expense is eliminated upon consolidation of the DMPL Group, thereby resulting in a reduction of leverage for the Group.

This loan purchase is in line with the Company's plan to delever its balance sheet and improve the capital structure and profitability of the DMPL Group, through a reduction in effective interest expense of over US\$10 million per annum and savings from the purchase price discount for the Second Lien Term Loans. The one-off gain of US\$16.7 million pre-tax or US\$13.0 million post-tax booked in FY2019, and the US\$33.6 million pre-tax or US\$25.3 million post-tax booked in FY2018 was a result of principal savings given the purchase discount.

The Group's net debt (cash and bank balances less borrowings) amounted to US\$1.46 billion as at 30 April 2019, slightly higher than the US\$1.44 billion as at 30 April 2018 due to additional loans obtained during the year. This is just a timing difference to augment working capital needs.

Out of the total net debt of US\$1.46 billion, DMFI accounted for US\$823 million while DMPL ex-DMFI accounted for US\$634 million.

The Group's net debt to equity ratio increased to 242% from 237% in the prior year.

### DIVIDENDS

In October 2018 and April 2019, respectively, the Company paid dividends to holders of the Series A-1 Preference Shares at the fixed rate of 6.625% per annum, or equivalent to US\$0.33125 per Series A-1 Preference Share for the six-month period from 8 April 2018 to 7 October 2018 and US\$0.33125 for the six-month period 8 October 2018 to 7 April 2019. The Series A-1 Preference Shares were listed on the Philippine Stock Exchange on 7 April 2017.

In October 2018 and April 2019, respectively, the Company paid dividends to holders of the Series A-2 Preference Shares at the fixed rate of 6.5% per annum, or equivalent to US\$0.325 per Series A-2 Preference Share for the six-month period from 8 April 2018 to 7 October 2018 and US\$0.325 for the six-month period 8 October 2018 to 7 April 2019. The Series A-2 Preference Shares were listed on the Philippine Stock Exchange on 15 December 2017.

Under the Company's Articles of Association and the terms of the Preference Shares, the Company may declare and pay dividends on Common Shares provided there are adequate and available funds for dividends on Preference Shares which have priority over Common Shares. Subject to the foregoing, the Board approved a final dividend of 0.52 US cents (US\$0.0052) or 0.706 Singapore cents (S\$0.00706) per share representing 50% of FY2019 net profit.

	For the fiscal year ended 30 April	
	2019	2018
Name of dividend	Final Ordinary	Final Ordinary
Type of dividend	Cash	Cash
Rate of dividend	<b>US\$0.0052 per ordinary share</b>	<b>Nil</b>
Tax rate	Nil	Nil
Book closure date	12 July 2019	Nil
Payable date	19 July 2019	Nil

### REVIEW OF COST OF GOODS SOLD AND OPERATING EXPENSES

% of Turnover	For the three months ended 30 April			For the year ended 30 April		
	FY2019	FY2018	Comments	FY2019	FY2018	Comments
Cost of Goods Sold	81.1	82.6	Driven by lower sales of DMPL ex-DMFI and release of inventory reserve for DMFI	79.8	80.3	Same as Q4
Distribution and Selling Expenses	10.2	10.1	Due to higher distribution and provision for doubtful accounts	10.4	10.1	Same as Q4
G&A Expenses	3.5	6.4	Lower personnel cost, lower facilities expense	5.9	7.4	Lower personnel cost, lower IT fees due to reversal of accruals from prior years; lower facilities expense
Other Operating Expenses	-0.4	2.9	Lower miscellaneous expense due to assets written off last year on closed plants	-0.2	0.8	Same as Q4

## REVIEW OF OTHER MATERIAL CHANGES TO INCOME STATEMENTS

in US\$'000	For the full year ended 30 April			
	FY2019	FY2018	%	Comments
Depreciation and amortization	(138,706)	(147,845)	6.2	Mainly due to lower depreciation from lower asset base
Reversal/(Provision) of asset impairment	(2,037)	(24,534)	91.7	Impairment loss mainly on Sager Creek assets which was higher in FY2018
Reversal/(Provision) for inventory obsolescence	(6,165)	(21,823)	71.7	Due to reversal of provision
Provision for doubtful debts	(2,646)	(502)	(427.1)	Provided for doubtful accounts in Q4
Net gain/(loss) on disposal of fixed assets	6,158	11,317	(45.6)	Mainly on sale of Sager Creek assets from last year
Foreign exchange gain/(loss)- net	394	3,379	(88.3)	Lower favourable impact of peso devaluation for the year
Interest income	18,125	34,763	(47.9)	Due to one-off gain on second lien loan purchased at a discount in the secondary market from last year
Interest expense	(96,958)	(102,323)	5.2	Lower level of borrowings
Share in net loss of JV	(983)	(1,552)	(36.7)	FieldFresh losses was higher last FY2018 than in FY2019
Taxation	13,524	(14,844)	191.1	Write off of non-cash deferred tax assets of US\$39.8m at DMFI, partially offset by DMFI's higher net operating loss from last year



## REVIEW OF GROUP ASSETS AND LIABILITIES

Extract of Accounts with Significant Variances	30 April 2019	30 April 2018	30 April 2017	Comments
<b>in US\$'000</b>				
Deferred tax assets	<b>106,321</b>	79,829	92,786	Due to higher future tax benefits from loss carryforwards of DMFI
Other assets	<b>39,096</b>	41,223	27,112	Reclassification of receivable from sale of Sager Creek vegetable business to current assets
Biological assets	<b>54,002</b>	43,592	45,767	Favourable fair value adjustment in biological assets
Inventories	<b>664,922</b>	760,981	916,892	Lower inventory level at DMFI
Prepaid and other current assets	<b>36,176</b>	30,782	43,046	Due to increase in prepaid input VAT and downpayments to contractors in DMPI and higher prepaid slotting expense for DMFI.
Cash and cash equivalents	<b>21,636</b>	24,246	37,571	Due to repayments of payables, partially offset by better working capital management mainly on lower inventories
Other non-current liabilities	<b>30,015</b>	35,195	44,018	Lower workers compensation
Employee benefits– non-current	<b>63,781</b>	76,905	87,599	Due to lower employee retirement plan
Trade and other payables	<b>188,669</b>	263,026	299,545	Due to lower trade and accrued expenses

**Key Performance Indicators**

The following sets forth the explanation why certain performance ratios (i.e. current ratio, debt to equity ratio, net profit margin, return on asset, and return on equity) do not fall within the benchmarks indicated by the Securities and Exchange Commission of the Philippines (the “SEC”).

**A. Current Ratio**

	30-Apr-19	30-Apr-18	Benchmark
<b>Current Ratio</b>	<b>1.3</b>	<b>1.3</b>	<b>Minimum of 1.2</b>

Decrease in inventories was mainly due to lower level of inventories in its USA subsidiary, DMFI.

**B. Debt to Equity**

	30-Apr-19	30-Apr-18	Benchmark
<b>Debt to Equity</b>	<b>3.0</b>	<b>3.1</b>	<b>Maximum of 2.5</b>

The decrease in the debt to equity is mainly due to timing difference.

**C. Net Profit Margin**

	30-Apr-19	30-Apr-18	Benchmark
<b>Net Profit/(Loss) Margin attributable to owners of the company</b>	<b>1.04%</b>	<b>-1.66%</b>	<b>Minimum of 3%</b>

The Group generated a net profit margin of 1.04% for the full year of FY2019, largely favourable compared to prior year, due to significant expenses incurred due to plant closure losses and deferred tax asset write off incurred in FY2018.

**D. Return on Asset**

	30-Apr-19	30-Apr-18	Benchmark
<b>Return on Asset</b>	<b>0.59%</b>	<b>-2.04%</b>	<b>Minimum of 1.21</b>

The DMPL Group generated a return on asset of 0.59% for the full year of FY2019, largely favourable compared to prior year, due to significant expenses incurred due to plant closure losses and deferred tax asset write off incurred in FY2018.

**E. Return on Equity**

	30-Apr-19	30-Apr-18	Benchmark
<b>Return on Equity</b>	<b>2.36%</b>	<b>-8.40%</b>	<b>Minimum of 8%</b>

The DMPL Group generated a return on equity of 2.37% for the full year of FY2019, largely favourable compared to prior year, due to significant expenses incurred due to plant closure losses and deferred tax asset write off incurred in FY2018.

**Material Changes in Accounts****A. Cash and cash equivalent**

Due to repayments of payables, partially offset by better working capital management mainly on lower inventories

**B. Inventories**

Decrease in inventory is mainly due to lower inventory level at DMFI.

**C. Prepaid and other current assets**

Due to increase in prepaid input VAT and downpayments to contractors in DMPI and higher prepaid slotting expense for DMFI.

**D. Biological assets**

Due to favourable fair value adjustment in biological assets.

**F. Deferred tax assets**

Due to higher future tax benefits from loss carryforwards of DMFI.

**G. Trade & Other Payables**

Decrease in trade and other payable is mainly due to lower trade and accrued expenses.

**H. Employee benefits– non-current**

Due to lower employee retirement plan

**I. Other noncurrent liabilities**

Due to lower workers' compensation

**Supplementary Schedule of Financial Soundness Indicator**  
**Ratio**
**Formula**

30 April 2020

30 April 2019

30 April 2018

## (i) Liquidity Analysis Ratios:

Current Ratio or  
Working Capital Ratio

Current Assets / Current Liabilities

0.6

1.3

1.3

Quick Ratio

(Current Assets - Inventories - Prepaid  
expenses and other current assets -  
Biological Assets – Noncurrent assets  
held for sale) / Current Liabilities

0.2

0.2

0.2

## (ii) Solvency Ratio

Total Assets / Total Liabilities

1.3

1.3

1.3

Financial Leverage  
Ratios:

Debt Ratio

Total Debt/Total Assets

0.8

0.7

0.7

Debt-to-Equity Ratio

Total Debt/Total Stockholders' Equity

3.5

3.0

3.1

## (iii) Asset to Equity Ratio

Total Assets / Total Stockholders' Equity

4.5

4.0

4.1

## (iv) Interest Coverage

Earnings Before Interest and Taxes (EBIT)  
/ Interest Charges

0.4

0.8

0.3

## (v) Debt/EBITDA Ratios

Total Debt/ Earnings Before Interest,  
Taxes, Depreciation and Amortization  
(EBITDA)

12.5

18.6

## (vi) Profitability Ratios

Gross Profit Margin

Revenue - Cost of Sales / Revenue

21.24%

20.21%

19.68%

Net Profit Margin  
attributable to owners  
of the company

Net Profit attributable to owners / Revenue

-3.82%

1.04%

(1.66)%

Net Profit Margin

Net Profit / Revenue

-4.41%

0.73%

(2.32)%

Return on Assets

Net Profit / Total Assets

-3.67%

0.59%

(2.04)%

Return on Equity

Net Profit / Total Stockholders' Equity

-16.58%

2.36%

(8.40)%

**BUSINESS OUTLOOK**

As the demand for its trusted, healthy shelf-stable products is sustained, the Group will continue to operate its production facilities while implementing strict safety measures and protecting its people. The strategy is to strengthen the core business and expand the product portfolio, in line with market trends for health and wellness, and grow its branded business while reducing non-strategic business segments.

The Group will continue to strengthen its product offerings and enter new categories. It will continue to focus on business segments which are on-trend, pursue innovation to address growing consumer needs for more convenient, healthy and flavourful solutions, as well as build its distribution base in emerging channels.

While DMFI's Asset-Light Strategy has been a complex undertaking, it has been a critical step in repositioning DMFI for the future. Execution of this strategy and other cost saving initiatives should improve the Group's EBITDA margin by an estimated 225–275 basis points (US\$50 to 60 million) over the next 24 months starting November 2019. In the fourth quarter of FY2020, the Group recognised cost savings of US\$5 to 6 million which favourably impacted profitability. DMFI is expected to achieve 95% capacity utilisation for vegetable in the next pack season this year, up from 50%.

A portion of these improved cost savings will be reinvested in the growth and expansion of DMFI's iconic brands. DMFI is capitalising on growing consumer desire for convenient, healthy and tasty plant-based foods. It is expanding its brands beyond center store grocery into higher growth categories such as frozen, produce and deli.

“The restructuring is a necessary step for us to remain competitive in a rapidly changing marketplace,” said DMPL Managing Director and Chief Executive Officer Joselito D Campos, Jr. “Our asset-light strategy will lead to more efficient and lower cost operations,” he added.

The Group will continue to expand its existing branded business in Asia, through the Del Monte brand in the Philippines, where it is a dominant market leader. S&W, both packaged and fresh, will continue to gain more traction as it leverages its distribution expansion in Asia and the Middle East.

The Nice Fruit frozen pineapple plant is in operation, with shipments to the USA, Japan, China and South Korea. We expect to make Nice Fruit frozen pineapple available across more markets.

The Group has been exploring e-commerce opportunities for its range of products across markets.

Barring unforeseen circumstances, the Group is expected to remain profitable in FY2021.

### **III. COMPLIANCE WITH LEADING PRACTICES ON CORPORATE GOVERNANCE**

#### **Evaluation System for Compliance**

The Company is committed to the highest standards of corporate governance and supports the principles of openness, integrity and accountability advocated by the SGX-ST, which are similarly upheld by the PSE and the SEC.

The Board of Directors (Board) and Management are also committed to use their best endeavours to align the Company's governance framework with the recommendations of the 2018 Code of Corporate Governance issued on 6 August 2018 by the Monetary Authority of Singapore (MAS) (2018 Code) and the SEC Code of Corporate Governance for Publicly Listed Companies which took effect on 1 January 2017 (SEC CG Code), as well as the Singapore Governance and Transparency Index (SGTI) and the ASEAN Corporate Governance Scorecard (ACGS).

The Company confirms that it has adhered to the principles and provisions set out in the 2018 Code and principles and recommendations set out in the SEC CG Code, where applicable, and has identified and explained areas of non-adherence in this report (Report).

This Report describes the Company's corporate governance policies and practices with specific reference made to each of the principles and provisions of the 2018 Code in compliance with the Listing Manual of the SGX-ST.

#### **Measures Undertaken to Comply with Leading Practices on Good Corporate Governance**

The Company adheres to the principles and guidelines set out in the 2018 Code and the SEC CG Code, where applicable, and has identified and explained areas of non-compliance in its Annual Report, as well as in its Integrated Annual Corporate Governance Report. The Company's Annual Report describes the Company's corporate governance policies and practices with specific reference made to each of the principles of the 2018 Code (where stated) in compliance with the Listing Manual of the SGX-ST. (Please see Corporate Governance section excerpted from the FY2020 Annual Report.)

In addition, to improve the Company's score in the SGTI and the ACGS, and in compliance with the SEC CG Code, the Company has undertaken the following measures, among others:

- a) The Company has adopted a Manual on Corporate Governance which contains the framework of principles and guidelines, all the policies implemented by the Group, and terms of reference that govern the performance by the Board and Management of their responsibilities, in a manner that serve both the corporate objectives and long-term interests of the Company's shareholders and other stakeholders.
- b) The Company implements a Board Diversity Policy which recognizes the importance of diversity. The Board believes that its effectiveness and decision-making will be enhanced as it harnesses the variety of skills, industry and business experiences, gender, age, ethnicity and culture, geographical background and nationalities, tenure of service, and other distinguishing qualities of its own diverse Board. The NGC is responsible for administering this policy and for evaluating it annually.

- c) The Board shall be responsible for approving the selection and assessing Management’s performance led by the Chief Executive Officer, and control functions led by their respective heads, Chief Risk Officer and the Chief Compliance Officer.
- d) The Board has adopted a policy on acquisitions which states that the Company shall make a full, fair, accurate and timely disclosure to the public of any event that has a material impact on the Company and its business, including, but not limited to, the acquisition or disposal of significant assets which could adversely affect the viability of the Company or the interest of its shareholders and other stakeholders.
- e) The Board annually reviews the Company’s vision and strategy.
- f) The NGC undertakes the process of identifying the quality of directors aligned with the Company’s strategic directions. The NGC evaluates the suitability of a prospective candidate based on his or her qualification and experience, ability to commit time and effort in the effective discharge of duties and responsibilities.
- g) The Company’s Chief Financial Officer acts as the Chief Risk Officer who leads the implementation of the Company’s risk management system, and reports to the Board on identified risks and measures being undertaken by Management to mitigate these.
- h) The Company has formalized a long established and practiced policy on conflict of interest whereby a Director with material interest in any transaction affecting the Company shall be barred from participating in any deliberation or voting on such transaction.
- i) The Company has adopted and implemented, and continues to strengthen, its Securities Dealings Policy (which replaces and incorporates the guidelines set out in the Best Practices on Securities Transactions adopted by the Company in 2003) to govern dealings by the Directors, Key Management Personnel and certain designated employees in the Company’s securities. With this policy, these individuals are required to seek the approval of the Chairman or the Board before dealing in the Company’s shares. Directors and key executive officers are also required to report their dealings in the Company’s shares at least three (3) business days from the date of transaction; and
- j) For FY2020, the Company declared special cash dividends to its holders of Ordinary Shares which were paid within 30 days from the date of declaration. The Company also paid dividends to its holders of Preference Shares within 30 days from the date of declaration.
- k) The Company has published its Sustainability Report in line with the SGX-ST’s Sustainability Guidelines and the Global Reporting Initiative (GRI) framework.

#### **Deviation from Compliance**

- a) Consistent with previous practice, the NGC had undertaken a rigorous review of the independence of each Independent Director, including those whose tenure had exceeded nine years from the date of their first appointment. Led by the NGC Chairperson and facilitated by Boardroom Corporate & Advisory Services Pte Ltd, the Company’s external corporate secretarial service provider, the assessment was conducted by means of a confidential and incisive questionnaire completed by each Director and a declaration completed by each of the Independent Directors.

As part of this rigorous review, Board members were asked to share their observations on how the Independent Directors whose tenure had exceeded nine years, namely Messrs Benedict Kwek Gim Song, Emil Q Javier and Godfrey E Scotchbrook, have demonstrated their independence on the Board. Board members were invited to cite, as appropriate, specific instances and examples.

The results were analysed and discussed at the NGC and Board meetings. It was concluded that there is a strong sense of independence among all Board members. Management is constantly challenged and questioned on proposals that come before the Board with all Directors engaging in thorough and robust discussion and deliberation, taking into consideration the interest of the Group’s stakeholders.

Based on the assessment, Messrs Benedict Kwek Gim Song (first appointed on 30 April 2007), Emil Q Javier (first appointed on 30 April 2007) and Godfrey E Scotchbrook (first appointed on 28 December 2000) have demonstrated independent mindedness and conduct at Board and Board Committee meetings. The NGC is also of the firm view and opinion that these Directors continue to exercise independent judgement in the best interest of the Company in the discharge of their duties as Directors, and their more than nine years of exemplary service on the Board have not in any way affected their independence as throughout their tenure in office they had continually challenged and provided constructive feedback to Management.

- b) The remuneration of Directors, the CEO and the immediate family member of the CEO are disclosed in bands of S\$250,000/- with a maximum disclosure band of S\$500,000/- and above.

The remuneration of the top five Key Management Personnel are similarly disclosed in bands of S\$250,000/- with a maximum disclosure band of S\$500,000/- and above.

Although the disclosure is not in compliance with provision 8.1 of 2018 Code and the SEC CG Code, the Board is of the view that it is in the best interest of the Company not to disclose such remuneration information in detail, given the confidentiality and commercial sensitivity (within the industry and within the Group itself) attached to remuneration matters and for personal security reasons, disclosure in bands of S\$250,000/- in excess of S\$500,000/- is not provided. As for personal security reasons, the names of, and the aggregate remuneration paid to, the Company's top five Key Management Personnel is not disclosed. Similarly, the aggregate remuneration paid to the Executive Directors is not disclosed.

- c) While the Company Secretary is not a separate individual from the Chief Compliance Officer, the Company Secretary remains responsible to the Company and its shareholders, and not to the Chairman or the President. Having one person occupy these positions do not diminish the focus in discharging these offices' functions.
- d) The Board does not have a Board Charter. The Company is of the view that its Manual of Corporate Governance, which was based on the Singapore and Philippine models of governance, serves the purpose and function of a Board Charter.
- e) The SEC CG Code requires the establishment of a Corporate Governance Committee that should be composed of at least three members, all of whom should be independent directors, including the Chairman. Only a majority of the NGC members are independent. The Company, however, is of the view that the participation and contribution of its Executive Directors add value to, and complements the work of, the NGC.
- f) The Company does not have a Related Party Transactions Committee as its functions are already served by the ARC which is composed of four members, all of whom, including the ARC Chairperson, are independent directors.
- g) All Independent Directors meet the qualifications required; however, it is noted that Dr. Emil Javier, as requested by Management and the Board, provides advice to the Company's subsidiary on its plantation matters and development of agri-based initiatives.

#### **Improvement on Corporate Governance Practices**

To improve its corporate governance practices, the Company will carry out the following:

- a) To implement its Board diversity policy, the Board aims to finalize measurable objectives that would further improve the diversity among its directors and consequently enhance decision making by the Board.
- b) The Board will continue to review the Company's vision and strategy on a regular basis.
- c) The Board will continue to review the effectiveness of the Group's succession planning program for directors, key officers and Management.
- d) The Company will endeavour to upload the minutes of the general meetings within five (5) business days from date of meeting.
- e) The Company undertakes to review and update, as necessary, its current policy on Interested Person Transactions to ensure compliance with the rules prescribed under SEC Memorandum Circular No. 10 (2019) on material related party transactions.

# COVER SHEET

for  
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

D	E	L		M	O	N	T	E		P	A	C	I	F	I	C		L	I	M	I	T	E	D		A	N	D	
S	U	B	S	I	D	I	A	R	I	E	S																		

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

C	R	A	I	G	M	U	I	R		C	H	A	M	B	E	R	S	,		P	O		B	O	X		7	1	
R	O	A	D		T	O	W	N	,		T	O	R	T	O	L	A		B	R	I	T	I	S	H				
V	I	R	G	I	N		I	S	L	A	N	D	S																

Form Type

A	A	F	S
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Department requiring the report

C	R	M	D
---	---	---	---

Secondary License Type, If  
Applicable

			-
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## COMPANY INFORMATION

Company's Email Address

[www.delmontepacific.com](http://www.delmontepacific.com)

Company's Telephone Number

+65 6324 6822

Mobile Number

-

No. of Stockholders

7,548

Annual Meeting (Month / Day)

September 17

Fiscal Year (Month / Day)

April 30

## CONTACT PERSON INFORMATION

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

Name of Contact Person

Antonio E.S. Ungson

Email Address

UngsonAES@delmonte-phil.com

Telephone Number/s

(02) 8856-2888

Mobile Number

-

## CONTACT PERSON'S ADDRESS

JY Campos Centre, 9<sup>th</sup> Avenue corner 30<sup>th</sup> Street, Bonifacio Global City, Taguig City

**NOTE1 :** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

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





## INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders  
Del Monte Pacific Limited  
Craigmuir Chambers  
PO Box 71 Road Town, Tortola  
British Virgin Islands

### Opinion

We have audited the accompanying consolidated financial statements of Del Monte Pacific Limited and its Subsidiaries (the Group) and the separate financial statements of Del Monte Pacific Limited (the Company), which comprise the statements of financial position as at 30 April 2020 and 2019, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended 30 April 2020, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Group and the Company present fairly, in all material respects, the financial position of the Group and the Company as at 30 April 2020 and 2019, and their financial performance and their cash flows for each of the three years in the period ended 30 April 2020 in accordance with International Financial Reporting Standards (IFRSs).

### Basis for Opinion

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.



We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

*Applicable to the audit of the consolidated financial statements of the Group*

Fair value of biological assets

Why significant	How our audit addressed the matter
<p>As at 30 April 2020, the Group's biological assets amounted to US\$63.3 million. The gain on changes in the fair value of produce prior to harvest and harvested produce amounted to US\$57.6 million for the year ended 30 April 2020.</p> <p>The valuation of biological assets was significant to our audit because the estimation process is complex, involves significant management estimate, and is based on assumptions that can be affected by natural phenomena. The key assumptions for the fair value of harvested produce include selling prices and gross margins. The key assumptions for the fair value of produce prior to harvest include expected selling prices, gross margin, estimated tonnage of harvests and future growing costs.</p> <p>The Group's disclosures relating to biological assets and sources of estimation uncertainty are included in Note 11 to the financial statements.</p>	<p>We obtained an understanding of management's fair value measurement methodology and their process in fair valuation of the biological assets. We assessed the appropriateness of the methodology used in estimating the fair value. We tested the key assumptions used in the valuation, which include expected selling prices and gross margin for harvested produce; and expected selling prices, gross margin, estimated tonnage of harvests and future growing costs for produce prior to harvest, by comparing them to external data such as selling prices in the principal market and historical information.</p> <p>We also reviewed the adequacy of the related disclosures related to biological assets.</p>



## Recoverability of goodwill and indefinite life trademarks

Why significant	How our audit addressed the matter
<p>As at 30 April 2020, the Group carries goodwill of US\$203.4 million and indefinite life trademarks of US\$408.0 million, representing 13% and 26% of the total noncurrent assets, respectively.</p> <p><i>a. Goodwill and indefinite life trademarks allocated to Del Monte Foods, Inc. and its subsidiaries</i></p> <p>The Group's goodwill is allocated to a Cash Generating Unit (CGU), Del Monte Foods, Inc. and its subsidiaries. Included within the CGU are the indefinite life trademarks "Del Monte" and "College Inn" in the United States of America (USA) amounting to US\$394.0 million. The Group uses the value in use calculation to estimate the recoverable value of the CGU for the purposes of assessing whether there is any impairment to be recognized.</p> <p>The annual impairment test is significant to our audit because the valuation is complex, involves significant management judgement particularly given the changes in the market and economic conditions brought by the COVID-19 pandemic, and is dependent on certain estimates such as expected cash flow covering a five-year period and the long-term growth rate and discount rate of the CGU.</p> <p>The Group's disclosures relating to the goodwill and indefinite life trademarks allocated to Del Monte Foods, Inc. and its subsidiaries, sources of estimation uncertainty and sensitivity of the recoverable amounts are included in Note 8 to the financial statements.</p>	<p>We obtained an understanding of the Group's impairment assessment process and the related controls including management's consideration of the potential impact that COVID-19 pandemic has on the Group's operations. We tested the reasonableness of the key assumptions, which include revenue growth rate, gross margin, EBITDA margin, discount rate and long-term growth rate by comparing them against management plans, historical data and available market information in light of current market and economic conditions. We also performed independent sensitivity analysis on the key assumptions to consider the extent of reasonable change in these assumptions that individually or collectively would result in the impairment of assets. We involved our internal specialist in evaluating the assumptions and methodology used.</p> <p>We also focused on the adequacy of the Group's disclosures in Note 8 to the financial statements, about those assumptions to which the outcome of the impairment test was most sensitive, that is, those that have the most significant effect on the determination of the recoverable amount of the CGU.</p>



Why significant	How our audit addressed the matter
<p><i>b. Other indefinite life trademarks</i></p> <p>As at 30 April 2020, other indefinite life trademarks comprising of “Del Monte” in the Philippines and India, “S&amp;W” in Asia, and “Todays” in the Philippines are carried at US\$14.0 million.</p> <p>The annual impairment tests are significant to our audit because the valuation process is complex, involves significant management judgment particularly given the changes in market and economic conditions brought by the COVID-19 pandemic and is dependent on certain estimates that can be affected as well as trademark and royalty rates in the market.</p> <p>The Group used the Relief from Royalty methodology in valuing its Philippines and Asia S&amp;W trademarks. This approach relies on the forecasted revenue for the related brand or trademark and applies the royalty rates in the market. For the India trademark, the Group used the discounted cash flow of the related CGU. This method relies on forecasted financial results which uses significant assumptions such as revenue growth rates, EBITDA and long-term margins, terminal value growth rate and discount rate.</p> <p>The Group’s disclosures relating to its other indefinite life trademarks, sources of estimation uncertainty and sensitivity of the recoverable amounts are included in Notes 7 and 8 to the financial statements.</p>	<p>We assessed the reasonableness of the forecasted revenue and royalty rates used to derive the recoverable value of the brand and trademarks by comparing against available market and historical information.</p> <p>We also evaluated the significant assumptions used in the financial forecast of the CGU, which include revenue growth rates, EBITDA and long-term margins, terminal value growth rate and discount rate, by comparing them against management plans and historical and available market information in light with the current market and economic conditions. We involved our internal specialist in evaluating the assumptions and methodology used.</p> <p>We performed independent sensitivity analysis on the key assumptions to consider the extent of change in assumptions that individually or collectively would result in impairment of these assets.</p>



### Recoverability of deferred tax assets

Why significant	How our audit addressed the matter
<p>As at 30 April 2020, the Group has recognized net deferred tax assets of US\$145.0 million, of which US\$144.4 million was recognized by Del Monte Foods, Inc., a subsidiary in the USA.</p> <p>The recoverability of the deferred tax asset was significant to our audit because it involves significant management judgment and is based on assumptions that are affected by future market or economic conditions. The key assumptions in the taxable income forecast include revenue growth rates and gross and EBITDA margins.</p> <p>The Group's disclosures relating to deferred tax and sources of estimation uncertainty are included in Note 9 to the financial statements.</p>	<p>We assessed the recognition of deferred tax assets by comparing it to the taxable income forecast. We tested the key assumptions in the taxable income forecast such as revenue growth rates and gross and EBITDA margins against available market information, management plans, historical performance and industry/market outlook in light of current market and economic conditions. We compared the consistency of management's taxable income forecasts with those included in the budget approved by the Board of Directors.</p> <p>We assessed the robustness of management's forecasting process by comparing the actual results of the subsidiary against the forecast used in prior year forecast.</p> <p>We involved our internal tax specialist in reviewing the deductibility of the temporary differences.</p>

### Valuation of defined benefit liability

Why significant	How our audit addressed the matter
<p>As at 30 April 2020, the Group has defined benefit plans in the USA giving rise to defined benefit liability of US\$77.4 million, which are measured using projected unit credit valuation methods.</p> <p>We considered this to be a key audit matter because of the magnitude of the amounts, management's judgement in the use of assumptions such as future salary increases, discount rates, mortality rates and health care trends and technical expertise required to determine these amounts.</p> <p>The Group's disclosures relating to its defined benefit liability and asset, sources of estimation are included in Note 21 to the financial statements.</p>	<p>Our procedures included, among others, involving our internal specialist to assist us in reviewing the valuation methodology and the actuarial and demographic assumptions used by management to value the Group's various pension obligations. We evaluated the competence, capabilities and objectivity of management's specialist.</p> <p>We evaluated the key actuarial assumptions such as future salary increases, discount rates, mortality rates and health care trends by comparing them to market data and historical information.</p> <p>We tested the employees' payroll data on a sample basis, and reviewed the reconciliation of the membership census data used in the actuarial models to the payroll data of the Group.</p>



## **Other Information**

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended 30 April 2020, but does not include the financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended 30 April 2020 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

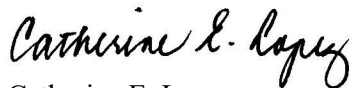
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



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

The engagement partner on the audit resulting in this independent auditor's report is Catherine E. Lopez.

SYCIP GORRES VELAYO & CO.



Catherine E. Lopez

Partner

CPA Certificate No. 86447

SEC Accreditation No. 0468-AR-4 (Group A),

February 19, 2019, valid until February 18, 2022

Tax Identification No. 102-085-895

BIR Accreditation No. 08-001998-65-2018,

February 26, 2018, valid until February 25, 2021

PTR No. 8125249, January 7, 2020, Makati City

12 August 2020





# Del Monte Pacific Limited and its Subsidiaries

## Statements of financial position As at 30 April 2020 and 2019

(In US\$'000)

		<----- Group ----->	<----- Company ----->		
	Note	30 April 2020	30 April 2019	30 April 2020	30 April 2019
<b>Noncurrent assets</b>					
Property, plant and equipment – net	5	507,497	582,033	—	—
Right-of-use assets	24	166,085	—	—	—
Investments in subsidiaries	6	—	—	620,027	830,855
Investments in joint ventures	7	22,855	24,212	—	766
Intangible assets and goodwill	8	701,347	707,997	—	—
Deferred tax assets - net	9	144,974	106,321	40	27
Biological assets	11	2,118	1,682	—	—
Pension assets	21	6,675	8,240	—	—
Other noncurrent assets	10	34,937	41,622	—	—
Due from a related company	38	—	—	228,683	202,471
		1,586,488	1,472,107	848,750	1,034,119
<b>Current assets</b>					
Biological assets	11	61,160	52,320	—	—
Inventories	12	482,463	664,922	—	—
Trade and other receivables	13	323,065	149,054	95,131	3,187
Prepaid expenses and other current assets	14	67,712	34,190	180	192
Cash and cash equivalents	15	33,465	21,636	766	886
		967,865	922,122	96,077	4,265
Noncurrent assets held for sale	16	—	4,465	—	—
		967,865	926,587	96,077	4,265
<b>Total assets</b>		2,554,353	2,398,694	944,827	1,038,384
<b>Equity</b>					
Share capital	17	49,449	49,449	49,449	49,449
Share premium	18	478,339	478,339	478,478	478,478
Retained earnings	18	60,763	96,074	60,763	96,074
Reserves	18	(77,474)	(65,827)	(77,474)	(65,827)
<b>Equity attributable to owners of the Company</b>	39	511,077	558,035	511,216	558,174
<b>Non-controlling interests</b>	39	54,820	43,106	—	—
<b>Total equity</b>		565,897	601,141	511,216	558,174
<b>Noncurrent liabilities</b>					
Loans and borrowings	19	97,737	985,915	75,000	241,015
Lease liabilities	24	127,696	—	—	—
Employee benefits	21	82,398	63,781	221	148
Environmental remediation liabilities	22	9,587	697	—	—
Deferred tax liabilities - net	9	12,447	6,404	—	—
Other noncurrent liabilities	20	23,380	30,015	—	—
		353,245	1,086,812	75,221	241,163
<b>Current liabilities</b>					
Loans and borrowings	19	1,298,292	492,740	291,282	135,070
Lease liabilities	24	30,829	—	—	—
Employee benefits	21	22,947	27,640	—	—
Trade and other current liabilities	23	276,893	188,669	67,108	103,977
Current tax liabilities		6,250	1,692	—	—
		1,635,211	710,741	358,390	239,047
<b>Total liabilities</b>		1,988,456	1,797,553	433,611	480,210
<b>Total equity and liabilities</b>		2,554,353	2,398,694	944,827	1,038,384

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.



# Del Monte Pacific Limited and its Subsidiaries

## Income statements

Years ended 30 April 2020, 2019 and 2018

(In US\$'000)

		<----- Group ----->			<----- Company ----->		
	Note	Year ended 30 April 2020	Year ended 30 April 2019	Year ended 30 April 2018	Year ended 30 April 2020	Year ended 30 April 2019	Year ended 30 April 2018
Revenue	25, 30	<b>2,128,343</b>	1,954,842	2,197,309	—	—	—
Cost of sales		<b>(1,676,186)</b>	(1,559,857)	(1,764,835)	—	—	—
<b>Gross profit</b>		<b>452,157</b>	394,985	432,474	—	—	—
Distribution and selling expenses		<b>(213,414)</b>	(202,839)	(221,433)	—	—	—
General and administrative expenses		<b>(120,010)</b>	(115,540)	(163,378)	<b>(11,099)</b>	(10,685)	(8,823)
Other (expenses) income - net		<b>(67,745)</b>	3,516	(18,162)	<b>1,524</b>	1,234	839
<b>Results from operating activities</b>		<b>50,988</b>	80,122	29,501	<b>(9,575)</b>	(9,451)	(7,984)
Finance income	27	<b>7,738</b>	21,985	41,472	<b>22,111</b>	20,231	1,086
Finance expense	27	<b>(120,493)</b>	(100,424)	(105,653)	<b>(16,323)</b>	(17,518)	(16,275)
Net finance (expense) income		<b>(112,755)</b>	(78,439)	(64,181)	<b>5,788</b>	2,713	(15,189)
Share in net (loss) income of joint ventures and subsidiaries	7	<b>(2,887)</b>	(983)	(1,552)	<b>(77,592)</b>	27,060	(13,303)
<b>(Loss) profit before taxation</b>	26	<b>(64,654)</b>	700	(36,232)	<b>(81,379)</b>	20,322	(36,476)
Tax (expense) credit - net	28	<b>(29,176)</b>	13,524	(14,844)	<b>(15)</b>	(2)	(16)
<b>(Loss) profit for the year</b>		<b>(93,830)</b>	14,224	(51,076)	<b>(81,394)</b>	20,320	(36,492)
<b>(Loss) profit attributable to:</b>							
Owners of the Company	29	<b>(81,394)</b>	20,319	(36,492)	<b>(81,394)</b>	20,320	(36,492)
Non-controlling interests		<b>(12,436)</b>	(6,095)	(14,584)	—	—	—
		<b>(93,830)</b>	14,224	(51,076)	<b>(81,394)</b>	20,320	(36,492)
<b>(Loss) Earnings per share</b>							
Basic (loss) earnings per share (US cents)	29	<b>(5.20)</b>	0.03	(2.70)			
Diluted (loss) earnings per share (US cents)	29	<b>(5.20)</b>	0.03	(2.70)			

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.



**Del Monte Pacific Limited and its Subsidiaries**

**Statements of comprehensive income**  
**Years ended 30 April 2020, 2019 and 2018**  
(In US\$'000)

	Note	Year ended 30 April 2020	Year ended 30 April 2019	Year ended 30 April 2018
<b>Group</b>				
<b>(Loss) profit for the year</b>		<b>(93,830)</b>	14,224	(51,076)
<b>Other comprehensive income (loss)</b>				
<b>Items that will or may be reclassified subsequently to profit or loss:</b>				
Currency translation differences		5,401	(1,838)	(13,428)
Effective portion of changes in fair value of cash flow hedges		962	462	9,330
Tax impact on share in cash flow hedges		(236)	(113)	(4,098)
		<b>6,127</b>	(1,489)	(8,196)
<b>Items that will not be reclassified to profit or loss:</b>				
Remeasurement of retirement plans	21	(28,993)	(2,513)	23,326
Tax impact on remeasurement of retirement plans	9	6,113	2,127	(5,469)
Gain on property revaluation	5	4,066	—	—
Tax impact on revaluation reserve	9	(1,220)	—	—
		<b>(20,034)</b>	(386)	17,857
<b>Other comprehensive (loss) income for the year, net of tax</b>		<b>(13,907)</b>	(1,875)	9,661
<b>Total comprehensive (loss) income for the year</b>		<b>(107,737)</b>	12,349	(41,415)
<b>Total comprehensive (loss) income attributable to:</b>				
Owners of the Company		(93,041)	18,194	(28,824)
Non-controlling interests		(14,696)	(5,845)	(12,591)
		<b>(107,737)</b>	12,349	(41,415)

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*



**Del Monte Pacific Limited and its Subsidiaries**

**Statements of comprehensive income**  
**Years ended 30 April 2020, 2019 and 2018**

(In US\$'000)

	Year ended 30 April 2020	Year ended 30 April 2019	Year ended 30 April 2018
<b>Company</b>			
<b>(Loss) profit for the year</b>	<b>(81,394)</b>	20,319	(36,492)
<b>Other comprehensive income (loss)</b>			
<b>Items that will or may be reclassified subsequently to profit or loss:</b>			
Share in currency translation differences of subsidiaries	5,378	(1,860)	(13,428)
Share in effective portion of changes in fair value of cash flow hedges of a subsidiary	860	425	8,777
Tax impact on share in cash flow hedges	(210)	(113)	(4,098)
	<b>6,028</b>	<b>(1,548)</b>	<b>(8,749)</b>
<b>Items that will not be reclassified to profit or loss:</b>			
Share in remeasurement of retirement plans of subsidiaries	(26,014)	(1,812)	21,448
Tax impact on share in remeasurement of retirement plans	5,493	1,235	(5,031)
Share in the revaluation reserve of a subsidiary	4,066	–	–
Tax impact on share in the revaluation reserve of a subsidiary	(1,220)	–	–
	<b>(17,675)</b>	<b>(577)</b>	<b>16,417</b>
<b>Other comprehensive (loss) income for the year, net of tax</b>	<b>(11,647)</b>	<b>(2,125)</b>	<b>7,668</b>
<b>Total comprehensive (loss) income for the year</b>	<b>(93,041)</b>	<b>18,194</b>	<b>(28,824)</b>

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*



**Del Monte Pacific Limited and its Subsidiaries**

**Statements of changes in equity**  
**Years ended 30 April 2020, 2019 and 2018**

(In US\$'000)

	Note	Attributable to owners of the Company										Non-controlling interests	Total equity
		Share capital	Share premium	Translation reserve	Revaluation reserve	Remeasurement of retirement plans	Hedging reserve	Share option reserve	Reserve for own shares	Retained earnings	Total		
<b>Group 2020</b>													
At 30 April 2019		49,449	478,339	(93,375)	10,885	17,648	(2,452)	1,753	(286)	96,074	558,035	43,106	601,141
Effect of adoption of IFRS 16, <i>Leases</i>	3	—	—	—	—	—	—	—	—	(1,013)	(1,013)	—	(1,013)
<b>Total comprehensive loss for the year</b>		49,449	478,339	(93,375)	10,885	17,648	(2,452)	1,753	(286)	95,061	557,022	43,106	600,128
Loss for the year		—	—	—	—	—	—	—	—	(81,394)	(81,394)	(12,436)	(93,830)
<b>Other comprehensive income (loss)</b>													
Currency translation differences		—	—	5,378	—	—	—	—	—	—	5,378	23	5,401
Gain on property revaluation, net of tax		—	—	—	2,846	—	—	—	—	—	2,846	—	2,846
Remeasurement of retirement plans, net of tax	21	—	—	—	—	(20,521)	—	—	—	—	(20,521)	(2,359)	(22,880)
Effective portion of changes in fair value of cash flow hedges, net of tax		—	—	—	—	—	650	—	—	—	650	76	726
<b>Total other comprehensive income (loss)</b>		—	—	5,378	2,846	(20,521)	650	—	—	—	(11,647)	(2,260)	(13,907)
<b>Total comprehensive income (loss) for the year</b>		—	—	5,378	2,846	(20,521)	650	—	—	(81,394)	(93,041)	(14,696)	(107,737)
<b>Transactions with owners of the Company recognised directly in equity</b>													
<b>Contributions by and distributions to owners of the Company</b>													
Sale of shares of a subsidiary	6	—	—	—	—	—	—	—	—	76,958	76,958	26,410	103,368
Dividends	18	—	—	—	—	—	—	—	—	(29,862)	(29,862)	—	(29,862)
<b>Total contributions by and distributions to owners</b>		—	—	—	—	—	—	—	—	47,096	47,096	26,410	73,506
At 30 April 2020	17, 18	49,449	478,339	(87,997)	13,731	(2,873)	(1,802)	1,753	(286)	60,763	511,077	54,820	565,897



**Del Monte Pacific Limited and its Subsidiaries**

**Statements of changes in equity (cont'd)**

**Years ended 30 April 2020, 2019 and 2018**

**(In US\$'000)**

<----- Attributable to owners of the Company ----->													
	Note	Share capital	Share premium	Translation reserve	Revaluation reserve	Remeasure-ment of retirement plans	Hedging reserve	Share option reserve	Reserve for own shares	Retained earnings	Total	Non-controlling interests	Total equity
Group 2019													
At 30 April 2018		49,449	478,323	(91,515)	10,885	18,225	(2,764)	1,373	(286)	95,505	559,195	49,065	608,260
Total comprehensive income (loss) for the year													
Profit for the year		—	—	—	—	—	—	—	—	20,319	20,319	(6,095)	14,224
Other comprehensive income (loss)													
Currency translation differences	21	—	—	(1,860)	—	—	—	—	—	—	(1,860)	22	(1,838)
Remeasurement of retirement plans, net of tax		—	—	—	—	(577)	—	—	—	—	(577)	191	(386)
Effective portion of changes in fair value of cash flow hedges, net of tax		—	—	—	—	—	312	—	—	—	312	37	349
Total other comprehensive income (loss)		—	—	(1,860)	—	(577)	312	—	—	—	(2,125)	250	(1,875)
Total comprehensive income (loss) for the year		—	—	(1,860)	—	(577)	312	—	—	20,319	18,194	(5,845)	12,349
Transactions with owners of the Company recognised directly in equity													
Contributions by and distributions to owners of the Company													
Refund of transaction costs from issue of preference shares in FY2018		—	16	—	—	—	—	—	—	—	16	—	16
Value of employee services received for issue of share options	26	—	—	—	—	—	—	380	—	—	380	(114)	266
Dividends	18	—	—	—	—	—	—	—	—	(19,750)	(19,750)	—	(19,750)
Total contributions by and distributions to owners		—	16	—	—	—	—	380	—	(19,750)	(19,354)	(114)	(19,468)
At 30 April 2019	17, 18	49,449	478,339	(93,375)	10,885	17,648	(2,452)	1,753	(286)	96,074	558,035	43,106	601,141



**Del Monte Pacific Limited and its Subsidiaries**  
**Statements of changes in equity (cont'd)**  
**Years ended 30 April 2020, 2019 and 2018**  
(In US\$'000)

		<----- Attributable to owners of the Company ----->											
						Remeasure -ment of							
	Note	Share capital	Share premium	Translation reserve	Revaluation reserve	retirement plans	Hedging reserve	Share option reserve	Reserve for own shares	Retained earnings	Total	Non- controlling interests	Total equity
Group 2018													
At 30 April 2017		39,449	390,320	(78,087)	10,885	1,808	(7,443)	1,779	(802)	159,169	517,078	61,477	578,555
<b>Total comprehensive loss for the year</b>													
Loss for the year		—	—	—	—	—	—	—	—	(36,492)	(36,492)	(14,584)	(51,076)
<b>Other comprehensive income (loss)</b>													
Currency translation differences		—	—	(13,428)	—	—	—	—	—	—	(13,428)	—	(13,428)
Remeasurement of retirement plans, net of tax		—	—	—	—	16,417	—	—	—	—	16,417	1,440	17,857
Effective portion of changes in fair value of cash flow hedges, net of tax		—	—	—	—	—	4,679	—	—	—	4,679	553	5,232
<b>Total other comprehensive income (loss)</b>		—	—	(13,428)	—	16,417	4,679	—	—	—	7,668	1,993	9,661
<b>Total comprehensive income (loss) for the year</b>		—	—	(13,428)	—	16,417	4,679	—	—	(36,492)	(28,824)	(12,591)	(41,415)
<b>Transactions with owners of the Company recognised directly in equity</b>													
<b>Contributions by and distributions to owners of the Company</b>													
Issuance of preference shares	17	10,000	90,000	—	—	—	—	—	—	—	100,000	—	100,000
Transaction costs from issue of preference shares		—	(2,085)	—	—	—	—	—	—	—	(2,085)	—	(2,085)
Share options expired		—	138	—	—	—	—	(138)	—	—	—	—	—
Release of share awards	17	—	(50)	—	—	—	—	(466)	516	—	—	—	—
Value of employee services received for issue of share options	26	—	—	—	—	—	—	198	—	—	198	179	377
Dividends	18	—	—	—	—	—	—	—	—	(27,172)	(27,172)	—	(27,172)
<b>Total contributions by and distributions to owners</b>		10,000	88,003	—	—	—	—	(406)	516	(27,172)	70,941	179	71,120
At 30 April 2018	17, 18	49,449	478,323	(91,515)	10,885	18,225	(2,764)	1,373	(286)	95,505	559,195	49,065	608,260



**Del Monte Pacific Limited and its Subsidiaries**  
**Statements of changes in equity (cont'd)**  
**Years ended 30 April 2020, 2019 and 2018**  
(In US\$'000)

Company	Note	Share capital	Share premium	Share in translation reserve of subsidiaries	Share in revaluation reserve of subsidiaries	Share in remeasurement of retirement plans of subsidiaries	Share in hedging reserve of a subsidiary	Share option reserve	Reserve for own shares	Retained earnings	Total equity
<b>2020</b>											
At 30 April 2019		49,449	478,478	(93,375)	10,885	17,648	(2,452)	1,753	(286)	96,074	558,174
Effect of adoption of IFRS 16, <i>Leases</i>	3	–	–	–	–	–	–	–	–	(1,013)	(1,013)
		49,449	478,478	(93,375)	10,885	17,648	(2,452)	1,753	(286)	95,061	557,161
<b>Total comprehensive loss for the year</b>											
Loss for the year		–	–	–	–	–	–	–	–	(81,394)	(81,394)
<b>Other comprehensive income (loss)</b>											
Currency translation differences		–	–	5,378	–	–	–	–	–	–	5,378
Gain on property revaluation, net of tax		–	–	–	2,846	–	–	–	–	–	2,846
Remeasurement of retirement plans, net of tax	21	–	–	–	–	(20,521)	–	–	–	–	(20,521)
Effective portion of changes in fair value of cash flow hedges, net of tax		–	–	–	–	–	650	–	–	–	650
<b>Total other comprehensive income (loss)</b>		–	–	5,378	2,846	(20,521)	650	–	–	–	(11,647)
<b>Total comprehensive income (loss) for the year</b>		–	–	5,378	2,846	(20,521)	650	–	–	(81,394)	(93,041)
<b>Transactions with owners of the Company recognised directly in equity</b>											
<b>Contributions by and distributions to owners of the Company</b>											
Sale of shares of a subsidiary	6	–	–	–	–	–	–	–	–	76,958	76,958
Dividends	18	–	–	–	–	–	–	–	–	(29,862)	(29,862)
<b>Total contributions by and distributions to owners</b>		–	–	–	–	–	–	–	–	47,096	47,096
At 30 April 2020	17, 18	49,449	478,478	(87,997)	13,731	(2,873)	(1,802)	1,753	(286)	60,763	511,216





**Del Monte Pacific Limited and its Subsidiaries**  
**Statements of changes in equity (cont'd)**  
**Years ended 30 April 2020, 2019 and 2018**  
(In US\$'000)

Company	Note	Share capital	Share premium	Share in translation reserve of subsidiaries	Share in revaluation reserve of subsidiaries	Share in remeasurement of retirement plans of subsidiaries	Share in hedging reserve of a subsidiary	Share option reserve	Reserve for own shares	Retained earnings	Total equity
<b>2019</b>											
At 30 April 2018		49,449	478,462	(91,515)	10,885	18,225	(2,764)	1,373	(286)	95,505	559,334
<b>Total comprehensive income (loss) for the year</b>											
Profit for the year		–	–	–	–	–	–	–	–	20,319	20,319
<b>Other comprehensive income (loss)</b>											
Currency translation differences		–	–	(1,860)	–	–	–	–	–	–	(1,860)
Remeasurement of retirement plans, net of tax	21	–	–	–	–	(577)	–	–	–	–	(577)
Effective portion of changes in fair value of cash flow hedges, net of tax		–	–	–	–	–	312	–	–	–	312
<b>Total other comprehensive income (loss)</b>		–	–	(1,860)	–	(577)	312	–	–	–	(2,125)
<b>Total comprehensive income for the year</b>		–	–	(1,860)	–	(577)	312	–	–	20,319	18,194
<b>Transactions with owners of the Company recognised directly in equity</b>											
<b>Contributions by and distributions to owners of the Company</b>											
Refund of transaction costs from issue of preference shares in FY2018		–	16	–	–	–	–	–	–	–	16
Value of employee services received for issue of share options	26	–	–	–	–	–	–	380	–	–	380
Dividends	18	–	–	–	–	–	–	–	–	(19,750)	(19,750)
<b>Total contributions by and distributions to owners</b>		–	16	–	–	–	–	380	–	(19,750)	(19,354)
At 30 April 2019	17, 18	49,449	478,478	(93,375)	10,885	17,648	(2,452)	1,753	(286)	96,074	558,174



**Del Monte Pacific Limited and its Subsidiaries**  
**Statements of changes in equity (cont'd)**  
**Years ended 30 April 2020, 2019 and 2018**  
(In US\$'000)

	Note	Share capital	Share premium	Share in translation reserve of subsidiaries	Share in revaluation reserve of subsidiaries	Share in remeasurement of retirement plans of subsidiaries	Share in hedging reserve of a subsidiary	Share option reserve	Reserve for own shares	Retained earnings	Total equity
<b>Company</b>											
<b>2018</b>											
At 30 April 2017		39,449	390,459	(78,087)	10,885	1,808	(7,443)	1,779	(802)	159,169	517,217
<b>Total comprehensive loss for the year</b>											
Loss for the year		–	–	–	–	–	–	–	–	(36,492)	(36,492)
<b>Other comprehensive income (loss)</b>											
Currency translation differences		–	–	(13,428)	–	–	–	–	–	–	(13,428)
Remeasurement of retirement plans, net of tax		–	–	–	–	16,417	–	–	–	–	16,417
Effective portion of changes in fair value of cash flow hedges, net of tax		–	–	–	–	–	4,679	–	–	–	4,679
<b>Total other comprehensive income (loss)</b>		–	–	(13,428)	–	16,417	4,679	–	–	–	7,668
<b>Total comprehensive income (loss) for the year</b>		–	–	(13,428)	–	16,417	4,679	–	–	(36,492)	(28,824)
<b>Transactions with owners of the Company recognised directly in equity</b>											
<b>Contributions by and distributions to owners of the Company</b>											
Issuance of preference shares	17	10,000	90,000	–	–	–	–	–	–	–	100,000
Transaction costs from issue of preference shares		–	(2,085)	–	–	–	–	–	–	–	(2,085)
Value of employee services received for issue of share options	26	–	–	–	–	–	–	198	–	–	198
Share options expired		–	138	–	–	–	–	(138)	–	–	–
Release of share awards		–	(50)	–	–	–	–	(466)	516	–	–
Dividends	18	–	–	–	–	–	–	–	–	(27,172)	(27,172)
<b>Total contributions by and distributions to owners</b>		10,000	88,003	–	–	–	–	(406)	516	(27,172)	70,941
At 30 April 2018	17, 18	49,449	478,462	(91,515)	10,885	18,225	(2,764)	1,373	(286)	95,505	559,334

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*



# Del Monte Pacific Limited and its Subsidiaries

## Statements of cash flows

Years ended 30 April 2020, 2019 and 2018

(In US\$'000)

	Note	<----- Group ----->			<----- Company ----->		
		Year ended 30 April 2020	Year ended 30 April 2019	Year ended 30 April 2018	Year ended 30 April 2020	Year ended 30 April 2019	Year ended 30 April 2018
<b>Cash flows from operating activities</b>							
Profit (loss) for the year		<b>(93,830)</b>	14,224	(51,076)	<b>(81,394)</b>	20,319	(36,492)
Adjustments to reconcile profit (loss) for the year to net cash flows:							
Amortisation of intangible assets	8	<b>6,650</b>	6,654	7,784	—	—	—
Depreciation of property, plant and equipment	5	<b>136,674</b>	132,052	140,061	—	—	—
Amortisation of right-of-use assets	24	<b>35,179</b>	—	—	—	—	—
Impairment loss (reversal of impairment) of property, plant and equipment	5	<b>40,746</b>	1,262	24,534	—	—	—
Loss (gain) on disposal of property, plant and equipment	26	<b>2,502</b>	(6,158)	(11,317)	—	—	—
Equity-settled share-based payment transactions		—	266	377	—	—	30
Share in losses (earnings) of joint ventures and subsidiaries	7	<b>2,887</b>	983	1,552	<b>77,592</b>	(27,060)	13,303
Finance income		<b>(7,738)</b>	(18,132)	(38,567)	<b>(22,111)</b>	(20,231)	(1,086)
Finance expense		<b>119,198</b>	100,363	104,992	<b>16,317</b>	17,518	16,275
Unrealised foreign exchange gain (loss)		<b>1,295</b>	(3,792)	(2,244)	<b>6</b>	—	—
Tax expense - current	28	<b>55,424</b>	11,721	11,701	<b>21</b>	7	25
Tax credit - deferred	9, 28	<b>(26,248)</b>	(25,245)	3,143	<b>(6)</b>	(5)	(9)
Ineffective portion of cash flow hedges		<b>941</b>	264	846	—	—	—
Impairment losses on noncurrent assets held for sale		—	775	—	—	—	—
		<b>273,680</b>	215,237	191,786	<b>(9,575)</b>	(9,452)	(7,954)
Changes in:							
Other assets		<b>(28,447)</b>	6,281	(5,169)	—	—	—
Inventories		<b>182,344</b>	104,077	147,643	—	—	—
Biological assets		<b>(7,505)</b>	(10,650)	(537)	—	—	—
Trade and other receivables		<b>(48,956)</b>	12,043	12,716	<b>(29)</b>	(24)	(1)
Prepaid expenses and other current assets		<b>(6,922)</b>	(4,083)	10,600	<b>(17)</b>	30	(143)
Employee benefits		<b>14,144</b>	3,304	16,298	<b>17</b>	—	—
Trade and other payables		<b>44,377</b>	(138,454)	(11,777)	<b>1,837</b>	(5,481)	(6,833)
Operating cash flows		<b>422,715</b>	187,755	361,560	<b>(7,767)</b>	(14,927)	(14,931)
Taxes paid		<b>(46,982)</b>	(6,830)	(4,574)	<b>(22)</b>	(31)	(22)
<b>Net cash flows provided by (used in) operating activities</b>		<b>375,733</b>	180,925	356,986	<b>(7,789)</b>	(14,958)	(14,953)



# Del Monte Pacific Limited and its Subsidiaries

## Statements of cash flows (cont'd) Years ended 30 April 2020, 2019 and 2018 (In US\$'000)

	Note	<----- Group ----->			<----- Company ----->		
		Year ended 30 April 2020	Year ended 30 April 2019	Year ended 30 April 2018	Year ended 30 April 2020	Year ended 30 April 2019	Year ended 30 April 2018
<b>Cash flows from investing activities</b>							
Interest received		756	715	550	1	–	5
Proceeds from disposal of property, plant and equipment and noncurrent assets held for sale		29,238	16,206	41,241	–	–	–
Acquisitions of property, plant and equipment		(130,864)	(123,479)	(144,776)	–	–	–
Investments in joint ventures	7	(1,530)	–	(950)	–	–	(949)
Advances to joint ventures		–	–	–	(140)	(950)	(1,570)
Repayments from joint ventures		–	–	–	–	–	6,013
Advances to related company		–	–	–	(235,388)	(89,232)	(97,335)
Dividend received		–	–	–	230,474	33,000	57,989
<b>Net cash flows used in investing activities</b>		<b>(102,400)</b>	<b>(106,558)</b>	<b>(103,935)</b>	<b>(5,053)</b>	<b>(57,182)</b>	<b>(35,847)</b>
<b>Cash flows from financing activities</b>							
Interest paid		(94,648)	(87,494)	(94,961)	(15,637)	(15,927)	(12,370)
Proceeds from borrowings	40	788,696	886,279	807,822	105,000	227,841	154,570
Repayment of borrowings	40	(891,423)	(860,631)	(1,053,042)	(115,000)	(187,670)	(145,500)
Proceeds from issuance of share capital	17	–	–	100,000	–	–	100,000
Refund (payment) of transaction costs related to issuance of share capital		–	16	(2,085)	–	16	(2,085)
Repayments of advances from related companies		–	–	–	(46,864)	–	(281,994)
Advances from related companies		–	–	–	115,036	65,866	262,025
Payment of debt related costs		–	(146)	(4,515)	–	–	(730)
Payments of lease liability	24	(34,427)	–	–	–	–	–
Dividends paid	18	(29,862)	(19,750)	(27,172)	(29,862)	(19,750)	(27,172)
<b>Net cash flows (used in) provided by financing activities</b>		<b>(261,664)</b>	<b>(81,726)</b>	<b>(273,953)</b>	<b>12,673</b>	<b>70,376</b>	<b>46,744</b>



**Del Monte Pacific Limited and its Subsidiaries**

**Statements of cash flows (cont'd)**  
**Years ended 30 April 2020, 2019 and 2018**  
(In US\$'000)

	<----- Group ----->			<----- Company ----->		
	Year ended 30 April 2020	Year ended 30 April 2019	Year ended 30 April 2018	Year ended 30 April 2020	Year ended 30 April 2019	Year ended 30 April 2018
Note						
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>11,669</b>	<b>(7,359)</b>	<b>(20,902)</b>	<b>(169)</b>	<b>(1,764)</b>	<b>(4,056)</b>
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	160	4,749	7,577	49	(59)	(2)
Cash and cash equivalents at beginning of year	21,636	24,246	37,571	886	2,709	6,767
<b>Cash and cash equivalents at end of year</b>	<b>33,465</b>	<b>21,636</b>	<b>24,246</b>	<b>766</b>	<b>886</b>	<b>2,709</b>

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*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*



## **Del Monte Pacific Limited and its Subsidiaries**

### **Notes to the financial statements For the financial year ended 30 April 2020**

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These notes form an integral part of the financial statements.

The accompanying financial statements were approved and authorised for issuance by the Board of Directors (the “Board” or “BOD”) on 12 August 2020.

#### **1. Domicile and activities**

Del Monte Pacific Limited (the “Company”) was incorporated as an international business company in the British Virgin Islands on 27 May 1999 under the International Business Companies Act (Cap. 291) of the British Virgin Islands. It was automatically re-registered as a company on 1 January 2007 when the International Business Companies Act was repealed and replaced by the Business Companies Act 2004 of the British Virgin Islands.

The registered office of the Company is located at Craigmuir Chambers, Road Town, Tortola, British Virgin Islands.

The principal activity of the Company is that of investment holding. Its subsidiaries are principally engaged in growing, processing, and selling packaged fruits, vegetable and tomato, fresh pineapples, sauces, condiments, pasta, broth and juices, mainly under the brand names of “Del Monte”, “S&W”, “Today’s”, “Contadina”, “College Inn” and other brands. The Company’s subsidiaries also produce and distribute private label food products.

The immediate holding company is NutriAsia Pacific Limited (“NAPL”) whose indirect shareholders are NutriAsia Inc. (“NAI”) and Well Grounded Limited (“WGL”), which at 30 April 2020, 2019 and 2018, held 57.8% and 42.2% interests in NAPL, respectively, through their intermediary company, NutriAsia Holdings Limited. NAPL, NAI and WGL were incorporated in the British Virgin Islands. The ultimate holding company is HSBC International Trustee Limited.

On 2 August 1999, the Company was admitted to the Official List of the Singapore Exchange Securities Trading Limited (“SGX-ST”). The Ordinary Shares of the Company were also listed on the Philippine Stock Exchange Inc. (“PSE”) on 10 June 2013. The first tranche of the Company’s Preference Shares was listed on 7 April 2017 and the second tranche on 15 December 2017.

On 6 August 2010, the Company established DM Pacific Limited-ROHQ (“ROHQ”), the regional operating headquarters of the Company in the Philippines. The ROHQ is registered with and licensed by the Securities and Exchange Commission (“SEC”) to engage in general administration and planning, business planning and coordination, sourcing and procurement of raw materials and components, corporate financial advisory, marketing control and sales promotion, training and personnel management, logistics services, research and product development, technical support and maintenance, data processing and communication, and business development. The ROHQ commenced its operations in October 2015.

The financial statements of the Group as at and for the year ended 30 April 2020 comprise the Company and its subsidiaries (together referred to as the “Group”, and individually as “Group entities”), and the Group’s interests in joint ventures.



**2. Going concern**

As at 30 April 2020, the Group and the Company's current liabilities exceeded its current assets by US\$667.3 million and US\$262.3 million (2019: net current assets of US\$215.8 million and US\$234.8 million), respectively. As disclosed in Note 19, the Group's and the Company's total loans and borrowings amounted to US\$1,396.0 million and US\$366.3 million (2019: US\$ 1,478.7 million and US\$376.1 million), of which US\$1,298.3 million and US\$291.3 million (2019: US\$492.7 million and US\$135.1 million) were classified as current liabilities. This was mainly driven by the Secured First Lien Term Loan of Del Monte Foods, Inc. ("DMFI") and current portion of long-term loans of Del Monte Philippines, Inc. ("DMPI") and the Company that will be due within fiscal year 2021.

Management believes that the Group, collectively, will be able to pay its liabilities as and when they fall due. Accordingly, the use of going concern assumption is appropriate taking into account the following:

- DMFI has successfully refinanced the Secured First Lien Term Loan through senior secured notes amounting to US\$500.0 million due in 2025.
- The Company and DMPI are in the process of refinancing the current portion of long-term loans that are falling due in August 2020.
- The Group has sufficient credit lines available for draw down and as such, management believes that the Group will have sufficient working capital to enable to meet its objectives and future financial obligations.
- The Group generated net operating cash flows of US\$375.7 million (30 April 2019: US\$180.9 million). Management expects that the operating costs will be further reduced in the succeeding years as the Group further reviews its manufacturing and distribution footprint in the US as well as streamline its operations to further improve operational efficiency with the intent of increasing future operating cash flows.

**3. Basis of preparation**

**3.1 Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

**3.2 Basis of measurement**

The financial statements have been prepared on historical cost basis except as otherwise described in the succeeding notes below.

**3.3 Functional and presentation currency**

The financial statements are presented in United States Dollars (US\$) which is the Company's functional currency. All financial information presented in US Dollars has been rounded to the nearest thousand, unless otherwise stated.



**3. Basis of preparation (cont'd)**

**3.4 Use of estimates and judgements**

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual **results** may differ from these estimates.

***Judgements***

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements are included in the following notes:

- Note 6 – Determination of control over subsidiaries
- Note 6 – Deconsolidation of Del Monte Andina C.A.
- Note 6 – Debt versus equity classification
- Note 8 – Assessment of intangible assets with indefinite useful life
- Note 16 – Classification of assets held for sale
- Note 24 – Determination of lease term of contracts with renewal options
- Note 37 – Contingencies

***ESTIMATES AND UNDERLYING ASSUMPTIONS***

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk resulting in a material adjustment within the next financial year are included in the following notes:

- Note 5 – Useful lives of property, plant and equipment, revaluation of freehold land, estimate of harvest for bearer plant's depreciation
- Note 5 – Impairment of property, plant and equipment
- Note 6 – Recoverability of investments in subsidiaries
- Note 6 – Obligation to deliver additional Redeemable and Convertible Preferred Shares ("RCPS")
- Note 6 – Fair valuation of derivative liability
- Note 7 – Recoverability of investments in joint ventures
- Note 8 – Useful lives of intangible assets and impairment of goodwill and intangible assets
- Note 9 – Realisability of deferred tax assets
- Note 11 – Future cost of growing crops and fair value of livestock, harvested crops, and produce prior to harvest and future volume of harvest
- Note 12 – Allowance for inventory obsolescence and net realisable value
- Note 13 – Impairment of trade and nontrade receivables
- Note 21 – Measurement of employee benefit obligations
- Note 22 – Estimation of environmental remediation liabilities
- Note 23 – Estimation of trade promotion accruals
- Note 24 – Determination of incremental borrowing rate for lease liabilities
- Note 28 – Measurement of income tax
- Note 35 – Determination of fair values
- Note 37 – Contingencies





**3. Basis of preparation (cont'd)**

**3.5 *Measurement of fair value***

Fair value is the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value 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 most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Group.

The fair value of an asset or 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.

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised 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 prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.



**3. Basis of preparation (cont'd)**

**3.6 Adoption of New or Revised Standards, Amendments to Standards and Interpretations**

The Group applied for the first time certain pronouncements, effective 1 May 2019. Adoption of these pronouncements did not have a significant impact to the financial statements of the Group and the Company unless otherwise stated.

- **IFRS 16, Leases**

IFRS 16 supersedes IAS 17, *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise the most leases on the consolidated statement of financial position.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings as at 1 May 2019. Accordingly, the comparative information presented for fiscal year 2019 has not been restated. In relation to those leases under IFRS 16, the Group recognised depreciation and interest costs, instead of operating lease expense.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risk and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases, except for some short-term and low-value assets.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 May 2019. The right-of-use assets on lease agreements of some office buildings and warehouses were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate (IBR) at the date of initial application. For other leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments outstanding at the date of transition.

For leases classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at 1 May 2019 were determined at the carrying amount of lease asset and lease liability under IAS 17 immediately before that date. The Group has no finance leases under IAS 17.

Right-of-use assets and lease liabilities are presented separately in the consolidated statement of financial position.



3. Basis of preparation (cont'd)

3.6 *Adoption of New or Revised Standards, Amendments to Standards and Interpretations (cont'd)*

• IFRS 16, *Leases* (cont'd)

The impact of adoption of IFRS 16 on the consolidated statement of financial position as at 1 May 2019 is as follows:

	As at 1 May 2019 US\$'000
<b>Assets</b>	
Prepaid expenses and other current assets	(9,234)
Right-of-use assets - net	209,170
Other noncurrent assets	(17,972)
	<u>181,964</u>
<b>Liabilities and Equity</b>	
Lease liabilities	192,283
Other noncurrent liabilities	(7,609)
Deferred tax liabilities - net	(1,697)
	<u>182,977</u>
Retained earnings	(1,013)
	<u>181,964</u>

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

Based on the above, as at 1 May 2019:

- Right-of-use assets of US\$209.2 million were recognised and presented separately in the statement of financial position.
- Lease liabilities of US\$192.3 million were recognised.
- Other noncurrent assets of US\$18.0 million, prepaid assets of US\$9.2 million and other noncurrent liabilities of US\$7.6 million related to previous operating leases arising from straight-lining under IAS 17 were derecognised.
- Deferred tax liabilities decreased by US\$1.7 million because of the deferred tax impact of the changes in assets and liabilities.
- The net effect of these adjustments was adjusted to retained earnings amounting to US\$1.0 million.



3. Basis of preparation (cont'd)

3.6 *Adoption of New or Revised Standards, Amendments to Standards and Interpretations (cont'd)*

• IFRS 16, *Leases* (cont'd)

The lease liabilities as at 1 May 2019 can be reconciled to the operating lease commitments as at 30 April 2019 as follows:

	US\$'000
<b>Operating lease commitments as at 30 April 2019</b>	<b>248,188</b>
Less: Present value discount using the Group's IBR	(47,985)
<b>Discounted operating lease commitments as at 1 May 2019</b>	<b>200,203</b>
Less: Commitments relating to short term leases/seasonal leases	(12,853)
Add: Payments in extension periods and lease contracts not recognised as at 30 April 2019	4,933
<b>Lease liabilities as at 1 May 2019</b>	<b>192,283</b>

The IBR applied to the lease liabilities on 1 May 2019 ranges between 5.0% to 7.0% depending on the remaining lease term.

Due to the adoption of IFRS 16, the Group's operating profit in 2020 improved, while its interest expense increased. This is due to the change in the accounting for rent expense related to leases that were classified as operating leases under IAS 17.

The adoption of IFRS 16 had impact on total equity as at 1 May 2019 since the Group elected to measure right-of-use assets on certain contracts specifically for lease agreements on office building and improvement, included as part of right-of-use assets under modified retrospective approach wherein right-of-use assets are measured at carrying amount as if the standard had been applied since the commencement date and lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The resulting difference between right-of-use assets and lease liabilities was closed to retained earnings.

As a result of the adoption of IFRS 16, the Company recognised adjustment to retained earnings amounting to US\$1.01 million which pertains to the adjustment in investment in subsidiary accounted at equity method in the Company financial statements.



**3. Basis of preparation (cont'd)**

**3.6 Adoption of New or Revised Standards, Amendments to Standards and Interpretations (cont'd)**

- **IFRIC 23, *Uncertainty over Income Tax Treatment***

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12, *Income taxes*. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group and the Company is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The Group and the Company shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the Group and the Company concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, the Group and the Company shall reflect the effect of the uncertainty for each uncertain tax treatment using the method it expects to better predict the resolution of the uncertainty.

Upon adoption of the interpretation, the Group has assessed whether it has uncertain tax position. The Group applied significant judgement in identifying uncertainties over its income tax treatments. The Group determined, based on its assessment, that it is probable that its income tax treatments will be accepted by the taxation authority. Accordingly, the Interpretation did not have significant impact on the consolidated financial statements of the Group.

Based on the Company's assessment, it has no (or no material) uncertain tax treatments, accordingly, the adoption of this Interpretation has no (or no significant) impact on the Company's financial statements.

- **Amendments to IAS 28, *Long-term interests in associates and joint ventures***

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28.



**3. Basis of preparation (cont'd)**

**3.6 Adoption of New or Revised Standards, Amendments to Standards and Interpretations (cont'd)**

- Amendments to IAS 28, *Long-term interests in associates and joint ventures (cont'd)*

These amendments are not applicable to the Group and the Company since interests in joint ventures is accounted for using the equity method.

- Amendments to IFRS 9, *Prepayment Features with Negative Compensation*

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income ("FVOCI"), provided that the contractual cash flows are "solely payments of principal and interest on the principal amount outstanding" (the "SPPI criterion") and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The basis for conclusions to the amendments clarified that the early termination can result from a contractual term or from an event outside the control of the parties to the contract, such as a change in law or regulation leading to the early termination of the contract.

- Amendments to IAS 19, *Plan Amendment, Curtailment or Settlement*

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

As of 30 April 2020, there were amendments to the employee benefit plans and these amendments to IAS 19 were considered (see Note 21).



**3. Basis of preparation (cont'd)**

**3.6 Adoption of New or Revised Standards, Amendments to Standards and Interpretations (cont'd)**

- *Annual Improvements to IFRSs 2015-2017 Cycle*

This cycle of improvements contains amendments to the following standards relevant to the Group and the Company:

- *Amendments to IFRS 3, Business Combination and IFRS 11, Joint Arrangements, Previously Held Interest in a Joint Operation*

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation, might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

- *Amendments to IAS 12, Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income ("OCI") or equity according to where the entity originally recognised those past transactions or events.

In fiscal year 2020, the Group recognised a total tax expense of US\$47.2 million, as income tax consequence of dividends paid by subsidiaries (see Note 28). This amount includes the US\$39.7 million final taxes paid on dividends paid from accumulated earnings of prior years, as well as the deferred tax expense of US\$7.5 million from undistributed share in subsidiaries' profits (see Note 9).

- *Amendments to IAS 23, Borrowing Costs, Borrowing Costs Eligible for Capitalization*

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.



#### **4. Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, except as explained in Note 3.6, which addresses the changes in accounting policies.

##### **4.1 Basis of consolidation**

###### **(i) Business combination**

Business combinations are accounted for using the acquisition method in accordance with IFRS 3, *Business Combinations*, as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in the income statement.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the income statement.

Any contingent consideration payable is recognised at fair value at the acquisition date and included in the consideration transferred. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in the income statement.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. The measurement basis taken is elected on a transaction-by-transaction basis. All other components of non-controlling interests are measured at acquisition-date fair value unless another measurement is required by another standard.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.





**4. Significant accounting policies (cont'd)**

**4.1 Basis of consolidation (cont'd)**

*(i)* Business combination (cont'd)

If the initial accounting for a business combination is incomplete by the end of the reporting period it occurs, provisional amounts for the items for which the accounting is incomplete is reported in the financial statements. During the measurement period, which is not more than one year from acquisition date, the provisional amounts recognised are retrospectively adjusted, and any additional assets or liabilities recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date. Comparative information for prior periods are revised, as needed.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in the income statement. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

*(ii)* Investments in subsidiaries

Subsidiaries are entities controlled by the Group. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through power over the investee. Specifically, the Company controls an investee if and only if the Company has:

- power over the investee (i.e., existing rights that give the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Company has less than majority of the voting rights or similar rights to an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Company's voting rights and potential voting rights.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Subsidiaries are fully consolidated from the date control is transferred to the Company and cease to be consolidated from the date control is lost. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the income statement from the date the Company gains control until the date the Company ceases to control the subsidiary.



**4. Significant accounting policies (cont'd)**

**4.1 Basis of consolidation (cont'd)**

*(ii)* Investments in subsidiaries (cont'd)

Profit or loss and each component of OCI are attributed to the equity holders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Company's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Company are eliminated in full on consolidation.

*(iii)* Acquisition under common control

The formation of the Group in 1999 was accounted for as a reorganisation of companies under common control using merger accounting. The financial statements therefore reflect the combined financial statements of all companies that form the Group as if they were a Group for all periods presented. The assets and liabilities of Del Monte Pacific Resources Limited and its subsidiaries contributed to the Company have been reflected at predecessor cost in these financial statements.

*(iv)* Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in the income statement.

*(v)* Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill on initial recognition, see Note 8.

*Subsequent measurement*

Goodwill is measured at cost less accumulated impairment losses. In respect of the joint ventures, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the joint ventures.

Impairment of goodwill is discussed in Note 4.11.

*(vi)* Investments in joint ventures

Joint ventures are those entities in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. Joint control is the contractually sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.



**4. Significant accounting policies (cont'd)**

**4.1 Basis of consolidation (cont'd)**

**(vi) Investments in joint ventures (cont'd)**

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Investments in joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transactions costs.

Subsequent to the initial recognition, the financial statements include the Group's share of profit or loss and other comprehensive income of the joint ventures, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in joint ventures, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

Impairment of investments in joint ventures is discussed in Note 4.11.

**(vii) Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the financial statements. Unrealised gains arising from transactions with joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

**(viii) Investments in subsidiaries and joint ventures in the separate financial statements**

Interest in subsidiaries and joint ventures are accounted for using the equity method. It is initially recognised at cost, which includes transactions costs. Subsequent to the initial recognition, the financial statements include the Company's share of profit or loss and other comprehensive income of the equity-accounted investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

When the Company's share of losses exceeds its interest in subsidiaries and joint ventures, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Company has an obligation to fund the investee's operations or has made payments on behalf of the investee.



**4. Significant accounting policies (cont'd)**

**4.2 Foreign currency**

*(i)* Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognised in the income statement, except for differences which are recognised in OCI arising on the retranslation of qualifying cash flow hedges to the extent the hedge is effective.

*(ii)* Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to US Dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to US Dollars using monthly average exchange rates.

Foreign currency differences are recognised in OCI and presented in the foreign currency translation reserve ("translation reserve") in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to the income statement.

When the settlement of a monetary item that is a receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in OCI, and presented in the translation reserve in equity.



**4. Significant accounting policies (cont'd)**

**4.3 Current versus Noncurrent Classification**

The Group presents assets and liabilities in the statement of financial position based on current and noncurrent classification. An asset is current when:

- It is expected to be realised or intended to be sold or consumed in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is expected to be realised within 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 12 months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and deferred tax liabilities are classified as noncurrent assets and liabilities, respectively.

**4.4 Intangible assets**

**(i) Indefinite useful life intangible assets**

Intangible assets are measured at cost less accumulated impairment losses.

The Group assess intangible assets as having indefinite useful life if there is no foreseeable limit to the period over which the assets are expected to generate cash inflows for the entity.

**(ii) Research and development**

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in the income statement as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.



**4. Significant accounting policies (cont'd)**

**4.4 Intangible assets (cont'd)**

(iii) Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

(iv) *Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the income statement as incurred.

(v) Amortisation

Amortisation is calculated based on the cost of the asset.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and, from the date that they are available for use. The estimated useful lives for the current period and comparative years are as follows:

Trademarks	-	10 to 20 years
Customer relationships	-	20 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**4.5 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.

*Initial Recognition and Subsequent Measurement Prior to the Adoption of IFRS 9*

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss ("FVTPL"), held-to-maturity ("HTM") financial assets, loans and receivables and available-for-sale ("AFS") financial assets. The Group classifies non-derivative financial liabilities into the following categories: financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Classification is determined at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date. The Group has no financial assets and liabilities at FVTPL and HTM financial assets as at 30 April 2018.

(i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.



**4. Significant accounting policies (cont'd)**

**4.5 Financial instruments (cont'd)**

**(i) Non-derivative financial assets (cont'd)**

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise 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 the Group and all of the counterparties.

Non-derivative financial assets comprise of loans and receivables.

*Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise of due from a related party, note receivable under "Other noncurrent assets", trade and other receivables, refundable deposits, and cash and cash equivalents. Cash and cash equivalents comprise of cash on hand, cash in banks and short-term placements.

**(ii) Non-derivative financial liabilities**

Financial liabilities are recognised initially on the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, are cancelled or expire.

When a financial liability (or part of a liability) is extinguished, the difference between the carrying amount of the financial liability (or part of a liability) and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in income statement. If the Group repurchases only a part of a financial liability, it calculates the carrying value of the part disposed of by allocating the previous carrying amount of the financial liability between the part that continues to be recognised and the part that is derecognised based on the relative fair values of those parts on the date of the repurchase.



**4. Significant accounting policies (cont'd)**

**4.5 Financial instruments (cont'd)**

*(ii)* Non-derivative financial liabilities (cont'd)

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 the Group and all of the counterparties.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Non-derivative financial liabilities comprise loans and borrowings, and trade and other payables.

*(iii)* Derivative financial instruments, including hedge accounting

The Group uses derivative financial instruments for the purpose of managing risks associated with interest rates, currencies, and certain commodities. The Group does not trade or use derivative instruments with the objective of earning financial gains on fluctuations in the derivative instrument alone, nor does it use derivative instruments where there are no underlying exposures. All derivative instruments are recorded in the statement of financial position at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether the instrument has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship.

For those derivative instruments that are not designated as hedging instruments, changes in fair value subsequent to initial recognition are recognised in the income statement.

For those derivative instruments that are designated and qualify as hedging instruments, the Group designates the hedging instrument based upon the exposure being hedged, as a fair value hedge, cash flow hedge, or a hedge of a net investment in a foreign operation.

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be 'highly effective' in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80 - 125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.





**4. Significant accounting policies (cont'd)**

**4.5 Financial instruments (cont'd)**

*(iii)* Derivative financial instruments, including hedge accounting (cont'd)

*Cash flow hedges*

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the income statement.

The amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period or periods during which the hedged item affects profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to the income statement.

*Starting May 1, 2018, the Group has adopted IFRS 9.*

*(i)* Recognition and measurement

Financial instruments are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset, unless it is a trade receivable without a financing component, or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price determined under IFRS 15, *Revenue from Contracts with Customers*.

*(ii)* Classification and subsequent measurement

*Financial assets*

On initial recognition, the Group classifies its financial assets into the following categories: financial assets at amortised cost, financial assets at FVTPL, and financial assets at FVOCI. The classification depends on the Group's business model for managing financial instruments and the contractual cash flow characteristics of the financial instruments. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.



**4. Significant accounting policies (cont'd)**

**4.5 Financial instruments (cont'd)**

(ii) Classification and subsequent measurement (cont'd)

*Financial assets (cont'd)*

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL: (1) it is held within a business model whose objective is to hold assets to collect contractual cash flows; and (2) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated at FVTPL: (1) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and (2) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

The Group's financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Group has insignificant investment in club shares classified and measured at FVOCI.

*Financial assets at amortised cost*

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Impairment losses on trade receivables are recognised under selling expenses. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets at amortised cost comprise cash in banks and cash equivalents, trade and other receivables, due from related party, refundable deposits and note receivables.



**4. Significant accounting policies (cont'd)**

**4.5 Financial instruments (cont'd)**

(ii) Classification and subsequent measurement (cont'd)

*Business model assessment*

The business model refers to how an entity manages its financial assets in order to generate cash flows. It determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Group makes an assessment of the objective of the business model in which financial assets held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

the policies and objectives in managing the Group's financial assets for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior period, the reasons for such sales and expectations about future sales activity.



**4. Significant accounting policies (cont'd)**

**4.5 Financial instruments (cont'd)**

(ii) Classification and subsequent measurement (cont'd)

*Assessment Whether Contractual Cash Flows are SPPI*

For the purposes of this assessment, “principal” is defined as the fair value of the financial asset on initial recognition. “Interest” is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group’s claim to cash flows from specified assets (e.g., non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

*Financial liabilities*

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.



**4. Significant accounting policies (cont'd)**

**4.5 Financial instruments (cont'd)**

(ii) Classification and subsequent measurement (cont'd)

*Financial liabilities (cont'd)*

Financial liabilities at amortised cost comprise bank loans, trade and other payables.

*Classification of Financial Instruments between Debt and Equity*

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

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

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

(ii) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. Repurchases of a portion of a financial liability result in the allocation of the original carrying value of the financial liability between the portion that continues to be recognised and the portion that was repurchased based on the relative fair values on the date of the repurchase.



**4. Significant accounting policies (cont'd)**

**4.5 Financial instruments (cont'd)**

(iii) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise 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 the Group and all of the counterparties.

(iv) Derivative financial instruments, including hedge accounting

The Group uses derivative financial instruments for the purpose of managing risks associated with interest rates, currencies, and certain commodities. The Group does not trade or use instruments with the objective of earning financial gains on fluctuations in the derivative instrument alone, nor does it use instruments where there are no underlying exposures. All derivative instruments are recorded in the statement of financial position at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether the instrument has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship. For those derivative instruments that are not designated as hedging instruments, changes in fair value subsequent to initial recognition are recognised in the income statement. For those derivative instruments that are designated and qualify as hedging instruments, the Group designates the hedging instrument as a fair value hedge, cash flow hedge, or a hedge of a net investment in a foreign operation based upon the exposure being hedged.

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are generally expected to offset each other. To qualify for hedge accounting, the hedging relationship has to meet the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship;
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item; and



**4. Significant accounting policies (cont'd)**

**4.5 Financial instruments (cont'd)**

(v) Derivative financial instruments, including hedge accounting (cont'd)

- the hedged item and the hedging instrument are not intentionally weighted to create hedge ineffectiveness, whether recognised or not, to achieve an accounting outcome that would be inconsistent with the purpose of hedge accounting.

For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

*Cash flow hedges*

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the income statement.

The amount accumulated in equity is retained in OCI and reclassified to the consolidated income statement in the same period or periods during which the hedged item affects the consolidated income statement, except when a hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, in which case the amount retained in OCI is included directly in the initial cost of the non-financial item when it is recognised.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in OCI remains in equity until, for hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to the income statement in the same period or periods as the hedged expected future cash flows affect the income statement. If a hedged forecast transaction is no longer expected to occur, then the amount accumulated in equity is immediately reclassified to the income statement. If a hedged forecast transaction is no longer expected to occur, then the amount accumulated in equity is immediately reclassified to the consolidated income statement.

**4.6 Property, plant and equipment**

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses except for freehold land, which are stated at its revalued amounts. The revalued amount is the fair value at the date of revaluation less any subsequent accumulated impairment losses. Revaluation is carried out by independent professional valuers regularly such that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the reporting date.



**4. Significant accounting policies (cont'd)**

**4.6 Property, plant and equipment (cont'd)**

Any increase in the revaluation amount is recognised in OCI and presented in the revaluation reserve in equity unless it offsets a previous decrease in value of the same asset that was recognised in the income statement. A decrease in value is recognised in the income statement where it exceeds the increase previously recognised in the revaluation reserve. Upon disposal, any related revaluation reserve is transferred from other comprehensive income to retained earnings.

A bearer plant is a pineapple and papaya living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Costs related to bearer plants are capitalised up to point of maturity of the bearer plants, including costs during the ratoon crop cycle. These costs include land preparation, cultural, spraying and plantation overhead costs.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, estimated costs of dismantling and removing the items and restoring the site on which they are located (when the Group has an obligation to remove the asset or restore the site), and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Construction in-progress represents plant and properties under construction or development and is stated at cost. This includes cost of construction, plant and equipment, borrowing costs directly attributable to such asset during the construction period and other direct costs. Construction in-progress is not depreciated until such time when the relevant assets are substantially completed and available for its intended use.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item, and is recognised net within other income/other expenses in the income statement.

**(ii) Subsequent costs**

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.





**4. Significant accounting policies (cont'd)**

**4.6 Property, plant and equipment (cont'd)**

*(iii)* Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation (except bearer plants) is recognised in the income statement on a straight-line basis over their estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Freehold land is not depreciated.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current period and comparative years are as follows:

Buildings, land improvements and -	3 to 50 years or lease term,
leasehold improvements	whichever is shorter
Machineries and equipment -	3 to 30 years

For bearer plants, units of production method is used. Depreciation is charged according to the cost of fruits harvested at plant crop and ratoon crop harvest months.

Bearer plants are depreciated based on the ratio of actual quantity of harvest over the estimated yield for both plant crop and ratoon crop harvests. Plant crop harvest usually occurs within 16 to 18 months after planting while ratoon crop harvest occurs at the 32<sup>nd</sup> to 34<sup>th</sup> month after planting. Depreciation is determined on a per field basis.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.



**4. Significant accounting policies (cont'd)**

**4.7 Biological assets**

The Group's biological assets include: (a) agricultural produce consisting of pineapple and papaya; (b) breeding and dairy herd; (c) growing herd; and (d) cattle for slaughter. Agricultural produce include: (a) harvested and unharvested pineapple and papaya fruits from the Group's bearer plants; and (b) cut meat from the cattle for slaughter.

The Group's biological assets are accounted for as follows:

***Bearer Plants***

Bearer plants are measured at cost less accumulated depreciation recognised at point of harvest. Bearer plants are presented as part of property, plant and equipment. Costs to grow include purchase cost of various chemicals and fertilizers, land preparation expenses and direct expenses during the cultivation of the primary ratoon crop and, if needed, re-ratoon crops. The accumulated costs are deferred and are amortised as raw product costs upon harvest. Raw product cost is recognised as depreciation based on the actual volume of harvest in a given period (see Note 4.6).

***Breeding and Dairy Herd***

The breeding and dairy herd are measured at cost. The breeding and dairy herd have useful lives of 3 ½ to 6 years. The cost method was used since fair value cannot be measured reliably. The breeding and dairy herd have no active markets and no similar assets are available in the relevant markets. In addition, existing sector benchmarks are irrelevant and estimates necessary to compute for the present value of expected net cash flows comprise a wide range of data which will not result in a reliable basis for determining the fair value. Breeding and dairy herd are classified as noncurrent assets in the statement of financial position of the Group.

***Growing Herd***

Growing herd is measured at cost. The cost method was used since the fair value cannot be measured reliably. Growing herd has no defined active market since it has not yet been identified if this will be for breeding or for slaughter. Growing herd is classified as noncurrent assets in the statement of financial position of the Group.

***Cattle for Slaughter***

Cattle for slaughter is measured at each reporting date at their fair value less point-of-sale costs. Gains and losses arising from changes in fair values are included in profit or loss for the period in which they arise. Cattle for slaughter is classified as noncurrent assets in the statements of financial position of the Group.

The Group's agricultural produce are accounted for as follows:

***Agricultural Produce***

The Group's growing produce are measured at their fair value from the time of maturity of the bearer plant until harvest. The Group uses the future selling prices and gross margin of finished goods, less future growing cost as the basis of fair value and adjusted for margin and associated costs related to production. The Group's harvested produce are measured at fair value at the point of harvest based on the estimated selling prices reduced by cost to sell.



**4. Significant accounting policies (cont'd)**

**4.7 Biological assets (cont'd)**

*Cutmeat*

Cutmeat is measured at each reporting date at their fair value less point-of-sale costs. Gains and losses arising from changes in fair values are included in profit or loss for the period in which they arise.

**4.8 Leases**

Starting May 1, 2019, the Group has adopted IFRS 16

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date. The arrangement is assessed for whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

*Group as a lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liability to make lease payments and right-of-use asset representing the right to use the underlying asset.

*Right-of-use Asset*

The Group recognises right-of-use asset at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use asset is measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liability. The cost of right-of-use asset includes the amount of lease liability recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use asset is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The estimated useful lives are as follows:

Buildings, land improvements and -	2 to 6 years
leasehold improvements	
Land -	2 to 26 years
Machineries and equipment -	2 to 17 years

The right-of-use asset is presented separately in the statement of financial position.



**4. Significant accounting policies (cont'd)**

**4.8 Leases (cont'd)**

*Lease liabilities*

At the commencement date of the lease, the Group recognises 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 recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

*Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases that are considered of low value (i.e., personal computers). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Initial Recognition and Subsequent Measurement Prior to the Adoption of IFRS 16

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- (a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
- (b) A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
- (c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or
- (d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).



**4. Significant accounting policies (cont'd)**

**4.8 Leases (cont'd)**

A series of transactions that involve the legal form of a lease is linked and is accounted for as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. This is the case, for example, when the series of transactions are closely interrelated, negotiated as a single transaction, and takes place concurrently or in a continuous sequence. This requires an evaluation of the substance of the lease arrangement, including the conveyance of the right to use an asset for an agreed period of time.

*Group as Lessee*

Leases where the lessor retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

*Lease Payments*

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expenses, over the term of the lease.

Rent expense is being recognised on a straight-line basis over the life of the lease. The difference between rent expense recognised and rental payments, as stipulated in the lease, is reflected as deferred rent in the statements of financial position.

**4.9 Inventories**

Inventories are measured at the lower of cost and net realisable value.

The cost of raw materials, packaging materials, traded goods, cost of production materials and storeroom items is based on the FIFO (First-in First-out) method. Cost of processed inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The costs of conversion include costs directly related to the units of production, and a systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods.

The allocation of fixed production overheads is based on the normal capacity of the production facilities. Normal capacity is the production expected to be achieved on average for the periods or seasons under normal circumstances, taking into account the seasonal business cycle of the Group.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of growing crops transferred from biological assets is its fair value less cost to sell at the date of harvest.

**4.10 Cash and cash equivalents**

Cash and cash equivalents consist of cash and short-term, highly liquid investments that are readily convertible to known amount of cash with original maturities of three months or less that are subject to insignificant risk of change in value.



**4. Significant accounting policies (cont'd)**

**4.11 Impairment (cont'd)**

*(i) Non-derivative financial assets*

Impairment of non-derivative financial assets prior to the adoption of IFRS 9

A financial asset not classified at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event(s) have occurred after the initial recognition of the asset, and that the loss event(s) had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, or economic conditions that correlate with defaults.

*Loans and receivables*

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in the income statement and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised.

When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through the income statement.



**4. Significant accounting policies (cont'd)**

**4.11 Impairment (cont'd)**

*(i)* Non-derivative financial assets (cont'd)

Impairment of non-derivative financial assets upon adoption of IFRS 9

The Group recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost.

ECLs are probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive), discounted at the effective interest rate of the financial asset, and reflects reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions.

Impairment loss allowances are measured on either lifetime ECLs or 12-month ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date, or a shorter period if the expected life of the instrument is less than 12 months.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for debt securities that are determined to have low credit risk at the reporting date and other debt securities and bank balances for which credit risk has not increased significantly since initial recognition, which are measured at 12-month ECLs.

Impairment loss allowances for trade receivables without a significant financing component are measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held), or when the financial asset is more than 90 days past due.

The Group considers a debt security to have a low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade".



**4. Significant accounting policies (cont'd)**

**4.11 Impairment (cont'd)**

*(i)* Non-derivative financial assets (cont'd)

Impairment of non-derivative financial assets upon adoption of IFRS 9

At each reporting date, the Group assesses whether financial assets at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired may include significant financial difficulty of the debtor, a breach of contract such as a default, the restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that the debtor or issuer will enter bankruptcy or other financial reorganisation, the disappearance of an active market for that financial asset because of financial difficulties, adverse changes in the payment status of borrowers or issuers, or economic conditions that correlate with defaults.

Impairment loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets in the statement of financial position. The gross carrying amount of a financial asset is written-off when the Group has no realistic prospects of recovery of the asset.

*(ii)* Non-financial assets

The carrying amounts of the Group's non-financial assets, other than biological assets, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value-in-use ("VIU") and its fair value less costs to sell. In assessing VIU, 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 or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

Impairment losses are recognised in the income statement. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.





**4. Significant accounting policies (cont'd)**

**4.11 Impairment (cont'd)**

(ii) Non-financial assets (cont'd)

An impairment loss recognised in prior periods for an asset other than goodwill 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 amortisation, if no impairment loss had been recognised.

*Joint ventures and investments in subsidiaries*

An impairment loss in respect of joint ventures is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in the income statement. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

*Goodwill*

Goodwill that forms part of the carrying amount of an investment in a joint venture is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in a joint venture is tested for impairment as a single asset when there is objective evidence that the investment in a joint venture may be impaired.

When conducting the annual impairment test for goodwill, the Group compares the estimated fair value of the CGU containing goodwill to its recoverable amount.

Goodwill is allocated to a CGU or group of CGUs that represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. The recoverable amount is computed using two approaches: the VIU approach, which is the present value of expected cash flows, discounted at a risk adjusted weighted average cost of capital; and the fair value less cost to sell approach, which is based on the Income Approach, which indicates the recoverable amount of an asset based on the value of the cash flows that the asset can be expected to generate in the future.

Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.



**4. Significant accounting policies (cont'd)**

**4.11 Impairment (cont'd)**

(ii) Non-financial assets (cont'd)

*Goodwill (cont'd)*

An impairment loss in respect of goodwill attributable to acquisition of a subsidiary is not reversed.

Intangible assets with indefinite useful lives, are components of the CGU containing goodwill and the impairment assessment is as described above.

**4.12 Noncurrent assets held for sale**

Noncurrent assets held for sale are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on re-measurement are recognised in the income statement of the Group. Once classified as held-for-sale, property, plant and equipment are no longer depreciated. If it is no longer highly probable that an asset will be recovered primarily through sale, the asset ceases to be classified as held-for-sale and is measured at the lower of its carrying amount before the asset was classified as held-for-sale adjusted for any depreciation that would have been recognised had the asset not been reclassified as held-for-sale and its recoverable amount at the date of the subsequent reclassification. The required adjustment to the carrying amount of an asset that ceases to be classified as held-for-sale is included in the income statement of the Group.

**4.13 Employee benefits**

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the income statement in the periods during which services are rendered by employees.



**4. Significant accounting policies (cont'd)**

**4.13 Employee benefits (cont'd)**

*(iii)* Defined benefit pension plan

A defined benefit pension plan requires contributions to be made to separately administered funds. The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognised as expense in profit or loss. Past service costs are recognised when plan amendment or curtailment occurs.

Remeasurements of the net defined benefit liability comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Group recognises them immediately in other comprehensive income and all expenses related to defined benefit plans in staff cost in profit or loss. When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in the income statement.

When the plan amendment or curtailment occurs, the Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. The gain or loss on settlement is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement and the settlement price, including any plan assets transferred and any payments made directly by the Group in connection with the settlement. In fiscal year 2020, there were amendments to the employee benefit plans, eliminating certain benefits in fiscal year 2020 and after fiscal year 2022 (see Note 21).

*Multi-employer plans*

The Group participates in several multi-employer pension plans, which provide defined benefits to certain union employees. The Group accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as other defined benefit plan. For certain union employee related retirement plans where sufficient information is not available to use defined benefit accounting, the Group accounts for these plans as if they were defined contribution plans.



**4. Significant accounting policies (cont'd)**

**4.13 Employee benefits (cont'd)**

*(iii)* Other plans

The Group has various other non-qualified retirement plans and supplemental retirement plans for executives, designed to provide benefits in excess of those otherwise permitted under the Group's qualified retirement plans. These plans are unfunded and comply with Internal Revenue Service (IRS) rules for non-qualified plans.

*(iv)* Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognised in the income statement in the period in which they arise. Other long-term employee benefits include the Group's long-term executive cash incentive awards (see Note 32).

*(v)* Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits arising from involuntary termination are recognised as an expense once the Group has announced the plan to affected employees.

*(vi)* Short-term employee benefits

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

*(vii)* Share-based payment transactions

The Group grants share awards and share options to employees of the Group. The fair value of incentives granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and accounted for as described below.

*Share awards*

The fair value, measured at grant date, is recognised over the period during which the employees become unconditionally entitled to the shares.



**4. Significant accounting policies (cont'd)**

**4.13 Employee benefits (cont'd)**

*(vii) Share-based payment transactions (cont'd)*

*Share options*

The fair value, measured at grant date, is recognised over the vesting period during which the employees become unconditionally entitled to the options. At each reporting date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates in employee benefit expense and as a corresponding adjustment to equity over the remaining vesting period.

**4.14 Share Capital and Retained earnings**

*(i) Share capital*

*Ordinary shares*

Ordinary shares are classified as equity. Holders of these shares are entitled to dividends as declared from time to time, and to one vote per share at general meetings of the Company.

*Preference shares*

Preference shares are classified as equity. Holders of these shares are entitled to cash dividends based on the issue price, at the dividend rate per annum from the issue date, payable every 7 October and 7 April of each year following the issue date, upon declaration by the BOD.

The transaction costs directly attributable to the issue of ordinary and preference shares are accounted for as deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. The costs of an equity transaction that is abandoned are recognised as an expense.

*Repurchase, disposal and reissue of share capital (treasury shares)*

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own shares. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

*Share premium*

Share premium represents the excess of consideration received over the par value of ordinary and preference shares net of transaction costs from issuance of share capital, share options exercised and released of share awards granted.



**4. Significant accounting policies (cont'd)**

**4.14 Share Capital and Retained (cont'd)**

*(ii)* Retained Earnings

Retained earnings include profit attributable to the equity holders of the Group and reduced by dividends declared on share capital.

Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

*(iii)* Dividends

Dividends are recognised as a liability and deducted from retained earnings when they are declared.

**4.15 Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

*(i)* Environment remediation liabilities

In accordance with the Group's environment policy and applicable legal requirements, a provision for environmental remediation obligations and the related expense is recognised when such losses are probable and the amounts of such losses can be estimated reliably. Accruals for estimated losses for environmental remediation obligations are recognised no later than the completion of the remedial feasibility study. These accruals are adjusted as further information develops or circumstances change.

*(ii)* Retained insurance liabilities

The Group accrues for retained insurance risks associated with the deductible portion of any potential liabilities that might arise out of claims of employees, customers or other third parties for personal injury or property damage occurring in the course of the Group's operations.

A third-party actuary is engaged to assist the Group in estimating the ultimate cost of certain retained insurance risks. Additionally, the Group's estimate of retained insurance liabilities is subject to change as new events or circumstances develop which might materially impact the ultimate cost to settle these losses.



**4. Significant accounting policies (cont'd)**

**4.16 Revenue recognition**

*Policy upon adoption of IFRS 15*

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding amounts collected on behalf of third parties. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The following specific recognition criteria must also be met before revenue is recognised:

**(i) Sales of goods**

Revenue from the sale of goods is recognised at a point in time when control of the asset is transferred to the customer, generally on delivery and acceptance of the promised goods.

Each contract with a customer specifies minimum quantity, fixed prices and effective period and is not subject to change for the contractual period unless mutually agreed by the parties. Invoices are usually payable within 30 days from delivery.

Certain customers are entitled to, and in most cases avail of, cash discounts when payments are made within a defined time frame. For certain contracts, the Group may be charged a penalty for late deliveries. Variable amounts related to these discounts and penalties are estimated using the most likely amount and included in the transaction price to the extent it is highly probable that a significant revenue reversal will not subsequently occur.

The Group provides allowances under trade promotions to customers and coupons to end consumers which are reimbursable by the Group to customers when redeemed. Allowances and coupons are generally considered as reductions of the transaction price and recognised at the later of when the Group recognises revenue for the transfer of the related goods and when the Group pays or promises to pay the allowances or coupons.

Variable amounts related to these allowances and coupons are estimated using the expected value method and included in the transaction price to the extent it is highly probable that a significant revenue reversal will not subsequently occur. Accruals for trade promotions are based on expected levels of performance. Settlement typically occurs in subsequent periods primarily through an off-invoice allowance at the time of sale or through an authorised process for deductions taken by a customer from amounts otherwise due to the Group. Evaluation of trade promotions are performed monthly and adjustments are made where appropriate to reflect changes in the Group's estimates. The Group accrues coupon redemption costs based on estimates of redemption rates that are developed by management. Management's estimates are based on recommendations from independent coupon redemption clearing-houses as well as historical information. Should actual redemption rates vary from amounts estimated, adjustments may be required.



**4. Significant accounting policies (cont'd)**

**4.16 Revenue recognition (cont'd)**

*(ii)* Bill-and-hold arrangements

Bill-and-hold arrangements pertain to sales of the Group wherein the customers are billed for goods that are ready for delivery, but the Group retains physical possession of the product until it is transferred to the customer at a future date. The Group assessed whether control has transferred to the customers, even though the customers do not have physical possession of the goods. The following criteria must all be met in order for the customers to have obtained control in bill-and-hold arrangements:

- the reason for the bill-and-hold arrangement must be substantive;
- the product must be identified separately as belonging to the customer;
- the product currently must be ready for physical transfer to the customer; and
- the entity cannot have the ability to use the product or to direct it to another customer.

Custodial services provided to the customers are identified as a separate performance obligation. A portion of the contract price should be allocated to the custodial services and separately recognised over the period of time the product is being held by the Group, along with the related costs of storing the product.

Penalty on the late payment of the invoices affects the estimate of the transaction price.

*(iii)* Sales returns

The Group uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. The amount of revenue and the receivable recognised is adjusted for expected returns, which are estimated based on the historical data. No right of return asset (and corresponding adjustment to cost of sales) is recognised for the right to recover products from a customer since Group's policy is to dispose all goods to be returned.

*(iv)* Contract balances arising from revenue with customer contracts

*Contract Assets*

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

*Receivables*

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).





**4. Significant accounting policies (cont'd)**

**4.16 Revenue recognition (cont'd)**

- (iv) Contract balances arising from revenue with customer contracts (cont'd)

*Contract Liabilities*

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Other income:

- (i) Finance income

Such income is recognised as the interest accrues taking into account the effective interest yield on the asset.

- (ii) Other income

Other income is recognised when earned.

*Policy prior to adoption of IFRS 15*

Under IAS 18, prior to the adoption of IFRS 15, revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be measured reliably, regardless of when payment is being made. The following specific recognition criteria must also be met before revenue is recognised:

- (i) Sale of Goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The timing of transfers of risks and rewards varies depending on the individual terms of the contract of sale but usually occurs when the customer receives the product.

- (ii) Finance income

Revenue is recognised as the interest accrues, taking into account the effective yield on the asset.

- (iii) Others

Revenue is recognised when earned.



**4. Significant accounting policies (cont'd)**

**4.17 Finance income and finance costs**

Finance income comprises interest income earned mainly from bank deposits and amounts or balances due from related parties of the Group. Interest income is recognised as it accrues in the income statement, using the effective interest method.

Finance expense comprises interest expense on finance leases and borrowings. All finance lease borrowing costs are recognised using the Group's incremental borrowing rate. All borrowing costs are recognised in income statement using the effective interest method, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

**4.18 Tax**

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in income statement except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and joint ventures to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow 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. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.



**4. Significant accounting policies (cont'd)**

**4.18 Tax (cont'd)**

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

**4.19 Earnings per share**

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined in the same manner, adjusted for the effects of any dilutive potential ordinary shares, which comprise the restricted share plan and share options granted to employees.

**4.20 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 Executive Committee to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly of non-recurring expenses.

**4.21 Contingencies**

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
  - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.



**4. Significant accounting policies (cont'd)**

**4.22 New standards and interpretations issued but not yet effective**

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company and the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The Company and the Group intends to adopt the following pronouncements when they become effective.

Applicable for the first annual reporting period that begins on or after 1 May 2020

- *Amendments to References to Conceptual Framework in IFRS Standards* sets out amendments to IFRS Standards, their accompanying documents and IFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes:
  - a new chapter on measurement;
  - guidance on reporting financial performance;
  - improved definitions of an asset and a liability, and guidance supporting these definitions; and
  - clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Some Standards, their accompanying documents and IFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee ("IASC")'s Framework for the Preparation and Presentation of Financial Statements adopted by the International Accounting Standards Board ("IASB") in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework, and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

These amendments are effective for annual reporting periods beginning on or after 1 May 2020.

- *Amendments to IFRS 3, Definition of a Business*

The amendments to IFRS 3 clarifies the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after 1 May 2020, with earlier application permitted.

These amendments will apply on future business combinations of the Group.



**4. Significant accounting policies (cont'd)**

**4.22 New standards and interpretations issued but not yet effective (cont'd)**

- *Amendments to IAS 1, Presentation of Financial Statements, and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments refine the definition of material in IAS 1 and align the definitions used across IFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

An entity applies those amendments prospectively for annual reporting periods beginning on or after 1 May 2020, with earlier application permitted.

- *Amendments to IFRS 7, Financial Instruments: Disclosures and IFRS 9, Financial Instruments, Interest Rate Benchmark Reform*

The amendments to IFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

- *Amendments to IFRS 16, COVID-19-related Rent Concessions*

The amendments provide relief to lessees from applying the IFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendments are effective for annual reporting periods beginning on or after 1 June 2020. Early adoption is permitted.



**4. Significant accounting policies (cont'd)**

**4.22 New standards and interpretations issued but not yet effective (cont'd)**

Applicable for the first annual reporting period that begins on or after 1 May 2022

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

The amendments provides a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments are effective for annual reporting periods beginning on or after 1 May 2022.

- Amendments to IFRS 3, *Updating a Reference to the Conceptual Framework*. The amendments:
  - updated IFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018;
  - Added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities; and
  - Clarified existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework.

The amendments are effective for annual reporting periods beginning on or after 1 May 2022.

- Amendments to IAS 37, *Onerous Contracts - Cost of Fulfilling a Contract*. The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The cost of fulfilling a contract comprises the costs that relate directly to the contract which consist of both:
  - the incremental costs of fulfilling that contract – for example, direct labor and materials; and
  - an allocation of other costs that relate directly to fulfilling contracts — for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling that contract among others.

The amendments are effective for annual reporting periods beginning on or after 1 May 2022.

- Annual Improvements to IFRS Standards 2018–2020 Cycle. This cycle of improvements contains amendments to the following standards:
  - IFRS 1, *Subsidiary as a first-time adopter*. The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.



**4. Significant accounting policies (cont'd)**

**4.22 New standards and interpretations issued but not yet effective (cont'd)**

Applicable for the first annual reporting period that begins on or after 1 May 2022 (cont'd)

- IFRS 9, Fees in the '10 per cent' test for derecognition of financial liabilities. The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
- Annual Improvements to IFRS Standards 2018–2020 Cycle. This cycle of improvements contains amendments to the following standards (cont'd):
  - IFRS 16, Lease Incentives. The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
  - IAS 41, Taxation in fair value measurements. The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13.

The amendments are effective for annual reporting periods beginning on or after 1 May 2022.

Applicable for the first annual reporting period that begins on or after 1 May 2023

- IFRS 17, *Insurance Contracts*

IFRS 17, *Insurance Contracts* establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

IFRS 17 was issued in May 2017 and applies to annual reporting periods beginning on or after 1 May 2023.



**4. Significant accounting policies (cont'd)**

**4.22 New standards and interpretations issued but not yet effective (cont'd)**

Deferred effectivity

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

The amendments addresses the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.





**Del Monte Pacific Limited and its Subsidiaries**

**Notes to the financial statements**

**For the financial year ended 30 April 2020**

**5. Property, plant and equipment - net**

<b>Cost/Valuation</b>	<b>&lt;-----At cost -----&gt;</b>				<b>At appraised value</b>	
	<b>Buildings, land improvements and leasehold improvements US\$'000</b>	<b>Machineries and equipment US\$'000</b>	<b>Construction -in-progress US\$'000</b>	<b>Bearer Plants US\$'000</b>	<b>Freehold land US\$'000</b>	<b>Total US\$'000</b>
At 1 May 2019	218,313	596,123	32,483	311,937	61,541	1,220,397
Additions	896	4,154	27,340	98,128	—	130,518
Disposals	(18,114)	(72,253)	—	—	(3,571)	(93,938)
Write off – closed fields	—	—	—	(58,290)	—	(58,290)
Revaluation	—	—	—	—	4,066	4,066
Reclassification from CIP	4,757	26,491	(31,248)	—	—	—
Reclassification from assets held for sale <sup>[1]</sup>	350	22	—	—	870	1,242
Currency realignment	1,687	6,855	576	10,207	388	19,713
At 30 April 2020	207,889	561,392	29,151	361,982	63,294	1,223,708
At 1 May 2018	217,950	552,084	55,941	260,424	67,109	1,153,508
Additions	1,781	4,458	34,906	82,627	—	123,772
Disposals	(7,809)	(5,897)	—	—	(4,018)	(17,724)
Write off – closed fields	—	—	—	(29,234)	—	(29,234)
Reclassification from CIP	11,236	46,805	(58,041)	—	—	—
Reclassification to assets held for sale <sup>[2]</sup>	(4,527)	—	—	—	(1,467)	(5,994)
Currency realignment	(318)	(1,327)	(323)	(1,880)	(83)	(3,931)
At 30 April 2019	218,313	596,123	32,483	311,937	61,541	1,220,397



**Del Monte Pacific Limited and its Subsidiaries**

**Notes to the financial statements**

**For the financial year ended 30 April 2020**

**5. Property, plant and equipment – net (cont'd)**

	<b>&lt;-----At cost -----&gt;</b>				<b>At appraised value</b>	
	<b>Buildings, land improvements and leasehold improvements US\$'000</b>	<b>Machineries and equipment US\$'000</b>	<b>Construction -in-progress US\$'000</b>	<b>Bearer Plants US\$'000</b>	<b>Freehold land US\$'000</b>	<b>Total US\$'000</b>
<b>Accumulated depreciation and impairment losses</b>						
At 1 May 2019	77,408	343,540	–	213,119	4,297	638,364
Charge for the year	10,091	48,218	–	78,365	–	136,674
Impairment loss	15,672	20,835	–	–	4,239	40,746
Write off – closed fields	–	–	–	(58,290)	–	(58,290)
Disposals	(9,200)	(46,402)	–	–	–	(55,602)
Currency realignment	830	5,317	–	8,172	–	14,319
At 30 April 2020	94,801	371,508	–	241,366	8,536	716,211
At 1 May 2018	67,563	298,398	–	172,361	4,297	542,619
Charge for the year	10,647	50,036	–	71,369	–	132,052
Impairment loss	1,262	–	–	–	–	1,262
Write off – closed fields	–	–	–	(29,234)	–	(29,234)
Disposals	(474)	(4,036)	–	–	–	(4,510)
Reclassification to assets held for sale <sup>[2]</sup>	(1,529)	–	–	–	–	(1,529)
Currency realignment	(61)	(858)	–	(1,377)	–	(2,296)
At 30 April 2019	77,408	343,540	–	213,119	4,297	638,364



**Del Monte Pacific Limited and its Subsidiaries**

**Notes to the financial statements**

**For the financial year ended 30 April 2020**

**5. Property, plant and equipment - net (cont'd)**

	<b>&lt;-----At cost -----&gt;</b>				<b>At appraised value</b>	
	<b>Buildings, land improvements and leasehold improvements US\$'000</b>	<b>Machineries and equipment US\$'000</b>	<b>Construction -in-progress US\$'000</b>	<b>Bearer Plants US\$'000</b>	<b>Freehold land US\$'000</b>	<b>Total US\$'000</b>
<b>Carrying amounts</b>						
At 30 April 2020	113,088	189,884	29,151	120,616	54,758	507,497
At 30 April 2019	140,905	252,583	32,483	98,818	57,244	582,033

<sup>[1]</sup> During the financial year, Gilroy assets which was previously classified as assets held for sale has been reclassified as "Property, plant, and equipment" in the consolidated statement of financial position. There are no assets held for sale as of 30 April 2020 (see Note 16).

<sup>[2]</sup> During the previous financial year, Gilroy and Kenwood assets were classified as assets held for sale (see Note 16).



**5. Property, plant and equipment - net (cont'd)**

A reclassification was made in fiscal year 2019 to present the "Reclassifications from CIP" separately from the "Reclassifications to assets held for sale".

The Group has amounts in accrued liabilities relating to property, plant and equipment acquisitions of US\$1.2 million as of 30 April 2020 (2019: US\$0.6 million). Down payments made by the Group for the acquisition of property, plant and equipment amounted to US\$1.5 million as of 30 April 2020 (2019: to US\$2.6 million). The cost of fields closed and written off in 2020 amounted to US\$58.3 million, which have been fully depreciated during the year (2019: US\$29.2 million).

**Bearer Plants**

	<b>Group</b>	
	<b>30 April</b>	<b>30 April</b>
	<b>2020</b>	<b>2019</b>
Hectares planted with growing crops:		
– Pineapples	14,733	14,992
– Papaya	48	188
	<hr/>	<hr/>
Fruits harvested from the growing crops:		
(in metric tons)		
– Pineapples	675,333	688,596
– Papaya	227	223
	<hr/> <hr/>	<hr/> <hr/>

Bearer plants is stated at cost which comprises actual costs incurred in nurturing the crops reduced by depreciation. Depreciation represents the estimated cost of fruits harvested from the Group's plant crops. An estimated cost is necessary since the growth cycle of the plant crops is beyond twelve months, hence total growing costs are not yet known as of reporting date. The estimated cost is developed by allocating estimated growing costs for the estimated growth cycle of two to three years over the estimated harvests to be made during the life cycle of the plant crops. Estimated growing costs are affected by inflation and foreign exchange rates, volume and labour requirements. Estimated harvest is affected by natural phenomenon such as weather patterns and volume of rainfall. Field performance and market demand also affect the level of estimated harvests. The Group reviews and monitors the estimated cost of harvested fruits regularly.

**Leasehold Improvements**

As at 30 April 2020 and 2019, the Group has no significant legal or constructive obligation to dismantle any of its leasehold improvements as the lease contracts provide, among other things, that the improvements introduced on the leased assets shall become the property of the lessor upon termination of the lease.



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

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#### 5. Property, plant and equipment - net (cont'd)

##### Freehold Land

The table below summarises the valuation of freehold land held by the Group as at 30 April 2020 in various locations:

Located in	30 April 2020 US\$'000	30 April 2019 US\$'000	Date of Latest Valuation
The Philippines	12,104	8,786	2020 (Various)
United States of America	32,459	39,399	1 May 2020
Singapore	10,195	9,059	18 May 2020
	<u>54,758</u>	<u>57,244</u>	

The Group engaged independent appraisers to determine the fair values of its freehold land. Revaluations are performed at regular intervals to ensure that the fair value of the freehold land does not differ materially from its carrying amount. Management evaluated that the fair values of its freehold land at the respective valuation dates approximate their fair values as of the reporting date. The assumptions used in determining the fair value are disclosed in Note 35. In relation to the revaluation of its freehold land in DMFI, management believes that the cost approximate their fair values as at 30 April 2020.

In fiscal year 2020, the Group reclassified US\$0.6 million of its freehold land as held-for-sale (2019: US\$4.6 million) and disposed US\$3.6 million (2019: US\$0.8 million).

The carrying amount of the Group's freehold land as at 30 April 2020 would be US\$35.6 million (2019: US\$41.9 million) had the freehold land been carried at cost less impairment losses.

##### Construction-in-Progress

Construction-in-progress ("CIP") includes on-going item expansion projects for the Group's operations.

Major items in the CIP include construction of can making equipment from Ball Corporation, 2.3Kg tidbits in pouch production line and 202 integration-filling/seaming process, 120T steam peeler, vegetable dip production project and various information technology improvements. Most of the CIP items are expected to be completed within fiscal year 2021.



**5. Property, plant and equipment - net (cont'd)**

**Plant closures and divestiture of Sager Creek business**

In connection with the plant closures, the Group recognised impairment losses amounting to US\$40.7 million in fiscal year 2020 (2019: US\$1.3 million).

*Vegetable plants*

The Group announced on 20 August 2019 its intention to close its Sleepy Eye plant in Minnesota, its Mendota plant in Illinois, the sale of its Cambria plant in Wisconsin to new ownership, and intends to sell the production assets from its Crystal City plant in Texas. In connection with the Sleepy Eye and Mendota plant closures, the Group recognised impairment losses on related property, plant and equipment amounting to US\$21.1 million for the year ended 30 April 2020. In connection with the Cambria plant sale on 1 November 2019, the Group recognised impairment losses on related property, plant and equipment amounting to US\$5.1 million for the year ended 30 April 2020. In connection with the Crystal City production equipment sale, the Group recognised impairment losses on related property, plant and equipment amounting to US\$14.6 million for the year ended 30 April 2020.

Under these plant closures, approximately 910 employees were terminated as of 30 April 2020. During the year, the Group recognised provisions for employee severance benefits amounting to US\$4.5 million, with US\$2.3 million outstanding, for the year ended 30 April 2020. The employee severance benefits are presented under "Employee benefits" (see Note 21) and are expected to be paid in fiscal year 2021. Environmental liabilities of US\$9.5 million were also recognised as of 30 April 2020 (see Note 22). The majority of this liability relates to the obligations to treat and remove the waste-water ponds at Sleepy Eye, Mendota and Crystal City. Related inventory and property, plant and equipment write-downs amounting to US\$9.2 million were recognised for the year ended 30 April 2020.

In connection with these announcements, the Group has recorded expenses of US\$68.4 million of expense in "Other income (expenses) – net" for the year ended 30 April 2020.

As of 30 April 2020, the assets from Crystal City, Sleepy Eye and Mendota, have been sold.

*Seed Operation Exit*

In fiscal year 2019, the Group entered into production and packaging agreements to meet breeding objectives with the Group's intellectual property (research and breeding lines) for its seed operations. The Group will maintain the variety selection process to select varieties that meet the Group's standards. Due to these agreements, the Group closed its Idaho Falls, Idaho and Gilroy, California seed operations in August 2018 and February 2019, respectively. In connection with the Idaho Falls plant closure, the Group recognised a gain on the sale of related property, plant and equipment amounting to US\$1.5 million in fiscal year 2019. Additionally, in fiscal year 2019, management committed to a plan to sell certain assets of the Group's Gilroy plant. In fiscal year 2019, assets of US\$1.3 million were reclassified as "Assets held for sale" in the consolidated statement of financial position. In fiscal year 2020, Gilroy assets have been reclassified as "Property, plant, and equipment" in the consolidated statements of financial position as Management further evaluates the future use of these assets. There are no assets held for sale as of 30 April 2020.



**5. Property, plant and equipment - net (cont'd)**

*Seed Operation Exit (cont'd)*

Under these plant closures, 12 employees were affected, all of which were terminated by the end of fiscal year 2019. The Group recognised provisions for employee severance benefits amounting to US\$0.3 million, with US\$0.1 million outstanding as of 30 April 2019. As of 30 April 2020, there is no employee severance benefits outstanding.

*Plymouth Plant*

The Group closed its Plymouth, Indiana plant during fiscal year 2018. In connection with the plant closure, the Group recognised impairment losses on related property, plant and equipment amounting to US\$7.0 million in fiscal year 2018.

Under the termination plan, approximately 100 employees were affected, all of which were terminated by the end of fiscal year 2018. The Group recognised provisions for employee severance benefits amounting to US\$2.3 million, with US\$0.2 million outstanding as of 30 April 2018. Remaining employee severance benefits amounting to US\$0.2 million were settled in fiscal year 2019. The employee severance benefits are presented under "Employee benefits".

As of 30 April 2019, the Plymouth building and land have been sold. As of 30 April 2020 and 2019, a non-current receivable of US\$1.0 million has been recorded in "Other Non-current Assets" related to this sale (see Note 10). This receivable is due on 2 July 2023.

*Sager Creek - Siloam Springs, Arkansas*

The Group announced on 20 September 2017 that it will cease operations of its Country production plant in Siloam Springs, Arkansas.

Under the termination plan, approximately 230 employees were affected, the majority of which were terminated by the end of fiscal year 2018. The Group recognised provisions for employee severance benefits amounting to US\$2.3 million, with US\$0.4 million outstanding as of 30 April 2018. Remaining employee severance benefits amounting to less than US\$0.1 million were settled in fiscal year 2019. The employee severance benefits are presented under "Employee benefits".

*Northwest Arkansas Distribution and Warehouse Facilities*

The Group announced on 19 January 2018 its intention to close its distribution and warehouse facilities in Northwest Arkansas. These closures occurred during the first half of fiscal year 2019.

Under the termination plan, approximately 125 employees were affected, the majority of which were terminated by the end of fiscal year 2018. The Group recognised provisions for employee severance benefits amounting to US\$1.3 million, with US\$1.1 million outstanding as of 30 April 2018. Employee severance benefits amounting to US\$0.5 million were settled in fiscal year 2019, with US\$0.1 million outstanding at 30 April 2019. The employee severance benefits are presented under "Employee benefits". As of 30 April 2020, there are no outstanding severance benefits related to this closure.



**5. Property, plant and equipment - net (cont'd)**

***Source of estimation uncertainty***

The Group estimates the useful lives of its buildings, land improvements, leasehold improvements and machineries and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically 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 assets.

In addition, the estimation of the useful lives of property, plant and equipment is based on collective assessment of industry practice, internal technical evaluation and experiences with similar assets. It is possible, however, that future financial performance could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amount and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property, plant and equipment would increase recorded depreciation expense and decrease non-current assets.

The depreciation of bearer plants require estimation of future harvest which is affected by natural phenomena and weather patterns.

The valuation of freehold land is based on comparable transaction subject to adjustments. These adjustments require judgement.

The recoverable amount of the impaired assets was based on fair value less cost to sell, which is subject to estimation.

**6. Investments in subsidiaries**

	<b>30 April 2020 US\$'000</b>	<b>30 April 2019 US\$'000</b>
Unquoted equity shares, at cost	640,699	640,699
Amounts due from subsidiaries (nontrade)	237,074	205,106
	<u>877,773</u>	<u>845,805</u>
Accumulated share in (losses) profit and other comprehensive income at the beginning of the year	(14,950)	(8,298)
Reserve from sale of shares of a subsidiary	76,958	—
Share in net profit (losses) of subsidiaries	(76,629)	27,931
Dividends declared by subsidiaries	(230,473)	(33,000)
Share in other comprehensive losses of subsidiaries, net of tax	(11,639)	(1,965)
Effect due to adoption of IFRS 16	(1,013)	—
Others	—	382
	<u>(257,746)</u>	<u>(14,950)</u>
Interests in subsidiaries at the end of the year	<u>620,027</u>	<u>830,855</u>

The amounts due from subsidiaries are unsecured and interest-free. Settlement of the balances are neither planned nor likely to occur in the foreseeable future as they are, in substance, a part of the Company's net investments in the subsidiaries.





## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

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#### 6. Investments in subsidiaries (cont'd)

In April 2019, the Company converted its advances to wholly owned subsidiaries Del Monte Pacific Resources Limited ("DMPRL") and DMPL India, Pte Ltd ("DMPLI") in the amounts of US\$167.6 million and US\$70.1 million, respectively, into other equity. The conversion was approved by the BOD on 30 April 2019.

#### Share Purchase Agreement and Shareholders' Agreement with Sea Diner Holdings (S) Pte. Ltd. (SEA Diner)

On 24 January 2020, the Company, Central American Resources, Inc ("CARI"), DMPI and SEA Diner, a company incorporated in Singapore, entered into a Share Purchase Agreement and Shareholders' Agreement whereby CARI will sell 335,678,400 existing common shares equivalent to 12% ownership interest in DMPI to SEA Diner for a consideration of US\$120.0 million, subject to fulfilment of certain conditions precedent. These common shares are convertible to voting, convertible, participating and redeemable preference shares ("RCPS") of DMPI.

The Board and the stockholders of DMPI approved the conversion of the convertible common shares to RCPS subject to the completion of the transaction and the Enabling Resolutions which further defined the terms of the RCPS on 3 March 2020. As at 30 April 2020, the Company, CARI and DMPI had fulfilled the conditions precedent under the Share Purchase Agreement. The closing date of the agreement is on 20 May 2020.

#### *Terms of the RCPS*

The terms of the RCPS are as follow:

- The RCPS holders participate in the dividends on an as-converted basis, that is, if common shareholders are entitled to dividends, then the RCPS holders will correspondingly be entitled to dividends on an as-converted basis.
- The investor as an RCPS holder will have proportional shareholder voting rights in DMPI on an as-converted basis. There will also be certain reserved matters (for example, matters not in the ordinary course of business) which the investor will have the right to approve.
- SEA Diner, as long as it holds RCPS, may, at any time, exercise its right to convert the RCPS into common shares of DMPI at a ratio of one (1) RCPS to one (1) common share of DMPI. The RCPS is automatically converted into common share in the event of initial public offering (IPO) of DMPI.
- Upon the occurrence of any of certain agreed "RCPS Default Events", SEA Diner may require the Company, CARI or DMPI to redeem all of the RCPS at the agreed redemption price, which is the amount of RCPS consideration plus the agreed rate of return (compounded on a per annum basis) calculated from 20 May 2020 up to the date of redemption.
- In case of "Other Redemption Events", redemption shall be subject to the mutual agreement of the parties. If DMPI does not consent to the RCPS holder's written redemption request, the internal rate of return would be increased annually by 3%, and this increased rate of return shall apply for each year that the RCPS remain outstanding and shall be compounded on a per annum basis.



**6. Investments in subsidiaries (cont'd)**

Call Option Agreement

On 24 January 2020, the Company, CARI, DMPI and SEA Diner entered into a call option agreement wherein SEA Diner is entitled to a call option which gives SEA Diner the right to buy from CARI additional DMPI shares ("Option Shares"). The exercise price for each Option Share is US\$0.357 (computed based on the DMPI equity valuation of US\$1 billion / existing total issued share capital of the DMPI shares of 2,797,320,003 as at the date of the Agreement). The call option is consummated on or before 30 April 2022 and ending on the earliest of 10 years after the closing date, the date falling 5 years after the date which an IPO of DMPI was consummated and the date when SEA Diner receives an amount respect of a redemption of its shares.

Impact on the Group

In relation to the above transaction, as at 30 April 2020, the Group recognised the gross consideration of US\$120.0 million under "Trade and other receivables" (see Note 13), transaction costs of US\$14.0 million (US\$0.7 million of which was already paid as at 30 April 2020 and the outstanding balance of US\$13.3 million as at 30 April 2020 is recorded as accrued operating expenses under "Trade and other current liabilities" (see Note 23)), long-term derivative liability of US\$2.6 million (see Note 20) for the call option in accordance with the call option agreement, equity reserve under "Retained earnings" of US\$77.0 million due to change in ownership interest in DMPI without loss of control (see Note 18) and "Non-controlling interests" of US\$26.4 million representing investor's proportionate share in the net assets of DMPI (see Note 39).

Impact on the Company

The Company recognised an increase in investment in subsidiary and retained earnings equal to the net equity reserve amounting to US\$77.0 million, accrued transaction costs of US\$1.3 million, and receivable from CARI amounting to US\$2.1 million.

***Significant judgments***

**1. Recognition as at 30 April 2020**

The Share Purchase Agreement is subject to conditions precedent and closing conditions. The conditions precedent were completed as at 30 April 2020 while the parties agreed the closing date to be 20 May 2020. Management assessed that the closing conditions are administrative in nature and accounted for the transaction as at 30 April 2020.

Moreover, management assessed that the actual conversion of the common shares to RCPS in records and the issuance of related stock certificates are administrative and procedural in nature. The Board and stockholders of DMPI also approved the conversion of the convertible common shares to RCPS in March 2020. Considering this, the Group has accounted for the instrument as RCPS in substance as at 30 April 2020.



**6. Investments in subsidiaries (cont'd)**

***Significant judgments (cont'd)***

**2. Equity Classification**

Management assessed that the RCPS sold to SEA Diner met the equity classification since both conditions below are met:

- (a) The Group has no contractual obligation to deliver cash or another financial asset to the investor as the "RCPS Default Events", among the other terms in Share Purchase Agreement, Shareholders' Agreement and Call Option Agreement, are assessed to be within the control of the Group and the redemption of the RCPS in case of "Other Redemption Events" is subject to the mutual consent of both parties; and
- (b) The RCPS which is convertible to common shares at the ratio of 1:1 does not include contractual obligation for DMPI to deliver a variable number of its own equity instruments upon conversion.

***Source of estimation uncertainty***

**1. Obligation to Deliver Additional RCPS**

The Shareholders' Agreement between the Company, CARI, DMPI and SEA Diner provides a conditional obligation for DMPI to deliver additional RCPS subject to meeting certain level of net income and adjusted equity value as defined in the agreement for fiscal year ending 30 April 2021. Management assessed that the Group's derivative liability to deliver additional RCPS has a carrying value of nil as at 30 April 2020 based on its budgeted net income for fiscal year ending 30 April 2021, and the expected timing and probability of an IPO. Management will remeasure the derivative liability at the end of every reporting period.

**2. Obligation to Purchase Excess Shares or Sell Shortfall Shares**

The Shareholders' Agreement provides a conditional obligation for CARI to purchase excess shares or sell shortfall shares to SEA Diner at par value subject to certain conditions (amount of IPO pre-market capitalization) as defined in the Shareholders' Agreement. Management assessed that the Group's derivative asset or liability to purchase excess shares or sell shortfall shares to SEA Diner has a carrying value of nil as at 30 April 2020 as the estimated pre-money market capitalization is lower than the threshold in the Agreement. As a result, the probability of the options relating to the excess shares and shortfall shares is nil or minimal.

**3. Fair Value of Derivative Liability on the Call Option**

The fair value of the derivative liability related to the call option is measured using Cox-Ross-Rubinstein ("CRR") binomial tree model. The inputs to this model are taken from a combination of observable markets and unobservable market data. Changes in inputs about these factors could affect the reported fair value of the derivative liabilities and impact profit or loss. The carrying value of the derivative liability amounted to US\$2.6 million as at 30 April 2020 (see Note 20).



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

#### 6. Investments in subsidiaries (cont'd)

Details of the Company's subsidiaries are as follows:

Name of subsidiary	Principal activities	Place of incorporation and business	Effective equity held by the Group	
			30 April 2020 %	30 April 2019 %
<b>Held by the Company</b>				
Del Monte Pacific Resources Limited (“DMPRL”) <sup>[7]</sup>	Investment holding	British Virgin Islands	100.00	100.00
DMPL India Pte Ltd (“DMPLI”) <sup>[3]</sup>	Investment holding	Singapore	100.00	100.00
DMPL Management Services Pte Ltd <sup>[3]</sup>	Providing administrative support and liaison services to the Group	Singapore	100.00	100.00
GTL Limited <sup>[4]</sup>	Trading food products mainly under the brand names: “Del Monte” and buyer’s own label	Federal Territory of Labuan, Malaysia	100.00	100.00
S&W Fine Foods International Limited (“S&W”) <sup>[7]</sup>	Selling processed and fresh food products under the “S&W” trademark; Owner of the “S&W” trademark in Asia (excluding Australia and New Zealand), the Middle East, Western Europe, Eastern Europe and Africa	British Virgin Islands	100.00	100.00
DMPL Foods Limited (“DMPLFL”) <sup>[8]</sup>	Investment holding	British Virgin Islands	89.43	89.43
<b>Held by DMPRL</b>				
Central American Resources, Inc. (“CARI”) <sup>[7]</sup>	Investment holding	Panama	100.00	100.00
Dewey Limited (“Dewey”) <sup>[5] [8]</sup>	Mainly investment holding	Bermuda	100.00	100.00
<b>Held by CARI</b>				
Del Monte Philippines, Inc (“DMPI”) <sup>[1] [2]</sup>	Growing, processing and distribution of food products mainly under the brand name “Del Monte”	Philippines	88.00	100.00
South Bukidnon Fresh Trading Inc (“SBFTI”) <sup>[1]</sup>	Inactive	Philippines	100.00	100.00



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

#### 6. Investments in subsidiaries (cont'd)

Name of subsidiary	Principal activities	Place of incorporation and business	Effective equity held by the Group	
			30 April 2020 %	30 April 2019 %
<b>Held by DMPI</b> Philippines Packing Management Services Corporation <sup>[1] [2]</sup>	Management, logistics and support services	Philippines	88.00	100.00
Del Monte Txanton Distribution Inc ("DMTDI") <sup>[a] [1] [2]</sup>	Inactive	Philippines	32.00	40.00
<b>Held by Dewey</b> Dewey Sdn. Bhd. <sup>[4]</sup>	Owner of various trademarks	Malaysia	100.00	100.00
<b>Held by DMPLI</b> DMPL India Limited <sup>[10]</sup>	Investment holding	Mauritius	95.13	94.94
<b>Held by S&amp;W</b> S&W Japan Limited <sup>[8]</sup>	Support and marketing services for S&W	Japan	100.00	100.00
<b>Held by DMPLFL</b> Del Monte Foods Holdings Limited ("DMFHL") <sup>[1]</sup>	Investment holding	British Virgin Islands	89.43	89.43
<b>Held by DMFHL</b> Del Monte Foods Holdings II, Inc. ("DMFHII") <sup>[6]</sup>	Investment holding	State of Delaware, U.S.A.	89.43	89.43
<b>Held by DMFHII</b> Del Monte Foods Holdings Inc. ("DMFHI") <sup>[6]</sup>	Investment holding	State of Delaware, U.S.A.	89.43	89.43
<b>Held by DMFHI</b> Del Monte Foods, Inc. ("DMFI") <sup>[6]</sup>	Manufacturing, processing and distributing food, beverages and other related products	State of Delaware, U.S.A.	89.43	89.43
<b>Held by DMFI</b> Sager Creek Foods, Inc. (formerly Vegetable Acquisition Corp.) <sup>[6]</sup>	Real estate holding	State of Delaware, U.S.A.	89.43	89.43
Del Monte Andina C.A. <sup>[9]</sup>	Manufacturing, processing and distributing food, beverages and other related products	Venezuela	—	—



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

#### 6. Investments in subsidiaries (cont'd)

Name of subsidiary	Principal activities	Place of incorporation and business	Effective equity held by the Group	
			30 April 2020 %	30 April 2019 %
Del Monte Colombiana S.A. <sup>[4]</sup>	Manufacturing, processing and distributing food, beverages and other related products	Colombia	73.31	73.31
Industrias Citricolas de Montemorelos, S.A. de C.V. (ICMOSA) <sup>[4]</sup>	Manufacturing, processing and distributing food, beverages and other related products	Mexico	89.43	89.43
Del Monte Peru S.A.C. <sup>[8]</sup>	Distribution of food, beverages and other related products	Peru	89.43	89.43
Del Monte Ecuador DME C.A. <sup>[8]</sup>	Distribution of food, beverages and other related products	Ecuador	89.43	89.43
Hi-Continental Corp. <sup>[8]</sup>	Distributor of non-Del Monte products	State of California, U.S.A.	89.43	89.43
College Inn Foods <sup>[8]</sup>	Distributor of College Inn brand products	State of California, U.S.A.	89.43	89.43
Contadina Foods, Inc. <sup>[8]</sup>	Distributor of Contadina brand products	State of Delaware, U.S.A.	89.43	89.43
<b>Held by DMFI (cont'd)</b> S&W Fine Foods, Inc. <sup>[8]</sup>	Distributor of S&W Fine Foods, Inc,	State of Delaware, U.S.A.	89.43	89.43
Del Monte Ventures, LLC ("DM Ventures") <sup>[b]</sup>	Holding company	State of Delaware, U.S.A.	89.43	89.43
<b>Held by DM Ventures</b> Del Monte Avo, LLC <sup>[b]</sup>	Development, production, marketing, sale and distribution of UHP avocado products	State of Delaware, U.S.A.	45.61	45.61
Del Monte Chilled Fruit Snacks, LLC <sup>[b]</sup>	Development, production, marketing, sale and distribution of processed refrigerated fruit products	State of Delaware, U.S.A.	45.61	45.61
<b>Held by Del Monte Andina C.A.</b> Del Monte Argentina S.A. <sup>[9]</sup>	Inactive	Argentina	—	—



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

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#### 6. Investments in subsidiaries (cont'd)

- (a) DMTDI is consolidated as the Group has de facto control over the entity. Even with less than the majority voting rights, the Group concluded that DMTDI is a subsidiary and that it has power to direct the relevant activities of DMTDI due to DMPI having majority seats in the Board through a shareholders agreement with the other shareholders of DMTDI. The key management personnel (i.e., President and Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and Treasurer and Corporate Secretary) of DMPI also serve in the same positions in DMTDI. In its special meeting held on 22 April 2019, DMTDI's BOD approved the dissolution and liquidation of DMTDI by shortening its corporate term. As at 30 April 2020, the application for the dissolution and liquidation is yet to be submitted with the SEC due to certain regulatory and documentary requirements.
- (b) The Group incorporated its subsidiary, Del Monte Ventures, LLC on 21 June 2017 which acquired interests in four joint venture entities which were all incorporated in the state of Delaware, USA. These joint ventures will pursue sales of expanded refrigerated offerings across all distribution and sales channels, and will establish a new retail food and beverage concept. These joint ventures will initially focus on the U.S. market, with the potential for expansion into other territories. These joint venture entities are in their pre-operating stages and have no material assets or liabilities as of 30 April 2020 and 2019.
- [1] Audited by SyCip Gorres Velayo & Co. ("SGV")
- [2] On 21 May 2020, CARL completed the sale of 12% stake in DMPI to Sea Diner. Conditions of the sale were already met as of 30 April 2020, as confirmed by both parties.
- [3] Audited by Ernst and Young LLP ("EY") Singapore.
- [4] Audited by Ernst & Young member firms in the respective countries.
- [5] On 30 April 2019, the BOD of CARL approved the transfer of its outstanding shares in Dewey, as well as all rights, title and interest attributed thereto, to DMPRL.
- [6] Not required to be audited in the country of incorporation. Audited by SGV for the purpose of group reporting.
- [7] Not required to be audited in the country of incorporation. Audited by Ernst and Young LLP, Singapore for the purpose of group reporting.
- [8] Not required to be audited in the country of incorporation.
- [9] Not required to be audited in the country of incorporation. The Venezuelan entity was deconsolidated in 2015. The Venezuelan exchange control regulations have resulted in an other-than-temporary lack of exchangeability between the Venezuelan Bolivar and US dollar. This has restricted the Venezuelan entity's ability to pay dividends and obligations denominated in US dollars. The exchange regulations, combined with other recent Venezuelan regulations, have constrained the Venezuelan entity's ability to maintain normal production. Due to the Group's inability to effectively control the operations of the Venezuelan entity, the Group deconsolidated its subsidiary effective February 2015. The equity interest in this entity is determined to be the cost of investment of the entity at the date of deconsolidation. The investment is carried at cost less impairment losses.
- [10] In December 2019, DMPLI invested an additional US\$1.5 million in DMPL India Limited, thereby increasing ownership to 95.13%

The Company regularly reassesses whether it controls an investee when facts and circumstances indicate that there are changes to one or more of the three elements of control listed in Note 4. The Company determined that it exercised control on all its subsidiaries as it has all elements of control.



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

#### 6. Investments in subsidiaries (cont'd)

##### *Source of estimation uncertainty*

When the subsidiary has suffered recurring operating losses, a test is made to assess whether the interests in subsidiary has suffered any impairment by determining the recoverable amount. This determination requires significant judgement and estimation. An estimate is made of the future profitability, cash flow, financial health and near-term business outlook of the subsidiary, including factors such as market demand and performance. The recoverable amount will differ from these estimates as a result of differences between assumptions used and actual operations.

#### 7. Investments in joint ventures

Name of joint venture	Principal activities	Place of incorporation and business	Effective equity held by the Group	
			30 April 2020 %	30 April 2019 %
FieldFresh Foods Private Limited ("FFPL") <sup>*[1]</sup>	Production and sale of fresh and processed fruits and vegetable food products	India	47.56	47.47
Nice Fruit Hong Kong Limited (NFHKL) <sup>#</sup>	Production and sale of frozen fruits and vegetable food products	Hong Kong	35.00	35.00

\* Audited by Deloitte Haskins & Sells, Gurgaon, India.

# Audited by Ernst and Young Hong Kong.

[1] In December 2019, DMPLI invested an additional US\$1.5 million in DMPL India Limited, who invested the same in FFPL.

The summarised financial information of a material joint venture, FFPL, not adjusted for the percentage ownership held by the Group, is as follows:

	Year ended April 2020 US\$'000	30 Year ended April 2019 US\$'000	30 Year ended April 2018 US\$'000
Revenue	74,178	76,597	76,588
Loss from continuing operations <sup>a</sup>	(4,243)	(222)	(630)
Other comprehensive income	—	—	—
<b>Total comprehensive loss</b>	<b>(4,243)</b>	<b>(222)</b>	<b>(630)</b>
<sup>a</sup> Includes:			
- depreciation	65	134	151
- interest expense	1,812	1,501	1,522
Noncurrent assets	12,528	13,475	14,657
Current assets	23,891	22,309	21,882
Noncurrent liabilities	(19,978)	(17,798)	(17,992)
Current liabilities	(13,908)	(13,910)	(13,684)
Net assets	2,533	4,076	4,863
Proportion of the Group's ownership including non-controlling interest	50%	50%	50%
Goodwill	1,267	2,038	2,432
Translation adjustment	20,000	20,000	20,000
Carrying amount of investment	22,855	23,446	23,557





# Del Monte Pacific Limited and its Subsidiaries

## Notes to the financial statements For the financial year ended 30 April 2020

### 7. Investments in joint ventures (cont'd)

The summarised financial information of a material joint venture, FFPL, not adjusted for the percentage ownership held by the Group, is as follows: (cont'd)

	Year ended 30 April 2020 US\$'000	Year ended 30 April 2019 US\$'000	Year ended 30 April 2018 US\$'000
<b>Carrying amount of interest in FFPL at beginning of the year</b>	23,446	23,557	23,872
Capital injection during the year	1,530	–	–
Group's share of:			
- loss from continuing operations	(2,121)	(111)	(315)
- other comprehensive income	–	–	–
total comprehensive loss	(2,121)	(111)	(315)
<b>Carrying amount of interest at end of the year</b>	<b>22,855</b>	<b>23,446</b>	<b>23,557</b>

The interest in the net assets of an immaterial joint venture, NFHKL, is as follows:

	Year ended 30 April 2020 US\$'000	Year ended 30 April 2019 US\$'000	Year ended 30 April 2018 US\$'000
<b>Carrying amount of interest in NFHKL at beginning of the year</b>	766	1,638	1,925
Capital injection during the year	–	–	950
Group's share of:			
- loss from continuing operations	(766)	(872)	(1,237)
- other comprehensive income	–	–	–
total comprehensive loss	(766)	(872)	(1,237)
<b>Carrying amount of interest at end of the year</b>	<b>–</b>	<b>766</b>	<b>1,638</b>

The summarised interest in joint ventures of the Group, is as follows:

	Year ended 30 April 2020 US\$'000	Year ended 30 April 2019 US\$'000	Year ended 30 April 2018 US\$'000
<b>Group's interest in joint ventures</b>			
FFPL	22,855	23,446	23,557
NFHKL	–	766	1,638
<b>Carrying amount of investments in joint ventures</b>	<b>22,855</b>	<b>24,212</b>	<b>25,195</b>



**7. Investments in joint ventures (cont'd)**

***Determination of joint control and the type of joint arrangement***

Joint control is presumed to exist when the investors contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Management has assessed that it has joint control in all joint arrangements.

The Group determines the classification of a joint venture depending upon the parties' rights and obligations arising from the arrangement in the normal course of business. When making an assessment, the Group considers the following:

- (a) the structure of the joint arrangement.
- (b) when the joint arrangement is structured through a separate vehicle:
  - i. the legal form of the separate vehicle;
  - ii. the terms of the contractual arrangement; and
  - iii. when relevant, other facts and circumstances.

The Group determined that its interests in FFPL and NFHKL are joint ventures as the arrangements are structured in a separate vehicle and that it has rights to the net assets of the arrangements. The terms of the contractual arrangements do not specify that the parties have rights to the assets and obligations for the liabilities relating to the arrangements.

***Source of estimation uncertainty***

When the joint venture has suffered recurring operating losses, a test is made to assess whether the investment in joint venture has suffered any impairment by determining the recoverable amount. This determination requires significant judgement and estimation. An estimate is made of the future profitability, cash flow, financial health and near-term business outlook of the joint venture, including factors such as market demand and performance. The recoverable amount will differ from these estimates as a result of differences between assumptions used and actual operations.

Since its acquisition, the Indian sub-continent trademark and the investment in FFPL were allocated to the Indian sub-continent cash-generating unit ("Indian sub-continent CGU"). The recoverable amount of Indian sub-continent CGU was estimated using the discounted cash flows based on five-year cash flow projections.



**7. Investments in joint ventures (cont'd)**

***Key assumptions used in discounted cash flow projection calculations***

Key assumptions used in the calculation of recoverable amounts are discount rates, revenue growth rates, earnings before interest, taxes, depreciation and amortisation (EBITDA) margin and terminal value growth rate. The values assigned to the key assumptions represented management's assessment of future trends in the industries and were based on both external and internal sources.

	<b>30 April 2020 %</b>	<b>30 April 2019 %</b>
Pre-tax discount rate	12.7	13.8
Revenue growth rate	(15.0) – 34.0	19.0 – 21.0
EBITDA margin	2.7 – 9.5	4.9 – 13.0
Long-term EBITDA margin	9.5	12.8
Terminal value growth rate	5.0	5.0

In fiscal year 2020, discount rate is a pre-tax measure estimated based on past experience, and industry average weighted average cost of capital, which is based on a rate of debt leveraging rate of 47.24% in 2020 (2019: 14.3%), at a market interest rate of 9.3% in 2020 (2019: 9.7%).

Revenue growth rate is expressed as compound annual growth rates in the initial five years of the plan. In the first year of the business plan, revenue growth rate was projected at -15% (2019: 32%) based on the near-term business plan and market demand. The annual revenue growth included in the cash flow projections for four years was projected at the growth rate based on the historical growth in volume and prices and industry growth.

A long-term growth rate into perpetuity has been determined based on management's estimate of the long-term compound annual growth rate in the Indian economy which management believed was consistent with the assumption that a market participant would make.

EBITDA margin has been a factor of the revenue forecast based on business plan and market demand coupled with the cost saving initiatives.



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

#### 7. Investments in joint ventures (cont'd)

##### *Sensitivity to changes in assumptions*

The estimated recoverable amount exceeds its carrying amount of interest in joint venture and trademark and accordingly no impairment loss is recorded.

Management has identified that a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

Group	Change required for carrying amount to equal the recoverable amount	
	31 March 2020	31 March 2019
	%	%
Discount rate	12.8	6.8
Revenue growth rate	5.0	5.0

#### 8. Intangible assets and goodwill

Note	Goodwill US\$'000	Indefinite life trademarks US\$'000	Amortisable trademarks US\$'000	Customer relationships US\$'000	Total US\$'000
<b>Cost</b>					
At 1 May 2019 / 30 April 2020	203,432	408,043	24,180	107,000	742,655
At 1 May 2018/ 30 April 2019	203,432	408,043	24,180	107,000	742,655
<b>Accumulated amortisation</b>					
At 1 May 2019	—	—	6,919	27,739	34,658
Amortisation	26	—	1,300	5,350	6,650
At 30 April 2020	—	—	8,219	33,089	41,308
At 1 May 2018	—	—	5,616	22,388	28,004
Amortisation	26	—	1,303	5,351	6,654
At 30 April 2019	—	—	6,919	27,739	34,658
<b>Carrying amounts</b>					
At 30 April 2020	203,432	408,043	15,961	73,911	701,347
At 30 April 2019	203,432	408,043	17,261	79,261	707,997



## **Del Monte Pacific Limited and its Subsidiaries**

### **Notes to the financial statements For the financial year ended 30 April 2020**

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#### **8. Intangible assets and goodwill (cont'd)**

##### ***Goodwill***

Goodwill arising from the acquisition of Consumer Food Business was allocated to DMFI and its subsidiaries, which is considered as one CGU.

##### ***Indefinite life trademarks***

Management has assessed the following trademarks as having indefinite useful lives as the Group has exclusive access to the use of these trademarks. These trademarks are expected to be used indefinitely by the Group as they relate to continuing businesses that have a proven track record with stable cash flows.

##### **America trademarks**

The indefinite life trademarks of US\$394 million arising from the acquisition of Consumer Food Business relate to those of DMFI for the use of the “Del Monte” trademarks in the United States and South America market, and the “College Inn” trademark in the United States, Australia, Canada and Mexico.

##### **The Philippines trademarks**

A subsidiary, Dewey Sdn Bhd, owns the “Del Monte” and “Today’s” trademarks for use in connection with processed foods in the Philippines (“The Philippines trademarks”) with carrying value amounting to US\$1.8 million.

##### **Indian sub-continent and Myanmar trademarks**

In November 1996, a subsidiary, DMPRL, entered into an agreement with an affiliated company to acquire the exclusive right to use the “Del Monte” trademarks in the Indian sub-continent territories and Myanmar in connection with the production, manufacture, sale and distribution of food products and the right to grant sub-licenses to others (“Indian sub-continent trademark”). In 2007, the Company acquired shares in FFPL and caused the licensing of trademarks to FFPL to market its products under the “Del Monte” brand in India. These trademarks have a carrying value of US\$4.1 million.

##### **S&W trademarks**

In November 2007, a subsidiary, S&W, entered into an agreement with Del Monte Corporation to acquire the “S&W” trademarks in certain countries in Asia (excluding Australia and New Zealand and including the Middle East), Western Europe and Eastern Europe for a total consideration of US\$10.0 million. The trademark has a carrying value of US\$8.2 million.

##### **Impairment test**

Management has performed impairment testing for all indefinite life trademarks and concluded that no impairment exist at the reporting date.



8. Intangible assets and goodwill (cont'd)

**Philippines trademarks**

In 2020 and 2019, the recoverable amounts of these intangible assets were based on fair value less cost of disposal using the Relief from Royalty method (RFR). The key assumptions used in the estimation of the fair value less cost of disposal are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and were based on historical data from both external and internal sources.

	2020	2019
	%	%
Royalty rate	3.0	3.0
Discount rate	9.6	13.9
Revenue growth rate	8.0	5.0

The discount rate was a pre-tax measure estimated based on the historical industry average weighted-average cost of capital.

The cash flow projections included specific estimates for five years.

Revenue growth was projected taking into account the average growth levels experienced over the past five years and estimated sales volume and price growth for the next five years. It was assumed that sales price would increase in line with forecast inflation over the next five years.

**Asia S&W trademark**

In 2020 and 2019, the recoverable amount was based on fair value less cost of disposal using the RFR method. The key assumptions used in the estimation of the fair value less cost of disposal are set out below.

	2020	2019
	%	%
Royalty rate	3.0	3.0
Revenue growth rate	4.0	14.0
Discount rate	12.4	16.2

**Indian sub-continent trademark**

The Indian sub-continent trademark and the investment in FFPL were allocated to Indian sub-continent CGU (see Note 7).



8. Intangible assets and goodwill (cont'd)

**America trademarks and Goodwill**

In 2020 and 2019, the recoverable amount of the CGU was based on VIU being greater than the fair value less costs of disposal:

	30 April 2020 US\$'000	30 April 2019 US\$'000
Value-in-use	3,250,000	2,650,000
Fair value less costs of disposal – income approach	3,190,000	2,600,000
Recoverable amount	<u>3,250,000</u>	<u>2,650,000</u>

The Americas trademarks were also included in the CGU used in the goodwill impairment testing.

As of valuation date in January 2020 and 2019, the estimated recoverable amount of the CGU exceeded its carrying amount by approximately US\$1,951.2 million and US\$1,174.3 million, respectively. Therefore, the CGU is not impaired.

**VIU**

The VIU is the present value of expected cash flows, discounted at a risk-adjusted weighted average cost of capital.

The key assumptions used in the estimation of the recoverable amount using the VIU approach are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and were based on historical data from both external and internal sources.

	2020	2019
	%	%
Pre-tax discount rate	8.0	8.6
Terminal value growth rate	2.0	2.0
Long-term EBITDA margin	12.6	11.9
Revenue growth rate	0.9 – 6.0	(14.3) – 6.2
Gross margin	22.1 – 24.1	14.3 – 25.4

The discount rate was a pre-tax measure estimated based on the historical industry average weighted-average cost of capital, with a possible range of debt leveraging of 60% as at 30 April 2020 (2019: 72%) at a risk free interest rate of 3.0% as of 30 April 2020 (2019: 3.5%).

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term compound annual EBITDA growth rate consistent with the assumption that a market participant would make.



**8. Intangible assets and goodwill (cont'd)**

**America trademarks and Goodwill (cont'd)**

Budgeted EBITDA was estimated taking into account past experience adjusted as follows:

Revenue growth was projected taking into account the average growth levels experienced over the past five years and estimated sales volume and price growth for the next five years. It was assumed that sales price would increase in line with forecast inflation over the next five years. The amounts are probability-weighted.

*Fair value less costs of disposal*

Fair value less costs of disposal is determined using the Income Approach, which indicates value based on the present value of the cash flows that a business is expected to generate in the future.

The Discounted Cash Flow Method was used in applying the Income Approach. The Discounted Cash Flow Method estimates the value of a business or an asset by combining the projected annual cash flows available to all capital holders in the business (i.e., debt and equity investors) for a discrete period with the residual value of the cash flows, grown into perpetuity at an estimated long-term growth rate, adjusted for the cost of disposal. Additionally, other adjustments may be warranted to reflect specific characteristics of the valuation subject. Accuracy of the indicated results depends on the reasonableness of the underlying cash flow projections.

The approach involves the use of both observable inputs and unobservable inputs (e.g., projected revenue and EBITDA). Accordingly, the fair value measurement is categorised under level 3 of the fair value hierarchy.

Fair value less costs of disposal is also determined using the market approach, which makes use of prices and other relevant information generated by market transactions involving similar companies.

The Market Comparable Method was used in applying the Market Approach, making use of market price data of companies engaged in the same or similar line of business as that of DMFI and its subsidiaries. Stocks of these companies are traded in a free and open market or in private transactions. The process involves the identification of comparable companies, calculation and application of market multiples representing ratios of invested capital or equity to financial measures of DMFI and its subsidiaries, application of an appropriate control premium to the companies being compared, and adjustment for any non-operating assets or liabilities or working capital excess/deficit to arrive at an indication of Business Enterprise Value.

The approach involves the use of both observable inputs and unobservable inputs (e.g., projected revenue and EBITDA, and adjusted market multiples). Accordingly, the fair value measurement is categorised under level 3 of the fair value hierarchy.





8. Intangible assets and goodwill (cont'd)

**America trademarks and Goodwill (cont'd)**

Comparable companies were selected from comprehensive lists and directories of public companies in the packaged foods industry. Potential comparable companies were analysed based on various factors, including, but not limited to, industry similarity, financial risk, company size, geographic diversification, profitability, growth characteristics, financial data availability, and active trading volume. The following comparable companies were selected:

- B&G Foods Inc.
- Campbell Soup Company
- Conagra Brands, Inc.
- General Mills, Inc.
- Hormel Foods Corporation
- Seneca Foods Corp.
- Treehouse Foods, Inc.

Calculation of the market multiples considered Market Value of Invested Capital (MVIC), the sum of the market values of a comparable company's common stock, interest-bearing debt and preferred stock, assuming that the book value of the comparable companies' debt approximated the market value of the debt. Adjustments to the market multiples were made to reflect the difference between the estimated size of DMFI and its subsidiaries and each comparable company, improving comparability based on relative size difference prospects. Relative size adjustment factors were calculated based on a regression of a Price / Earnings ratio using size as an independent variable. The market multiples selected and applied to the DMFI and its subsidiaries' financial results in the analysis were as follows:

	2020		2019	
	Selected multiple	Assigned weight	Selected multiple	Assigned weight
MVIC/Revenue – Last twelve months	2.1x	33%	1.5x	33%
MVIC/Revenue – Projected	2.0x	33%	2.0x	33%
MVIC/EBITDA – Last twelve months	14.5x	0%	15.2x	0%
MVIC/EBITDA – Projected	13.3x	33%	11.8x	33%

***Sensitivity analysis***

Management has identified that a reasonably possible change in the discount rate or long-term margin could cause the carrying amount to exceed the recoverable amount. The following table shows the amount to which these would need to change independently for the estimated recoverable amount of the DMFI CGU to be equal to its carrying amount.

	Breakeven Multiple	
	2020	2019
MVIC/Revenue – Last twelve months	0.6x	0.8x
MVIC/Revenue – Projected	0.5x	0.7x
MVIC/EBITDA – Last twelve months	9.0x	14.7x
MVIC/EBITDA – Projected	4.5x	7.9x



8. Intangible assets and goodwill (cont'd)

**America trademarks and Goodwill (cont'd)**

The following table shows the amount to which the discount rate, and long-term EBITDA margin would need to change independently for the estimated recoverable amount of the DMFI CGU to be equal to its carrying amount.

	2020	2019
	%	%
Discount rate	15.7	11.8
Long-term EBITDA margin	4.4	6.5

**Source of estimation uncertainty**

Goodwill and the indefinite life trademarks are assessed for impairment annually. The impairment assessment requires an estimation of the VIU and fair value less costs of disposal of the CGU to which the goodwill and indefinite life trademarks are allocated.

Estimating the VIU requires the Group to make an estimate of the expected future cash flows from the CGU and apply an appropriate discount rate in order to calculate the present value of those cash flows. Actual cash flows will differ from these estimates as a result of differences between assumptions used and actual operations.

Estimating fair value less costs of disposal requires the use of estimates and assumptions. The estimated fair value would change depending on the assumptions used, such as the discount rate and long-term margin.

**Amortisable trademarks and customer relationship**

	Net carrying amount		Remaining amortisation period (years)	
	30 April 2020	30 April 2019	2020	2019
	US\$'000	US\$'000		
Asia S&W trademark	—	—	—	—
America S&W trademark	762	963	3.8	4.8
America Contadina trademark	15,199	16,298	13.8	14.8
	15,961	17,261		

**Asia S&W trademark**

The amortisable trademark pertains to "Label Development" trademark. As at 30 April 2020 and 2019, the trademark has been fully amortised.



**8. Intangible assets and goodwill (cont'd)**

**America trademarks**

The amortisable trademarks relate to the exclusive right to use of the "S&W" trademark in the United States, Canada, Mexico and certain countries in Central and South America and "Contadina" trademark in the United States, Canada, Mexico South Africa and certain countries in Asia Pacific, Central America, Europe, Middle East and South America market.

Management has included these trademarks in the CGU impairment assessment and concluded that no impairment exists at the reporting date.

**Customer relationships**

Customer relationships relate to the network of customers where DMFI has established relationships with the customers, particularly in the United States market through contracts. The Sager Creek customer relationships were included in the sale of certain assets of Sager Creek in September 2017.

	<b>30 April 2020</b>	<b>30 April 2019</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Net carrying amount	73,911	79,261
Remaining amortisation period	13.8	14.8

Management has included the customer relationships in the CGU impairment assessment and concluded no impairment exists at the reporting date.

***Source of estimation uncertainty***

The Group estimates the useful lives of its amortisable trademarks and customer relationships based on the period over which the assets are expected to be available for use. The estimated useful lives of the trademarks and customer relationships are reviewed periodically and are updated if expectations differ from previous estimates due to legal or other limits on the use of the assets. A reduction in the estimated useful lives of amortisable trademarks and customer relationships would increase recorded amortisation expense and decrease noncurrent assets.



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

#### 9. Deferred tax

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

Deferred tax assets and liabilities of the Group are attributable to the following:

	Assets		Liabilities	
	30 April 2020 US\$'000	30 April 2019 US\$'000	30 April 2020 US\$'000	30 April 2019 US\$'000
<b>Group</b>				
Provisions	8,257	4,928	—	—
Employee benefits	28,816	24,043	—	—
Property, plant and equipment - net	—	—	(19,813)	(24,480)
Intangible assets and goodwill	—	—	(69,094)	(63,072)
Effective portion of changes in fair value of cash flow hedges	2,162	890	—	—
Tax loss carry-forwards	160,414	146,586	—	—
Inventories	876	1,812	—	—
Biological assets	—	—	(1,841)	(1,053)
Deferred income	—	—	(5,455)	(11,456)
Interest	23,139	14,415	—	—
Undistributed profits from subsidiaries	—	—	(7,514)	—
Charitable contributions	3,856	3,218	—	—
Plant closure costs	309	—	—	—
Others	8,415	4,086	—	—
Deferred tax assets (liabilities)	236,244	199,978	(103,717)	(100,061)
Set off of tax	(91,270)	(93,657)	91,270	93,657
<b>Deferred Taxes</b>	<b>144,974</b>	<b>106,321</b>	<b>(12,447)</b>	<b>(6,404)</b>

Movements in deferred tax assets and deferred tax liabilities of the Group during the year are as follows:

	At 1 May 2019 US\$'000	Recognised in profit or loss US\$'000	Recognised in other comprehen- sive income US\$'000	Change in accounting policy	Currency realignment US\$'000	At 30 April 2020 US\$'000
<b>30 April 2020</b>						
Provisions	4,928	2,200	—	1,697	(568)	8,257
Employee benefits	24,043	(1,991)	6,113	—	651	28,816
Property, plant and equipment - net	(24,480)	5,946	(1,220)	—	(59)	(19,813)
Intangible assets and goodwill	(63,072)	(6,022)	—	—	—	(69,094)
Effective portion of changes in fair value of cash flow hedges	890	1,508	(236)	—	—	2,162
Tax loss carry-forwards	146,586	13,828	—	—	—	160,414
Inventories	1,812	(1,040)	—	—	104	876
Biological assets	(1,053)	(609)	—	—	(179)	(1,841)
Deferred income	(11,456)	6,001	—	—	—	(5,455)
Interest	14,415	8,724	—	—	—	23,139
Undistributed profits from subsidiaries	—	(7,514)	—	—	—	(7,514)
Charitable contributions	3,218	638	—	—	—	3,856
Accrued plant closure costs	—	309	—	—	—	309
Others	4,086	4,270	—	—	59	8,415
	<b>99,917</b>	<b>26,248</b>	<b>4,657</b>	<b>1,697</b>	<b>8</b>	<b>132,527</b>



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

#### 9. Deferred tax (cont'd)

	At 1 May 2018 US\$'000	Recognised in profit or loss US\$'00	Recognised in other comprehen- sive income US\$'00	Change in accounting policy	Currency realignment US\$'000	At 30 April 2019 US\$'000
<b>30 April 2019</b>						
Provisions	3,291	400	—	—	1,237	4,928
Employee benefits	23,348	(431)	2,127	—	(1,001)	24,043
Property, plant and equipment - net	(26,227)	1,746	—	—	1	(24,480)
Intangible assets and goodwill	(50,944)	(12,128)	—	—	—	(63,072)
Effective portion of changes in fair value of cash flow hedges	1,166	(163)	(113)	—	—	890
Tax loss carry-forwards	127,780	18,806	—	—	—	146,586
Inventories	2,547	334	—	—	(1,069)	1,812
Biological assets	(2,390)	—	—	—	1,337	(1,053)
Deferred income	(8,562)	(2,894)	—	—	—	(11,456)
Interest	—	14,415	—	—	—	14,415
Charitable contributions	2,462	756	—	—	—	3,218
Others	230	4,404	—	—	(548)	4,086
	<u>72,701</u>	<u>25,245</u>	<u>2,014</u>	<u>—</u>	<u>(43)</u>	<u>99,917</u>

As at 30 April 2020, the Group recognized deferred tax liability related to undistributed profit of a subsidiary amounting to US\$7.5 million (2019: nil).

#### **Unrecognised deferred tax assets**

The following deferred tax assets have not been recognised as of 30 April 2020 and 2019:

	30 April 2020 US\$'000	30 April 2019 US\$'000
Deductible temporary differences	9,516	5,024
Tax losses and tax credits	422	481
	<u>9,938</u>	<u>5,505</u>

The tax losses will expire in 2021. The tax credits will expire between 2024 and 2028. Deferred tax assets have not been recognised with respect to these items because it is not probable that future taxable profits will be available to utilise the benefits.

#### **Sources of estimation uncertainty**

As of 30 April 2020, deferred tax assets amounting to US\$160.4 million (2019: US\$146.6 million) have been recognised in respect of the tax loss carry forwards because management assessed that it is probable that future taxable profit will be available against which the Group can utilise these benefits. Management expects profitable growth coming from revenue strategies and cost efficiencies in the future. To the extent that profitable growth does not materialise in the future periods, deferred tax assets as at 30 April 2020 may not be realised. The majority of the tax loss for 30 April 2020 and 2019 can be carried forward indefinitely and tax loss carry forwards prior to 30 April 2019 may be utilised up to a 20-year period.



# Del Monte Pacific Limited and its Subsidiaries

## Notes to the financial statements For the financial year ended 30 April 2020

### 10. Other noncurrent assets

		Group	
	Note	30 April 2020 US\$'000	30 April 2019 US\$'000
Advance rentals and deposits		15,538	7,116
Advances to growers		6,081	12,861
Excess insurance		5,144	5,514
Land expansion (development cost of acquired lease areas)		3,863	8,230
Advances to suppliers		1,730	2,526
Note receivables	33, 34, 35	1,141	4,038
Prepayments		160	631
Others		1,280	706
		<u>34,937</u>	<u>41,622</u>

Advances to growers and advance rentals and deposits consists a) noninterest-bearing cash and other advances to growers and landowners which are collected against delivery of fruits or minimum guaranteed profits of the growers or against payment of rentals to landowners, and b) security deposits made to Nutri-Asia, Inc. in connection with the Group's intention to avail of the additional production capacity under the toll manufacturing agreement. The security deposit will be returned when tolling agreement for the additional capacity is finalised or in the event that the additional capacity does not materialize.

Excess insurance relates mainly to reimbursements from insurers to cover certain workers' compensation claims liabilities (see Note 20).

Advances to suppliers represents advance payments made on capital projects. A reclassification was made into this account in fiscal year 2019 amounting to US\$2.5 million from "Down payment to suppliers" presented under "Prepaid and other current assets" (see Note 14), due to the noncurrent nature of the accounts.

Land expansion comprises development costs of newly acquired leased areas including costs such as creation of access roads, construction of bridges and clearing costs. These costs are amortised on a straight-line basis over the lease periods of 10 years or lease term, whichever is shorter.

As at 30 April 2020 and 2019, note receivables of US\$1.0 million relates to the sale of certain assets of Plymouth (see Note 5).

As at 30 April 2019, the note receivables include a receivable relating to the sale of certain assets of Sager Creek which is payable in three years until December 2020 (see Note 16). The note receivables are payable in four instalment bearing interest of 3.50% per annum for the first instalment and 5.22% from the second instalment up to the final instalment. Remaining note receivables as at 30 April 2020 amounted to US\$2.8 million (2019: US\$7.7 million), the current portion of US\$2.8 million as at 30 April 2020 (2019: US\$5.4 million), is presented under "Trade and other receivables (see Note 13).



**Del Monte Pacific Limited and its Subsidiaries**

**Notes to the financial statements**  
**For the financial year ended 30 April 2020**

**11. Biological assets**

	<b>Group</b>	
	<b>30 April 2020 US\$'000</b>	<b>30 April 2019 US\$'000</b>
<b>Livestock</b>		
At beginning of the year	1,682	1,629
Purchases of livestock	1,142	990
Sales of livestock	(755)	(927)
Currency realignment	49	(10)
At end of the year	<u>2,118</u>	<u>1,682</u>

	<b>Group</b>	
	<b>30 April 2020 US\$'000</b>	<b>30 April 2019 US\$'000</b>
<b>Agricultural produce</b>		
At beginning of the year	26,421	23,473
Additions	9,915	11,755
Harvested	(11,068)	(8,674)
Currency realignment	698	(133)
At end of the year	<u>25,966</u>	<u>26,421</u>
Fair value gain on produce prior to harvest	35,194	25,899
At end of the year	<u>61,160</u>	<u>52,320</u>

	<b>Group</b>	
	<b>30 April 2020 US\$'000</b>	<b>30 April 2019 US\$'000</b>
Current	61,160	52,320
Noncurrent	2,118	1,682
<b>Total</b>	<u>63,278</u>	<u>54,002</u>

		<b>Group</b>	
	<b>Note</b>	<b>30 April 2020 US\$'000</b>	<b>30 April 2019 US\$'000</b>
Fair value gain recognised under:			
Inventories	35	3,657	6,016
Cost of sales	26	45,510	39,002
Unharvested agricultural produce		8,397	7,409
Fair value gain recognised under revenues		<u>57,564</u>	<u>52,427</u>

The changes in fair values of the Group's biological assets are recorded as part of revenues (see Note 25).



**11. Biological assets (cont'd)**

*Livestock*

Livestock comprises growing herd and breeding and dairy herd that are stated at cost and cattle for slaughter that is stated at fair value less point-of-sale costs. The fair value is determined based on the actual selling prices approximating those at year end less estimated point-of-sale costs.

*Risk Management strategy related to agricultural activities*

The Group is exposed to risks arising from changes in cost and volume of fruits harvested from the growing crops which is influenced by natural phenomenon such as weather patterns, volume of rainfall and field performance. The cost of growing crops is also exposed to the change in cost and supply of agricultural supplies and labor which are determined by constantly changing market forces of supply and demand.

The Group is subject to risk relating to its ability to maintain the physical condition of its fruit crops. Plant diseases could adversely impact production and consumer confidence, which impact sales.

The Group secures favorable harvest of pineapples and other agricultural produce from biological assets by continuously assessing factors that could affect harvest and responding to them on a timely manner. The Group is equipped with necessary technical manpower, farm inputs, such as fertilizer, chemicals and equipment to respond to any changes brought about by the factors as mentioned above.

The Group is subject to laws and regulations in the Philippines where it operates its agricultural activities. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws.

***Source of estimation uncertainty***

The fair values of the harvested pineapple fruits are based on the most reliable estimate of selling prices, in both local and international markets at the point of harvest, as determined by the Group. For the pineapple variety being sold as fresh fruits, the market price is based on the selling price of fresh fruits as sold in the local and international markets. For the pineapple variety being processed as cased goods, the market price is derived from average sales price of the processed product adjusted for margin related to further processing. Changes in fair values of agricultural produce after initial recognition are included in the carrying amount of cased goods at the reporting date.

The fair values of the growing pineapple crops are based on the most reliable estimate of market prices, in both local and international markets at the point of harvest, as determined by the Group. Fair value is initially recognised when the pineapple fruit develops when the bearer plant has reached maturity to bear fruit. The fair value is approximated by the estimated selling price at point of harvest less future growing costs to be incurred until harvest. Such future growing costs decreases as the growing crops near the point of harvest.

Bearer plants are stated at cost which comprises actual costs incurred in nurturing the crops reduced by the equivalent amortisation of fruits harvested which considers the future volume of harvests. Estimated harvest is affected by natural phenomenon such as weather patterns and volume of rainfall. Field performance and market demand also affect the level of estimated harvests. The estimated cost is developed by allocating growing costs for the estimated growth cycle of two to three years over the estimated harvests to be made during the life cycle of the plant crops. The Group reviews and monitors the estimated future volume of harvests regularly.





**Notes to the financial statements**  
**For the financial year ended 30 April 2020**

**11. Biological assets (cont'd)**

The valuation techniques and significant unobservable inputs used in determining the fair value of these biological assets are discussed in Note 35.

**12. Inventories**

	<b>Group</b>	
	<b>30 April 2020 US\$'000</b>	<b>30 April 2019 US\$'000</b>
Finished goods		
- at cost	287,838	402,247
- at net realisable value	19,909	32,154
Semi-finished goods		
- at cost	62,431	62,337
- at net realisable value	11,883	20,656
Raw materials and packaging supplies		
- at cost	98,264	147,528
- at net realisable value	2,138	–
	<b>482,463</b>	<b>664,922</b>

Inventories recognised as an expense in cost of sales amounted to US\$1,201.0 million for the year ended 30 April 2020 (2019: US\$1,101.1 million) (see Note 26).

Inventories are stated after allowance for inventory obsolescence. Movements in the allowance for inventory obsolescence during the year are as follows:

		<b>Group</b>	
	<b>Note</b>	<b>30 April 2020 US\$'000</b>	<b>30 April 2019 US\$'000</b>
At beginning of the year		10,527	26,616
Allowance for the year	26	9,649	19,245
Write-off against allowance		(8,152)	(35,855)
Currency realignment		2,844	521
At end of the year		<b>14,868</b>	<b>10,527</b>

**Source of estimation uncertainty**

The Group recognises allowance on inventory obsolescence when inventory items are identified as obsolete. Obsolescence is based on the physical and internal condition of inventory items. Obsolescence is also established when inventory items are no longer marketable. Obsolete goods when identified are charged to income statement and are written off. In addition to an allowance for specifically identified obsolete inventory, estimation is made on a group basis based on the age of the inventory items. The Group believes such estimates represent a fair charge of the level of inventory obsolescence in a given year. The Group reviews on a monthly basis the condition of its inventory. The assessment of the condition of the inventory either increases or decreases the expenses or total inventory.



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

#### 12. Inventories (cont'd)

##### *Source of estimation uncertainty (cont'd)*

Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made of the amount the inventories expected to be realised. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after reporting date to the extent that such events confirm conditions existing at the reporting date.

The Group reviews on a continuous basis the product movement, changes in customer demands and introductions of new products to identify inventories which are to be written down to the net realisable values. The write-down of inventories is reviewed periodically to reflect the accurate valuation in the financial records. An increase in write-down of inventories would increase the recorded cost of sales and operating expenses and decrease current assets.

#### 13. Trade and other receivables

	Group		Company	
	30 April 2020 US\$'000	30 April 2019 US\$'000	30 April 2020 US\$'000	30 April 2019 US\$'000
Trade receivables	175,794	132,934	—	—
Nontrade receivables	156,790	25,893	62	32
Amounts due from subsidiaries (nontrade)	38	—	92,607	635
Amounts due from joint venture (nontrade)	—	—	2,462	2,520
Allowance for expected credit loss - trade	(4,975)	(5,158)	—	—
Allowance for expected credit loss - nontrade	(4,544)	(4,615)	—	—
Trade and other receivables	<u>323,065</u>	<u>149,054</u>	<u>95,131</u>	<u>3,187</u>

The amounts due from subsidiaries and joint venture are unsecured, interest-free and repayable on demand. There is no allowance for doubtful debts arising from these outstanding balances.

Nontrade receivables consist of vendor rebates, plant receivables, claims from third party service providers, advances to growers, which are claimed upon delivery of fruits, and fuel withdrawals applied against truckers' bills when due.

Nontrade receivables includes of the current portion of the notes receivable from sale of Sager Creek assets amounting to US\$2.8 million and US\$5.4 million as at 30 April 2020 and 2019, respectively (see Note 10).

Nontrade receivables also includes the consideration for the sale of 12% ownership interest in DMPI amounting to US\$120.0 million (see Note 6).



# Del Monte Pacific Limited and its Subsidiaries

## Notes to the financial statements For the financial year ended 30 April 2020

### 13. Trade and other receivables (cont'd)

The aging of trade and nontrade receivables at the reporting date is:

At 30 April 2020	Group		ECL allowance	
	Gross Trade US\$'000	Gross Nontrade US\$'000	Trade US\$'000	Nontrade US\$'000
Not past due	126,137	138,412	—	—
Past due 0 - 60 days	31,097	4,420	—	—
Past due 61 - 90 days	2,994	492	—	—
Past due 91 - 120 days	1,764	576	—	—
More than 120 days	13,802	12,890	(4,975)	(4,544)
	<u>175,794</u>	<u>156,790</u>	<u>(4,975)</u>	<u>(4,544)</u>

At 30 April 2019	Group		ECL allowance	
	Gross Trade US\$'000	Gross Nontrade US\$'000	Trade US\$'000	Nontrade US\$'000
Not past due	80,706	16,831	—	—
Past due 0 - 60 days	26,033	867	—	—
Past due 61 - 90 days	1,232	523	—	—
Past due 91 - 120 days	5,935	482	—	—
More than 120 days	19,028	7,190	(5,158)	(4,615)
	<u>132,934</u>	<u>25,893</u>	<u>(5,158)</u>	<u>(4,615)</u>

The recorded allowance for expected credit loss falls within the Group's historical experience in the collection of trade and other receivables. Therefore, management believes that there is no significant additional credit risk beyond what has been recorded.

As at 30 April 2020 and 2019, the total receivables of the Company were neither past due nor impaired.

Movements in allowance for expected credit loss during the year are as follows:

	Note	Group		Total US\$'000
		Trade US\$'000	Nontrade US\$'000	
At 1 May 2019		5,158	4,615	9,773
Allowance for the year	26	9	—	9
Reversal for the year	26	(213)	(88)	(301)
Currency realignment		21	17	38
At 30 April 2020		<u>4,975</u>	<u>4,544</u>	<u>9,519</u>

	Note	Group		Total US\$'000
		Trade US\$'000	Nontrade US\$'000	
At 1 May 2018		2,440	4,543	6,983
Allowance for the year	26	2,574	72	2,646
Currency realignment		144	—	144
At 30 April 2019		<u>5,158</u>	<u>4,615</u>	<u>9,773</u>



13. Trade and other receivables (cont'd)

**Source of estimation uncertainty**

The Group maintains an allowance for impairment of accounts receivables at a level considered adequate to provide for potential uncollectible receivables based on the applicable ECL methodology. The level of this allowance is evaluated by the Group on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Group's relationship with debtors, their payment behaviour and known market factors. The Group reviews the age and status of receivables, and identifies accounts that are to be provided with allowance on a continuous basis. Additionally, allowance is also determined, through a provision matrix based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The amount and timing of recorded expenses for any period would differ if the Group made different judgement or utilised different estimates. An increase in the Group's allowance for impairment would increase the Group's recorded operating expenses and decrease current assets.

14. Prepaid expenses and other current assets

Note	Group		Company	
	30 April 2020	30 April 2019	30 April 2020	30 April 2019
	US\$'000	US\$'000	US\$'000	US\$'000
Prepaid consultancy fees	31,324	—	—	—
Prepaid expenses	29,586	30,046	132	150
Down payment to suppliers	4,136	2,395	—	—
Derivative asset	57	64	—	—
Others	2,609	1,685	48	42
	<u>67,712</u>	<u>34,190</u>	<u>180</u>	<u>192</u>

Prepaid expenses consist of advance payments for insurance, advertising, rent and taxes, among others.

Prepaid consultancy fees consist of transaction costs directly attributable to the bond issuance in May 2020 (see Note 41). These will be subsequently reclassified to debt issuance costs under "Loans and borrowings" upon recognition of the loan.

Down payment to suppliers pertain to advance payments for the purchase of materials and supplies that will be used for operations. A reclassification was made from this account to "Advances to suppliers" under "Other noncurrent assets" (see Note 10) in fiscal year 2019 amounting to US\$2.5 million due to the noncurrent nature of the accounts.



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

#### 15. Cash and cash equivalents

	<b>Group</b>		<b>Company</b>	
	<b>30 April</b>	<b>30 April</b>	<b>30 April</b>	<b>30 April</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Cash on hand	61	41	—	—
Cash in banks	33,087	17,231	766	886
Cash equivalents	317	4,364	—	—
Cash and cash equivalents	<u>33,465</u>	<u>21,636</u>	<u>766</u>	<u>886</u>

Certain cash in bank accounts earn interest at floating rates based on daily bank deposit rates ranging from 0.01% to 0.50% per annum in 2020 (2019: 0.01% to 0.50%). Cash equivalents are short-term placements which are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest rate of 0.69% to 4.44% as of 30 April 2020 (30 April 2019: 0.18% to 6.50%) per annum.

#### 16. Noncurrent assets held for sale

The Group classifies noncurrent assets as held-for-sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. The criteria are reviewed periodically if still met, otherwise revert back to property, plant and equipment.

In 2018, management committed to a plan to sell certain assets of the Group's Plymouth, Indiana plant and an office building in Siloam Springs, Arkansas. The majority of these assets have been sold during fiscal year 2019.

In 2019, management committed to a plan to sell certain assets of the Group's Gilroy, California and Kenwood, Arkansas plants. Accordingly, these assets were presented as assets held for sale. As of 30 April 2019, these assets comprised the following:

	<b>US\$'000</b>
Freehold land	1,467
Building and machinery	<u>2,998</u>
	<u>4,465</u>

As of 30 April 2020, the Kenwood warehouse has been sold, while the Gilroy assets have been reclassified as "Property, plant, and equipment" in the consolidated statements of financial position. There are no assets held for sale as of 30 April 2020.



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

#### 16. Noncurrent assets held for sale (cont'd)

##### Sale of business

##### *Sager Creek*

On 18 September 2017, the Group entered into an agreement with McCall Farms Inc. ("McCall Farms") to sell certain assets of its Sager Creek vegetable business ("Sager Creek") for US\$55.0 million in total consideration. The Group previously acquired Sager Creek in March 2015. Sager Creek was a producer of specialty vegetables for the foodservice and retail markets headquartered in Siloam Springs, Arkansas.

The Group received US\$30.0 million at closing on 18 September 2017, US\$15.0 million on 27 February 2018, US\$2.5 million on 28 February 2019 and US\$5.0 million on February 28, 2020. The remaining US\$2.5 million is due along with accrued interest on 1 December 2020. As of 30 April 2020, the Group has recorded current receivables of US\$2.8 million in "Trade and other receivables". As of 30 April 2019, the Group has recorded current receivables of US\$5.4 million in "Trade and other receivables" and noncurrent receivables of US\$2.7 million, in "Other noncurrent assets" related to this sale. In 2018, the Group recognised a gain on sale amounting to US\$16.4 million relating to the sale of certain assets of Sager Creek.

#### 17. Share capital

	30 April 2020		30 April 2019	
	No. of shares (‘000)	US\$'000	No. of shares (‘000)	US\$'000
<b>Authorised:</b>				
Ordinary shares of US\$0.01 each	3,000,000	30,000	3,000,000	30,000
Preference shares of US\$1.00 each	600,000	600,000	600,000	600,000
	<u>3,600,000</u>	<u>630,000</u>	<u>3,600,000</u>	<u>630,000</u>
<b>Issued and fully paid:</b>				
Ordinary shares of US\$0.01 each	1,944,936	19,449	1,944,936	19,449
Preference shares of US\$1.00 each	30,000	30,000	30,000	30,000
	<u>1,974,936</u>	<u>49,449</u>	<u>1,974,936</u>	<u>49,449</u>

*Reconciliation of number of outstanding ordinary shares in issue:*

	Year ended 30 April 2020	Year ended 30 April 2019
	No. of shares (‘000)	No. of shares (‘000)
At beginning/end of the year	<u>1,943,960</u>	<u>1,943,960</u>

The number of outstanding ordinary shares excludes 975,802 ordinary shares held by the Company as treasury shares.



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

#### 17. Share capital (cont'd)

*Reconciliation of number of outstanding preference shares in issue:*

	Year ended 30 April 2020 No. of shares (‘000)	Year ended 30 April 2019 No. of shares (‘000)
At beginning/end of the year	30,000	30,000

The following summarises the information on the Company’s registration of securities under the Revised Securities Regulation Code of the Philippines (“SRC”):

#### Ordinary Shares

Date of SEC Approval	Authorised Shares	No. of Shares Issued	Issue/Offer Price
28 May 2013*	2,000,000,000	1,297,500,491	Php29.80
15 October 2014**	3,000,000,000	5,500,000	Php17.00
14 January 2015***	3,000,000,000	641,935,335	Php10.60

\*The SEC issued an order rendering effective the registration of its issued shares. Company was listed by way of introduction on The Philippine Stock Exchange, Inc. on 10 June 2013.

\*\*The SEC issued an order rendering effective the registration of additional 5,500,000 ordinary shares which were offered and sold to the public in the Philippines.

\*\*\*The rights shares were considered exempt from registration pursuant to Section 10(e) and 10(l) of the SRC. The exemption from registration was confirmed by the SEC in a letter dated 14 January 2015.

#### Preference Shares

Date of SEC Approval	Authorised Shares	No. of Shares Issued	Issue/Offer Price
21 March 2017	600,000,000	20,000,000 Series A-1 Preference Shares	US\$10.00
21 March 2017* / 27 November 2017**	600,000,000	10,000,000 Series A-2 Preference Shares	US\$10.00

\*No Order of Registration was issued for the second tranche offer of preference shares as it was part of the shelf-registration previously applied by the Company with the SEC.

\*\*Date of issuance of the SEC Permit to Sell.

The total number of ordinary shareholders as at 30 April 2020 and 2019 is 7,504 and 7,646, respectively. Additionally, the total number of Series A-1 preference shareholders as at 30 April 2020 and 2019 is 18 and 15, respectively. The total number of Series A-2 preference shareholders as at 30 April 2020 and 2019 is 26 and 22, respectively.

The holders of ordinary shares are entitled to receive dividends after dividend of preference shares are paid, as declared from time to time, and are entitled to one vote per share at meetings of the Company. The preference shares are cumulative, non-voting, redeemable at the option of the issuer, non-participating and non-convertible. The preference share has a par value of US\$1.0 per share and were issued at US\$10.0 per share. Ordinary shares rank equally with regard to the Company’s residual assets after preference shares are paid.



**17. Share capital (cont'd)**

***Preference Shares (cont'd)***

In April 2014, the Company increased its authorised share capital from US\$20.0 million, divided into 2,000,000,000 ordinary shares at US\$0.01 per share, to US\$630.0 million, divided into 3,000,000,000 ordinary shares at US\$0.01 per share and 600,000,000 preference shares at US\$1.00 per share. The preference shares may be issued in one or more series, each such class of shares will have rights and restrictions as the Board may designate. The terms and conditions of the authorised preference shares are finalised upon each issuance.

On 30 October 2014, the Company had additional ordinary shares listed and traded on the SGX-ST and the PSE pursuant to a public offering conducted in the Philippines. The Company offered and sold by way of primary offer 5,500,000 ordinary shares at an offer price of 17.00 Philippine pesos (Php) per share.

In March 2015, additional 641,935,335 ordinary shares were listed on the SGX-ST and the PSE, which were offered and sold to eligible shareholders by way of a stock rights offering at an exercise price of S\$0.325 or Php10.60 for each share in Singapore and the Philippines, respectively.

In April 2017, the Company completed the offering and listing of 20,000,000 Series A-1 Preference Shares which were sold at an offer price of US\$10.0 per share (US\$1.0 par value per share) in the Philippines, generating US\$200 million in proceeds. The said shares were listed on the PSE.

In September 2017, the Company transferred 745,918 of its treasury shares to ordinary shares in connection with the release of share awards granted to certain Directors pursuant to the Del Monte Pacific RSP.

In December 2017, the Company completed the offering and listing of 10,000,000 Series A-2 Preference Shares in the Philippines generating approximately US\$100 million in proceeds (or a combined US\$300 million including the US\$200 million that was raised in April 2017). The Company used the net proceeds to substantially refinance the US\$350 million bridging loan that was due in February 2019.

The Company also issued share awards under the Del Monte Pacific Restricted Share Plan ("Del Monte Pacific RSP") (see Note 32) during the fiscal year 2018.

***Capital management***

The Board's policy is to maintain a sound capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group's capital comprises its share capital, retained earnings and total reserves as presented in the statements of financial position. The Board monitors the return on capital, which the Group defines as profit or loss for the year divided by total shareholders' equity. The Board also monitors the level of dividends paid to ordinary shareholders.

The bank loans of the Group contain various covenants with respect to capital maintenance and ability to incur additional indebtedness. The Board ensures that loan covenants are considered as part of its capital management through constant monitoring of covenant results through interim and full year results.

There were no changes in the Group's approach to capital management during the fiscal year.





# Del Monte Pacific Limited and its Subsidiaries

## Notes to the financial statements For the financial year ended 30 April 2020

### 18. Retained Earnings and Reserves

#### *Retained earnings*

#### *Dividends*

	Group			Company		
	30 April 2020 US\$'000	30 April 2019 US\$'000	30 April 2018 US\$'000	30 April 2020 US\$'000	30 April 2019 US\$'000	30 April 2018 US\$'000
<b>Declared and paid during the financial year:</b>						
<i>Dividends on ordinary shares</i>						
2020: US\$0.0052 (2019: US\$nil; 2018: US\$0.0061)	10,112	-	11,882	10,112	-	11,882
<i>Dividends on preference shares</i>						
A-1 preference shares for 2020, 2019 and 2018: US\$0.6625	13,250	13,250	13,250	13,250	13,250	13,250
A-2 preference shares for 2020 and 2019: US\$0.6500 2018: US\$0.20403	6,500	6,500	2,040	6,500	6,500	2,040
	19,750	19,750	15,290	19,750	19,750	15,290
	29,862	19,750	27,172	29,862	19,750	27,172
<b>Proposed but not recognised as a liability as at reporting date:</b>						
<i>Dividends on ordinary shares</i>						
2020: US\$0.0154 (2019: US\$0.0052)	29,937	10,109	-	29,937	10,109	-

#### Ordinary shares

On 24 July 2020, the Company declared a special dividend of US\$0.0154 per share to ordinary shareholders on record as at 12 August 2020. The special dividend will be paid on 19 August 2020.

On 20 June 2019, the Company declared dividends of US\$0.0052 per share for ordinary shareholders on record as at 12 July 2019. The final dividend was paid on 19 July 2019.

On 23 August 2017, the Company declared a dividend of US\$0.0061 per share to stockholders on record as at 28 August 2017. The final dividend was paid on 8 September 2017.



**18. Retained Earnings and Reserves (cont'd)**

*Preference shares*

On 11 March 2020, the Company declared dividends to holders of Series A-1 Preference Shares, at the fixed rate of 6.625% per annum, or equivalent to US\$0.33125 per Series A-1 Preference Share for the six-month period from 8 October 2019 to 7 April 2020. The Company also declared dividends to holders of Series A-2 Preference Shares at the fixed rate of 6.5% per annum, or equivalent to US\$0.32500 per Series A-2 Preference Share for the six-month period from 8 October 2019 to 7 April 2020. The final dividends were paid on 7 April 2020.

On 9 September 2019, the Company declared dividends to the holders of the Series A-1 Preference Shares at the fixed rate of 6.625% per annum, or equivalent to US\$0.33125 per Series A-1 Preference and Series A-2 Preference Shares at the fixed rate of 6.5% per annum, or equivalent to US\$0.32500 per series A-2 Preference Shares for the six-month period from 8 April 2019 to 7 October 2019. The final dividends were paid on 7 October 2019.

On 20 March 2019, the Company declared dividends to holders of Series A-1 Preference Shares, at the fixed rate of 6.625% per annum, or equivalent to US\$0.33125 per Series A-1 Preference Share for the six-month period from 8 October 2018 to 7 April 2019. The Company also declared dividends to holders of Series A-2 Preference Shares at the fixed rate of 6.5% per annum, or equivalent to US\$0.32500 per Series A-2 Preference Share for the six-month period from 8 October 2018 to 7 April 2019. The final dividends were paid on 8 April 2019.

On 19 September 2018, the Company declared dividends to holders of Series A-1 Preference Shares, at the fixed rate of 6.625% per annum, or equivalent to US\$0.33125 per Series A-1 Preference Share for the six-month period from 7 April 2018 to 7 October 2018. The Company also declared dividends to holders of Series A-2 Preference Shares at the fixed rate of 6.5% per annum, or equivalent to US\$0.32500 per Series A-2 Preference Share for the six-month period from 7 April 2018 to 7 October 2018. The final dividends were paid on 8 October 2018.

On 3 April 2018, the Company declared dividends to holders of Series A-1 Preference Shares, at the fixed rate of 6.625% per annum, or equivalent to US\$0.33125 per Series A-1 Preference Share for the six-month period from 8 October 2017 to 7 April 2018. The Company also declared dividends to holders of Series A-2 Preference Shares at the fixed rate of 6.5% per annum, or equivalent to US\$0.20403 per Series A-2 Preference Share for the 113-day period from 15 December 2017 to 7 April 2018. The final dividends were paid on 10 April 2018.

On 29 September 2017, the Company declared dividends to holders of Series A-1 Preference Shares, at the fixed rate of 6.625% per annum, or equivalent to US\$0.33125 per Series A-1 Preference Share for the six-month period from 7 April 2017 to 7 October 2017. The final dividend was paid on 9 October 2017.

The cumulative undeclared dividends on the preference shares amounted to US\$1.3 million as of 30 April 2020 and 2019.

The retained earnings is restricted for the payment of dividends representing the accumulated equity in net earnings of the subsidiaries amounting to US\$264.6 million as at 30 April 2020 (2019: US\$465.9 million). The accumulated equity in net earnings of the subsidiaries will be available for dividend distribution upon receipt of dividends from the subsidiaries. As of 30 April 2020 and 2019, joint ventures have no undistributed net earnings.



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

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#### 18. Retained Earnings and Reserves (cont'd)

##### Preference shares (cont'd)

On 30 April 2020, the Group recorded in retained earnings, a net equity reserve of US\$77.0 million, arising from the sale of DMPI shares (see Note 6).

##### Share premium

Under the British Virgin Islands law in whose jurisdiction the Company operates, the Company's share premium and retained earnings form part of the Company's surplus that may be available for dividend distribution provided that the solvency test is met by the Company. The Group's share premium is shown net of a merger deficit of US\$0.14 million, which arose from the acquisition of a subsidiary, DMPRL, under common control in 1999.

The share premium account includes any premium received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from the share premium account, net of any related income tax effects.

##### **Reserves**

	<b>Group</b>		<b>Company</b>	
	<b>30 April 2020</b>	<b>30 April 2019</b>	<b>30 April 2020</b>	<b>30 April 2019</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Translation reserve	(87,997)	(93,375)	(87,997)	(93,375)
Remeasurement of retirement plan	(2,873)	17,648	(2,873)	17,648
Revaluation reserve	13,731	10,885	13,731	10,885
Hedging reserve	(1,802)	(2,452)	(1,802)	(2,452)
Share option reserve	1,753	1,753	1,753	1,753
Reserve for own shares	(286)	(286)	(286)	(286)
	<u>(77,474)</u>	<u>(65,827)</u>	<u>(77,474)</u>	<u>(65,827)</u>

The translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations.

The revaluation reserve relates to surplus on the revaluation of freehold land of the Group. The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows affect the income statement of the Group (see Note 20).

The share option reserve comprises the cumulative value of employee services received for the issue of share options.

The reserve for the Company's own shares comprises the cost of the Company's shares held by the Group. As at 30 April 2020 and 2019, the Group held 975,802 of the Company's shares.



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

#### 19. Loans and borrowings

	Group		Company	
	30 April 2020 US\$'000	30 April 2019 US\$'000	30 April 2020 US\$'000	30 April 2019 US\$'000
<b>Current liabilities</b>				
Unsecured bank loans	473,152	353,870	216,311	135,070
Secured bank loans	825,140	138,870	74,971	—
	<u>1,298,292</u>	<u>492,740</u>	<u>291,282</u>	<u>135,070</u>
<b>Noncurrent liabilities</b>				
Unsecured bank loans	75,000	168,825	75,000	111,241
Secured bank loans	22,737	817,090	—	129,774
	<u>97,737</u>	<u>985,915</u>	<u>75,000</u>	<u>241,015</u>
	<u>1,396,029</u>	<u>1,478,655</u>	<u>366,282</u>	<u>376,085</u>

#### Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

	Currency	Nominal interest rate % p. a.	Year of maturity	30 April 2020		30 April 2019	
				Face value US\$'000	Carrying amount US\$'000	Face value US\$'000	Carrying amount US\$'000
<b>Group</b>							
Secured bank loans	PHP	4.50%	2020	59,472	59,472	57,584	57,584
Unsecured bank loans	PHP	5.25%-5.50%	2020	150,266	150,266	—	—
Unsecured bank loans	USD	1.54%-4.50%	2020-2024	397,886	397,886	465,111	465,111
Secured bridging loan	USD	4.50%	2020	500	500	53,500	53,500
Secured bridging loan	USD	4.50%	2020	74,500	74,471	76,500	76,274
Secured bank loan under ABL Credit Agreement	USD	Swingline B- 5% Base- 5%	2020	25,072	25,072	136,672	133,851
Secured First lien term loan	USD	Higher of Libor or 1% + 3.25% or total of 4.86%	2021	665,625	665,625	674,500	668,697
Secured Second lien term loan	USD	Higher of Libor or 1% + 7.25% or total of 7.82%	2021	22,737	22,737	28,555	23,638
				<u>1,396,058</u>	<u>1,396,029</u>	<u>1,492,422</u>	<u>1,478,655</u>



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

#### 19. Loans and borrowings (cont'd)

	Currency	Nominal interest rate % p.a.	Year of maturity	30 April 2020		30 April 2019	
				Face value US\$'000	Carrying amount US\$'000	Face value US\$'000	Carrying amount US\$'000
<b>Company</b>							
Unsecured bank loans	USD	2.30%-4.50%	2020-2024	291,311	291,311	246,311	246,311
Secured bridging loans	USD	4.50%	2020	75,000	74,971	130,000	129,774
				<u>366,311</u>	<u>366,282</u>	<u>376,311</u>	<u>376,085</u>

The secured bridging loans of US\$0.5 million as at 30 April 2020 (2019: US\$53.5 million) represent the remaining balance for the bridging loan that was obtained by the Company to finance the acquisition of Sager Creek and its related costs. In 2017, the Company signed a two-year extension of the US\$350.0 million Banco de Oro Unibank, Inc (BDO) loans from 10 February 2017 to 2019. In 2019, the Company settled an additional US\$0.5 million and extended the maturity date from February 2019 to August 2020. In 2020, the Company settled another US\$53.0 million. The loans are secured by the following: 1) Share Charge by DMPL on its share in DMPL Foods Limited; 2) Pledge by DMPRL of its shares in CARI; and 3) Pledge by CARI of its shares in DMPI.

In 2015, the Company obtained loans from BDO amounting to US\$130.0 million to refinance its existing bridge loans with the same bank and other bridge loans with other lenders and for general corporate requirements. The loans are secured by DMPI suretyship. The Company settled US\$53.5 million in 2019 and another US\$2.0 million in 2020, bringing the balance to US\$74.5 million.

The BDO bridging loans above require the Company to continuously maintain a debt to equity ratio of 3:1 applicable to fiscal years 2018 to 2020 and interest coverage of 1.5x. The Company is compliant with these covenants as at 30 April 2020 and 2019.

The Company has also entered into an agreement with Development Bank of Singapore Limited (DBS) for an omnibus facility comprising of a short-term dollar denominated loan (US\$30 million) and import financing facilities. The maximum aggregate utilization for the loans shall not exceed US\$80 million at all times. The Company has drawn US\$30 million during fiscal year 2019, and settled the amount in October 2019. Another US\$30 million was drawn during fiscal year 2020, maturing in May 2020 which was subsequently rolled upon maturity.

In fiscal year 2019, the Company obtained loans from Bank of Commerce (BOC) amounting to US\$54.0 million and Development Bank of the Philippines (DBP) amounting to US\$57.2 million for various financing need. The loans will mature on October 2020 and February 2021, respectively.

In fiscal year 2020, the Company obtained additional long-term loans from DBP amounting to a total of US\$75.0 million maturing in October 2024, to partially finance general corporate requirements and refinance existing debt.



# Del Monte Pacific Limited and its Subsidiaries

## Notes to the financial statements For the financial year ended 30 April 2020

### 19. Loans and borrowings (cont'd)

#### Long-term Borrowings

Long-term Borrowings	Original Principal (In '000)	Outstanding Balance (In '000)	Interest Rate % p.a.	Year of Maturity	Payment Terms (e.g., annually, quarterly, etc.)	Interest already paid 1 May 2019 to 30 April 2020 (In '000)
Senior secured variable rate first lien term loan	USD 710,000	USD 665,625	Higher of Libor or 1% + 3.25% or total of 4.86%	2021	0.25% quarterly principal payments from 30 April 2014 to 31 January 2021; Balance due in full at its maturity, 18 February 2021.	USD 38,160
Senior secured second lien variable rate term loan	USD 260,000	USD 22,737	Higher of Libor or 1% + 7.25% or total of 7.82%	2021	Due in full at its maturity, 18 August 2021.	USD 2,778
BDO Long-term Loan	USD 350,000	USD 500	4.50%	2020	Quarterly interest payment and principal on maturity date.	USD 1,623
BDO Long-term Loan	USD 130,000	USD 74,500	4.50%	2020	Quarterly interest payment and principal on maturity date.	USD 3,424
BOC Long-term Loan	USD 54,000	USD 54,000	4.50%	2020	Monthly interest payment and principal on maturity date.	USD 2,471
DBP Long-term Loan	USD 57,241	USD 57,241	2.99%	2021	Quarterly interest payment and principal on maturity date	USD 2,094
DBP Long-term Loan	USD 75,000	USD 75,000	2.72%	2024	Quarterly interest payment and principal on maturity date	USD 1,206
BDO Long-term Loan	PHP 3,000,000	PHP 3,000,000	Higher of Libor or 4.50%	2020	Quarterly interest payment and principal on maturity date	PHP 141,368

Loans and borrowings are stated net of unamortised debt issuance cost. The balance of unamortised debt issuance cost follows:

Note	Group		Company	
	Year ended 30 April 2020 US\$'000	Year ended 30 April 2019 US\$'000	Year ended 30 April 2020 US\$'000	Year ended 30 April 2019 US\$'000
Beginning of year	13,767	20,732	226	512
Additions	—	868	—	—
Amortisation	(13,737)	(7,833)	(197)	(286)
End of year	30	13,767	29	226



**19. Loans and borrowings (cont'd)**

DMFI is a party to a First Lien term loan credit agreement and a Second Lien term loan credit agreement (the "Term Loan Credit Agreements") with the lenders party thereto, Citibank, N.A., as administrative agent and collateral agent, and the other agents named therein, that provided for a US\$710.0 million First Lien Term Loan and a US\$260.0 million Second Lien Term Loan with terms of seven years and seven years plus six months, respectively.

*Interest Rates.* Loans under the First and Second Lien Term Loans bear interest at a rate equal to an applicable margin, plus a LIBOR rate (with a floor of 1.00%). As of 30 April 2020, the interest rate for First Lien Term Loans is 4.86% (2019: 5.90%) and the interest rate for Second Lien Term Loans is 7.82% (2019: 10.15%).

*Principal Payments.* The First Lien Term Loan generally requires quarterly scheduled principal payments of 0.25% of the outstanding principal per quarter from 30 April 2014 to 31 January 2021. The balance is due in full on the maturity date of 18 February 2021. Scheduled principal payments with respect to the First Lien Term Loan are subject to reduction following any mandatory or voluntary prepayments on terms and conditions set forth in the First Lien Term Loan Credit Agreement.

The Second Lien Term Loan is due in full on its maturity date of 18 August 2021.

The Term Loan Credit Agreements also require DMFI to prepay outstanding loans under the First Lien Term Loan and the Second Lien Term Loan, subject to certain exceptions, with, among other things:

- 50% (which percentage will be reduced to 25% if the leverage ratio is 4.0x or less and to 0% if the leverage ratio is 3.0x or less) of the annual excess cash flow, as defined in the First Lien Term Loan Credit Agreement;
- 100% of the net cash proceeds of certain casualty events and non-ordinary course asset sales or other dispositions of property for a purchase price above US\$2.0 million, in each case, subject to DMFI's right to reinvest the proceeds; and
- 100% of the net cash proceeds of any incurrence of debt, other than proceeds from debt permitted under the First Lien Term Loan Credit Agreement.

On 14 March 2018, the Company, a trust owned by DMFHII and certain seller lenders entered into a Purchase Agreement wherein the Company, or its designated affiliate, agreed to purchase certain Second Lien term loans from the seller lenders at an amount equal to 70% of the principal amount of the loans to be sold, plus accrued and unpaid interest thereon. On 27 March 2018, DMFI, DMFHI and the lenders signed the second amendment to the Second Lien term loan allowing the Company, or its eligible assignee, to purchase any and all loans outstanding under the amended agreement which were duly submitted by the lenders for purchase at a price equal to 70% of the principal amount.



**19. Loans and borrowings (cont'd)**

In March 2018, DMFHII, the affiliate assignee, through a trust, purchased DMFI's Second Lien term loans with principal amount of US\$125.9 million from seller lenders for US\$88.2 million. On 5 June 2018, 24 July 2018, 15 April 2019 and 27 November 2019, an additional US\$4.0 million, US\$95.1 million, US\$6.5 million and US\$5.8 million, respectively, of the Second Lien Term Loans were purchased. The pre-tax net gain from the purchase of the loans in 2020 amounting to US\$1.7 million (2019: US\$16.9 million), net of no transaction costs (2019: US\$2.0 million), was recognised in the Group's consolidated financial statements and is presented under "Finance income" in the consolidated income statement. The non-controlling interests of DMPLFL agreed to waive its share in any economic benefits arising from the Group's purchase of the Second Lien term loans. DMFHII agreed to make an equity contribution to DMFI in the amount equivalent to the interest received from DMFI.

To finance the purchase of the Second Lien Term Loans, the Company extended a loan to DMFHII amounting to US\$88.2 million in fiscal year 2018 with additional US\$87.8 million and US\$4.1 million loans extended in fiscal year 2019 and 2020, respectively. As of 30 April 2020, such loans are subject to interest of 11.10% (2019: 13.9%), subject to quarterly repricing, and will mature on 18 August 2021. The interest income earned by the Company on this loan amounted to US\$22.1 million in 2020 (2019: US\$20.2 million).

*Ability to Incur Additional Indebtedness.* DMFI has the right to request an additional US\$100 million plus an additional amount of secured indebtedness under the First Lien Term Loan and the Second Lien Term Loan. Lenders under this facility are under no obligation to provide any such additional loans, and any such borrowings will be subject to customary conditions precedent, including satisfaction of a prescribed leverage ratio, subject to the identification of willing lenders and other customary conditions precedent.

***ABL Credit Agreement***

DMFI is a party to a credit agreement (the "ABL Credit Agreement") with Citibank, N.A., as administrative agent, and the other lenders and agents parties thereto, as amended, that provides for senior secured financing of up to US\$442.6 million (with all related loan documents, and as amended from time to time, the ABL Facility) with a term of five years until 18 February 2019, prior to an amendment in 2018.

On 23 April 2018, the Group amended and restated the ABL Credit Agreement. The US\$442.6 million facility was divided into two tranches: "Tranche A" with an amount up to US\$46.5 million and "Tranche B" with an amount up to US\$442.6 million. Any drawdown or repayment are to be made in proportion to the two tranches and maximum borrowings cannot exceed the Tranche B commitments. Proceeds of US\$40.0 million from the amended ABL Agreement were used to pay-off the balance of the previous credit agreement. The Group fully amortised the deferred financing fees related to the previous credit agreement of US\$0.9 million from the amendment. As of 30 April 2020 and 2019, the Group's commitment could not exceed US\$450.0 million. Tranche A matured on 18 February 2019 and Tranche B matures on 19 November 2020.





**19. Loans and borrowings (cont'd)**

***ABL Credit Agreement (cont'd)***

*Interest Rates.* Borrowings under the ABL Credit Agreement bear interest at an initial interest rate equal to an applicable margin, plus, at the Group's option, either (i) a LIBOR rate, or (ii) a base rate equal to the highest of (a) the federal funds rate plus 0.50%, (b) Citibank, N.A.'s "prime commercial rate" and (c) the one month LIBOR rate plus 1.00%. The applicable margin with respect to LIBOR borrowings is 2.25% for Tranche B at 30 April 2020 (and may increase to 2.50% or 2.75% depending on average excess availability) (2019: Tranche B: 2.50%) and with respect to base rate borrowings is 1.25% for Tranche B at 30 April 2020 (and may increase to 1.50% or 1.75% depending on average excess availability) (2019: Tranche B: 1.50%).

*Commitment Fees.* In addition to paying interest on outstanding principal under the ABL Credit Agreement, the Group is required to pay a commitment fee that was initially 0.375% per annum in respect of the unutilised commitments thereunder. The commitment fee rate on Tranche A from time to time is 0.250% or 0.500% depending on the amount of unused commitments under the ABL Credit Agreement for the prior fiscal quarter. The commitment fee rate on Tranche B is 0.500%. The Group must also pay customary letter of credit fees between 1.75% to 2.75% based on average excess availability, and fronting fees equal to 0.125% of the face amount for each letter of credit issued.

*Availability under the ABL Credit Agreement.* Availability under the ABL Credit Agreement is subject to a borrowing base. The borrowing base, determined at the time of calculation, is an amount equal to: (a) 85% of eligible accounts receivable and (b) the lesser of (1) 75% of the net book value of eligible inventory and (2) 85% of the net orderly liquidation value of eligible inventory, of the Group at such time, less customary reserves. The ABL Credit Agreement will terminate, and the commitments thereunder will mature. On 18 February 2019, Tranche A matured and on 19 November 2020 Tranche B will mature. As of 30 April 2020, under Tranche B of the ABL Credit Agreement, there were US\$25.1 million (2019: Tranche B: US\$136.7 million) of loans outstanding and US\$21.9 million of letters of credit issued (2019: Tranche B: US\$16.9 million). The Group's net availability under the ABL Credit Agreement was US\$395.6 million as of 30 April 2020 (2019: US\$289.0 million). The weighted average interest rate on the ABL Credit Agreement was approximately 4.25% on 30 April 2020 (2019: 4.90%).

The ABL Credit Agreement includes a sub limit for letters of credit and for borrowings on same day notice, referred to as "swingline loans."

*Ability to Incur Additional Indebtedness.* Notwithstanding any increase in the facility size, the Group's ability to borrow under the facility will remain limited at all times by the borrowing base (to the extent the borrowing base is less than the commitments).

*Guarantee of Obligations under the Term Loan Credit Agreements and the ABL Credit Agreement.* All obligations of DMFI under the Term Loan Credit Agreements and the ABL Credit Agreement are unconditionally guaranteed by the DMFHL and by substantially all existing and future, direct and indirect, wholly owned material restricted domestic subsidiaries of DMFI, subject to certain exceptions.



**19. Loans and borrowings (cont'd)**

***Security interests***

Indebtedness under the First Lien Term Loan is generally secured by (i) a first priority pledge of all of the equity interests of DMFHL, (ii) a second priority lien on all ABL Priority Collateral of DMFHL and (iii) a first priority lien on substantially all other properties and assets of DMFHL. The Second Lien Term Loan is generally secured by (i) a second priority pledge of all of the equity interests of DMFHL, (ii) a third priority lien on all ABL Priority Collateral of DMFHL and (iii) a second priority lien on substantially all other properties and assets of DMFHL. The ABL Credit Agreement is generally secured by a first priority lien on DMFI's inventories and accounts receivable and by a third priority lien on substantially all other assets excluding real estate.

All of DMFI's inventory and trade receivables secure the various borrowings.

*Restrictive and Financial Covenants.* The Term Loan Credit Agreements and the ABL Credit Agreement contain restrictive covenants that limit DMFI's ability and the ability of its subsidiaries to take certain actions.

*Term Loan Credit Agreement and ABL Credit Agreement Restrictive Covenants.* The restrictive covenants in the Term Loan Credit Agreement and the ABL Credit Agreement include covenants limiting DMFI's ability, and the ability of DMFI's restricted subsidiaries, to incur additional indebtedness, create liens, engage in mergers or consolidations, sell or transfer assets, pay dividends and distributions or repurchase DMFHL's capital stock, make investments, loans or advances, prepay certain indebtedness, engage in certain transactions with affiliates, amend agreements governing certain subordinated indebtedness adverse to the lenders, and change DMFI's lines of business.

*Financial Maintenance Covenants.* The Term Loan Credit Agreements and ABL Credit Agreement generally do not require that DMFI comply with financial maintenance covenants.

*Minimum Consolidated EBITDA.* Beginning on 1 May 2018, the DMFHL Group will be subjected to an EBITDA financial covenant. Consolidated Trailing Twelve Month EBITDA of the Borrower and the Guarantors as of the last day of any fiscal quarter shall not be lower than specified amounts in the Credit Agreement.

*Effect of Restrictive and Financial Covenants.* The restrictive and financial covenants in the Term Loan Credit Agreements and the ABL Credit Agreement may adversely affect DMFI's ability to finance its future operations or capital needs or engage in other business activities that may be in its interest, such as acquisitions.

The Group is compliant with its loan covenants as of 30 April 2020 and 2019.



19. Loans and borrowings (cont'd)

**Unsecured Bank Loans**

Certain unsecured bank loan agreements contain various affirmative and negative covenants that are typical of these types of facilities such as financial covenants relating to required debt-to-equity ratio, interest cover and maximum annual capital expenditure restrictions. These covenants include requirements for delivery of periodic financial information and restrictions and limitations on indebtedness, investments, acquisitions, guarantees, liens, asset sales, disposals, mergers, changes in business, dividends and other transfers.

	Bank	Principal In '000	Debt-to equity ratio	Interest coverage
Unsecured loans	BOC	USD 54,000	3.0x	2.0x
Unsecured loans	DBP	USD 57,241	3.0x	–
Unsecured loans	DBP	USD 75,000	3.0x	–

The Company and the Group is compliant with its loan covenants as at 30 April 2020 and 2019.

*Ability to Incur Additional Indebtedness.*

On 12 December 2017, the Company entered into a Third Amendment Agreement with BDO that gives the Company the right to reborrow up to an aggregate amount of US\$200 million, subject to the terms of such amendment agreement.

In 2019, the Company also availed of an omnibus facility with DBS totaling US\$80 million of which US\$30 million had been drawn.

20. Other noncurrent liabilities

	Group	
	30 April 2020 US\$'000	30 April 2019 US\$'000
Workers' compensation	19,018	19,304
Accrued vendors liabilities	623	802
Derivative liabilities	2,600	1,759
Accrued lease liabilities	–	7,610
Other payables	1,139	540
	<u>23,380</u>	<u>30,015</u>

Workers' compensation are liabilities for wage replacement and medical benefits to employees injured in the course of employment in exchange for mandatory relinquishment of the employee's right to sue his or her employer for the tort of negligence.



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

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#### 20. Other noncurrent liabilities (cont'd)

##### Derivative liabilities

The Group uses interest rate swaps and commodity swaps to hedge market risks relating to possible adverse changes in interest rates and commodity costs. The Group continually monitors its positions and the credit rating of the counterparties involved to mitigate the amount of credit exposure to any one party.

As at 30 April 2020 and 2019, the Group designated each of its derivative contracts as a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognised asset or liability ("cash flow hedge"). The following cash flow hedges were outstanding for the Group:

		Group	
	Note	30 April 2020 US\$'000	30 April 2019 US\$'000
Interest rate swap	33, 35	(5,915)	(3,960)
Commodity contracts	33, 35	(2,909)	64
Total		(8,824)	(3,896)
<i>Included in:</i>			
Prepaid expenses and other current assets	14, 33	57	64
Trade and other current liabilities	23	(8,846)	(2,201)
Other noncurrent liabilities		(35)	(1,759)
		(8,824)	(3,896)

The effect of economic hedges in the consolidated income statements were as follows:

	Group	
	30 April 2020 US\$'000	30 April 2019 US\$'000
Commodity contracts	1,225	(283)

At 30 April 2020, US\$2.9 million (2019: US\$2.6 million) are expected to be reclassified from OCI to the consolidated income statement within the next 12 months.



**20. Other noncurrent liabilities (cont'd)**

**Derivative liabilities (cont'd)**

*Interest Rates*

The Group adopts a policy of hedging its floating rate exposure in accordance with the current rate environment and expected debt balances. This is achieved partly by entering into fixed-rate instruments and partly by borrowing at a floating rate (based on LIBOR) and using interest rate swaps as hedges of the variability in cash flows attributable to movements in interest rates. The Group applies a hedge ratio of 1:1.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities and the notional quantity or par amounts.

The Group assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

In these hedging relationships, the main sources of ineffectiveness are the effect of the counterparty's and the Group's own credit risk on the fair value of the swaps, which is not reflected in the change in the fair value of the hypothetical derivative used to measure the changes in the fair value of the hedged item attributable to the change in interest rates, and differences in repricing dates between the swaps and the hedged borrowings.

Significant terms of the interest rate swap contracts are as follows:

<b>Contract Date</b>	<b>Notional amount US\$ '000</b>	<b>Fixed Rate</b>	<b>Effective Date</b>	<b>Maturity Date</b>
19 March 2014	130,000	2.79%	18 February 2016	18 February 2019
19 March 2014	284,000	3.30%	18 February 2016	18 February 2021

*Commodities*

Certain commodities such as diesel fuel and natural gas (collectively, "commodity contracts") are used in the production and transportation of the Group's products. Generally, these commodities are purchased based upon market prices that are established with the vendors as part of the procurement process. The Group uses futures, swaps, and swaption or option contracts, as deemed appropriate, to reduce the effect of price fluctuations on anticipated purchases. These contracts may have a term of up to 24 months. The Group accounts for these commodity derivatives as cash flow hedges. The effective portion of derivative gains and losses is deferred in equity and recognised as part of cost of products sold in the appropriate period and the ineffective portion is recognised as cost of products sold.

The notional amounts of the Group's commodity contracts were as follows as at 30 April 2020 (2019: nil):

	<b>30 April 2020</b>
Natural gas (MMBTU)	332
Diesel	7,170



20. Other noncurrent liabilities (cont'd)

Derivative liabilities (cont'd)

Amounts Relating to Hedged Items

The amounts at the reporting date relating to items designated as hedged items are as follows:

30 April 2020			
	Change in value used for calculating hedge effectiveness	Cashflow hedge reserve	Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied
	US\$'000	US\$'000	US\$'000
<b>Interest rate risk</b>			
Variable rate instruments	4,824	180	—
<b>Commodity price risk</b>			
Inventory purchases	2,909	(2,196)	—

30 April 2019			
	Change in value used for calculating hedge effectiveness	Cashflow hedge reserve	Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied
	US\$'000	US\$'000	US\$'000
<b>Interest rate risk</b>			
Variable rate instruments	2,478	(2,472)	—
<b>Commodity price risk</b>			
Inventory purchases	46	—	—



## Notes to the financial statements

### For the financial year ended 30 April 2020

### Derivative liabilities (cont'd)

The amounts relating to items designated as hedging instruments and hedge ineffectiveness are as follows:

	30 April 2020				During 2020		
	Notional amount	Carrying amount		Line item in the statement of financial position where the hedged instrument is included	Change in the value of hedge instrument recognis ed in OCI	Amount reclassified from hedging reserve to profit or loss	Line item in profit or loss affected by the reclassification
		Assets	Liabilities				
				US\$'000			
Interest rate risk							
Variable rate instruments	284,000	–	(5,915)	Derivative Liabilities – Current Liabilities	(4,824)	8,695	Net finance expense
		–	–	Derivative liabilities –Non Current Liabilities			
Commodity price risk							
Commodity contracts							
Natural gas (MMBTU)	332	57	–	Prepaid and Other Current Assets	57	–	
Diesel (gallons)	7,170	–	(2,931)	Derivative Liabilities – Current Liabilities	(2,931)	–	
			(35)	Derivative Liabilities – Non Current Liabilities	(35)	–	



## Notes to the financial statements

### For the financial year ended 30 April 2020

**Derivative liabilities (cont'd)**

### Amounts Relating to Hedging Instruments (cont'd)

	30 April 2019			During 2019			
	Notional amount	Carrying amount		Line item in the statement of financial position where the hedged instrument is included	Change in the value of hedge instrument recognised in OCI	Amount reclassified from hedging reserve to profit or loss	Line item in profit or loss affected by the reclassification
		Assets	Liabilities				
				US\$'000			
Interest rate risk							
Variable rate instruments	284,000	–	(2,201)	Derivative Liabilities – Current Liabilities	(2,478)	2,894	Net finance expense
		–	(1,759)	Derivative liabilities –Non Current Liabilities			
Commodity price risk							
Commodity contracts							
Natural gas (MMBTU)	–	–	–	Prepaid and Other Current Assets	46	–	
Diesel (gallons)	–	64	–	Prepaid and Other Current Assets	–	–	





20. Other noncurrent liabilities (cont'd)

Derivative liabilities (cont'd)

Hedging Reserves

The following table provides a reconciliation by risk category of the hedging reserve and analysis of OCI items, net of tax, resulting from cash flow hedge accounting:

	Group	
	30 April 2020 US\$'000	30 April 2019 US\$'000
Balance at beginning of year	(2,742)	(3,091)
Changes in fair value:		
- Interest rate risk	(4,824)	(2,478)
- Commodity risk	(2,909)	46
Amount reclassified to profit or loss		
- Interest rate risk	8,695	2,894
Tax movements on reserves during the year	(236)	(113)
Balance at end of year	(2,016)	(2,742)

Call option

Derivative liabilities also include call option related to the disposal of the 12% ownership stake at DMPI (see Note 6).

Sensitivity analysis

The value of the Group's derivative liabilities related to the additional RCPS grant and call option are driven primarily by DMPI's forecasted net income which is not based on observable market data.

The following table demonstrates the sensitivity to a reasonably possible change in DMPI's forecasted net income, with all other variables held constant, on the fair value of the Group's derivative liabilities on additional RCPS grant and call option:

	10% increase US\$'000	10% decrease US\$'000
Fair value of derivative liabilities – additional RCPS grant	–	–
Fair value of derivative liabilities – call option	2,855	36



**Del Monte Pacific Limited and its Subsidiaries**

**Notes to the financial statements  
For the financial year ended 30 April 2020**

**21. Employee benefits**

	<b>Group</b>	
	<b>30 April 2020 US\$'000</b>	<b>30 April 2019 US\$'000</b>
Pension asset	6,675	8,240
Total pension asset (noncurrent)	6,675	8,240
Post-retirement benefit obligation	11,599	16,914
Executive retirement plan	2,834	3,092
Cash incentive award	–	6,210
Short-term employee benefits	18,385	17,115
Other plans	6,523	6,360
Net defined benefit liability	66,004	41,730
Total employee benefit liability	105,345	91,421
Current	22,947	27,640
Noncurrent	82,398	63,781
	105,345	91,421

Included in short-term employee benefits is an amount of US\$4.5 million (2019: US\$0.9 million) relating to provisions for employee severance benefits of employees terminated under plant closures (see Note 5).

Included in pension asset is an amount of US\$6.7 million (2019: US\$8.2 million) relating to defined benefit and defined contribution retirement plan in DMPI.

Included in post-retirement benefit obligation is an amount of US\$11.6 million (2019: US\$16.9 million) relating to post-retirement medical benefits plan in DMFI.

Included in net defined benefit liability is an amount of US\$65.7 million and US\$0.3 million (2019: US\$41.6 million and US\$0.1 million) relating to qualified retirement plan in DMFI and ROHQ, respectively.



**21. Employee benefits (cont'd)**

The Group contributes to the following post-employment defined benefit plans:

**The DMPI Plan**

DMPI has both funded defined benefit and defined contribution retirement plan (the "Plan") which covers all of its regular employees. Contributions and costs are determined in accordance with the actuarial study made for the Plan. Annual cost is determined using the projected unit credit method. DMPI's latest actuarial valuation date is 30 April 2020. Valuations are obtained on a periodic basis.

Starting on the date of membership of an employee in the Plan, DMPI shall contribute to the retirement fund 7.00% of the member's salary as defined every month. In addition, DMPI shall contribute periodically to the fund the amounts which may be required to meet the guaranteed minimum benefit provision of the plan. Such contributions shall not be allocated nor credited to the individual accounts of the members, but shall be retained in a separate account to be used in cases where the guaranteed minimum benefit applies.

Benefits are based on the total amount of contributions and earnings credited to the personal retirement account of the plan member at the time of separation or the 125% of the final basis salary multiplied by the number of credited years of service under the plan, whichever is higher. The manner of payment is lump sum, payable immediately.

The retirement plan meets the minimum retirement benefit specified under Republic Act (RA) No. 7641, The Philippine Retirement Pay Law.

The fund is administered by a trustee bank under the supervision of the Board of Trustees of the Plan.

The Board of Trustees is responsible for investment strategy of the Plan.

DMPI does not expect to make contributions to the plan in fiscal year 2021.

**The ROHQ Plan**

ROHQ has a funded defined benefit plan wherein starting on the date of membership of an employee in the ROHQ Plan, ROHQ contributes to the retirement fund 7.00% of the member's salary as defined every month. In addition, ROHQ contributes periodically to the fund the amounts which may be required to meet the guaranteed minimum benefit provision of the plan. Such contributions shall not be allocated nor credited to the individual accounts of the members, but shall be retained in a separate account to be used in cases where guaranteed minimum benefit applies.

Benefits are based on the total amount of contributions and earnings credited to the personal retirement account of the plan member at the time of separation or the 125% of the final basis salary multiplied by the number of credited years of service under the plan, whichever is higher. The manner of payment is lump sum, payable on retirement. ROHQ's annual contribution to the pension plan consists of payments covering the current service cost for the year plus payments towards funding the actuarial accrued liability, if any.

ROHQ does not expect to make contributions to the plan in fiscal year 2021.



**21. Employee benefits (cont'd)**

**The DMFI Plan**

DMFI sponsors a qualified defined benefit pension plan (the "DMFI Plan") and several unfunded defined benefit post-retirement plans providing certain medical, dental, and life insurance benefits to eligible retired, salaried, non-union hourly and union employees. The DMFI Plan comprises of two parts:

The first part is a cash balance plan ("Part B") which provides benefits for eligible salaried employees and provides that a participant's benefit derives from the accumulation of monthly compensation and interest credits. Compensation credits are calculated based upon the participant's eligible compensation and age each month. Interest credits are calculated each month by applying an interest factor to the previous month's ending balance. Participants may elect to receive their benefit in the form of an annuity or a lump sum. Part B of the plan was frozen to new participants effective 31 December 2016, which the active participation of certain participants was grandfathered subject to meeting participation requirements.

The second part is an arrangement which provides for grandfathered and suspended hourly participants a traditional pension benefit based upon service, final average compensation and age at termination. This plan was frozen since 31 December 1995, which the active participation of certain participants was grandfathered and the active participation of other participants was suspended.

DMFI currently meets and plans to continue to meet the minimum funding levels required under local legislation, which imposes certain consequences on DMFI's defined benefit plan if it does not meet the minimum funding levels. DMFI has not made any contributions during the year.

As of 30 April 2020, there were amendments to the DMFI Plan and the post-retirement benefit plan. Under the DMFI Plan amendments, certain benefits were eliminated effective 31 December 2019 and 30 April 2022 and the plan obligations associated with these amendments decreased by US\$9.1 million. Under the post-retirement amendments, certain benefits will be eliminated effective 30 April 2022 and the plan obligations associated with this amendment decreased by US\$5.9 million. Both amendments were recognised immediately in "General and administrative expenses" in the consolidated income statement.

As of 30 April 2019, there were amendments to the post-retirement benefit plan. Under an amendment, certain benefits will be eliminated after fiscal year 2022. The net liability impact of this amendment was a decrease of US\$13.4 million, which was recognised immediately in "General and administrative expenses" in the consolidated income statement.

DMFI does not expect to make contributions to the plan in fiscal year 2021.



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

#### 21. Employee benefits (cont'd)

##### Movement in net defined benefit liability (asset)

The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit liability (asset) and its components:

Group	Defined benefit obligation		Fair value of plan assets		Effect of Asset Ceiling		Net defined benefit liability (asset)	
	30 April 2020 US\$'000	30 April 2019 US\$'000	30 April 2020 US\$'000	30 April 2019 US\$'000	30 April 2020 US\$'000	30 April 2019 US\$'000	30 April 2020 US\$'000	30 April 2019 US\$'000
Balance, Beginning	363,977	385,105	(315,081)	(336,939)	1,508	6,372	50,404	54,538
<b>Included in profit or loss:</b>								
Current service cost	5,818	7,827	—	—	—	—	5,818	7,827
Past service cost	(14,561)	(15,099)	—	—	—	—	(14,561)	(15,099)
Plan administration cost	—	—	2,419	675	—	—	2,419	675
Interest cost/(income)	11,522	16,400	(10,038)	(14,754)	89	497	1,573	2,143
	366,756	394,233	(322,700)	(351,018)	1,597	6,869	45,653	50,084
<b>Included in OCI</b>								
Remeasurements loss (gain):								
- Actuarial loss (gain) arising from:								
- financial assumptions	45,771	10,297	—	—	—	—	45,771	10,297
- demographic assumptions	(4,051)	(514)	—	—	—	—	(4,051)	(514)
- experience adjustment	2,930	(366)	—	—	—	—	2,930	(366)
- Return on plan assets excluding interest income	—	—	(15,481)	(703)	—	—	(15,481)	(703)
- Changes in the effect of the asset ceiling	—	—	—	—	(1,030)	(5,380)	(1,030)	(5,380)
- Effect of movements in exchange rates	935	(100)	(1,268)	258	(21)	19	(354)	177
	45,585	9,317	(16,749)	(445)	(1,051)	(5,361)	27,785	3,511
<b>Others</b>								
Contributions	—	—	(575)	(1,692)	—	—	(575)	(1,692)
Benefits paid	(39,857)	(39,573)	37,922	38,074	—	—	(1,935)	(1,499)
	(39,857)	(39,573)	37,347	36,382	—	—	(2,510)	(3,191)
<b>Balance, Ending</b>	372,484	363,977	(302,102)	(315,081)	546	1,508	70,928	50,404

Remeasurement loss recognised in OCI under executive retirement plan and other plans amounted to US\$0.9 million for fiscal year ended 2020 (2019: US\$0.8 million).



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

#### 21. Employee benefits (cont'd)

##### Represented by:

	Net defined benefit liability (asset)	
	30 April 2020	30 April 2019
	US\$'000	US\$'000
Net defined benefit asset	(6,675)	(8,240)
Post-retirement benefit obligation	11,599	16,914
Net defined benefit liability	66,004	41,730
	<u>70,928</u>	<u>50,404</u>

##### Plan assets

Plan assets comprise:

	Group	
	30 April 2020	30 April 2019
	US\$'000	US\$'000
Interest-bearing cash/bank deposits	5,703	14,501
Real estate (within Philippines)	16,019	15,004
Common collective trust funds:		
Fixed income	66,340	68,624
Equity fund	93,007	87,474
Mutual funds -		
Equity fund	12,375	13,840
Debt instruments:		
Corporate	39,889	41,191
Government	43,527	42,590
Others	7,223	5,109
Equity securities -		
Quoted	6,229	12,602
Others	11,790	14,146
Fair value of plan assets	<u>302,102</u>	<u>315,081</u>

The BOD of DMFI reviews the level of funding required for the retirement fund. Such a review includes the asset-liability matching (ALM) strategy and investment risk management policy. DMFI's ALM objective is to match maturities of the plan assets to the retirement benefit obligation as they fall due. The Group monitors how the duration and expected yield of the investments match the expected cash outflows arising from the retirement benefit obligation.

DMFI's investment objectives are to ensure that the assets of its qualified defined benefit plan are invested to provide an optimal rate of investment return on the total investment portfolio, consistent with the assumption of a reasonable risk level, and to ensure that pension funds are available to meet the plan's benefit obligations as they become due.

DMFI believes that a well-diversified investment portfolio, including both equity and fixed income components, will result in the highest attainable investment return with an acceptable level of overall risk. DMFI's investment policies and procedures are designed to ensure that the plan's investments are in compliance with the Employee Retirement Income Security Act (ERISA).



Notes to the financial statements  
For the financial year ended 30 April 2020

21. Employee benefits (cont'd)

**Actuarial valuation**

The funded obligations and plan assets are measured and valued with the advice of qualified actuary who carries out a full valuation annually. The last valuation of these obligations and plan was performed in April 2020 wherein the results of these valuations form the basis of the fair value of the funded obligations and plan assets as at 30 April 2020.

The principal actuarial assumptions used for accounting purposes expressed as weighted average were:

	<----- DMFI ----->	
	30 April 2020	30 April 2019
Discount rate (per annum)	2.14%-3.68%	3.65% – 4.25%
Future salary increases (per annum)	3.00%	3.00% – 4.00%
Current health care cost trend rate (per annum)	6.40%	6.60%
Ultimate health care cost trend rate	4.50%	4.50%
	2012 rates associated with the Pri-2012 table with generational projection of improvements in mortality from 2012 based on MP- 2019	RP-2014 adjusted backward to 2006 with MP-2014 and projected forward using MP-2018
Mortality rate		
	<----- DMPI ----->	
	30 April 2020	30 April 2019
Discount rate (per annum)	4.43%	6.06%
Future salary increases (per annum)	6.00%	6.00%
	<----- ROHQ ----->	
	30 April 2020	30 April 2019
Discount rate (per annum)	4.48%	6.21%
Future salary increases (per annum)	6.00%	6.00%

Since the defined benefit plans and other benefits liabilities are measured on a discounted basis, the discount rate is a significant assumption. The discount rate for DMFI plan was determined based on an analysis of interest rates for high-quality, long-term corporate debt at each measurement date. The discount rate for DMPI and ROHQ Plans were determined based on the theoretical spot yield curve calculated for the government securities market. In order to appropriately match the bond maturities with expected future cash payments, the Group utilised differing bond portfolios to estimate the discount rates for the defined benefits pension plans and for the post-retirement benefits.



21. Employee benefits (cont'd)

**Actuarial valuation (cont'd)**

The discount rate used to determine the defined benefit plans and for the post-retirement benefits projected benefit obligation as of the reporting date is the rate in effect at the measurement date. The same rate is also used to determine the defined benefit pension plans and post-retirement benefits for the following fiscal year. The defined benefits pension plans' investment guidelines are established based upon an evaluation of market conditions, tolerance for risk and cash requirements for benefit payments. Assumptions regarding future mortality have been based on published statistics and mortality tables.

As at 30 April 2020, the weighted average duration of DMPI's and ROHQ's defined benefit retirement obligation is 9.2 years and 7.2 years, respectively (2019: 7.4 years and 6.5 years, respectively).

The projected future benefit payments for the DMPI and ROHQ plans as of 30 April 2020 are as follows:

	<b>DMPI US\$'000</b>	<b>ROHQ US\$'000</b>	<b>Total Expected Benefit Payments US\$'000</b>
2021	1,705	36	1,741
2022	4,456	41	4,497
2023	2,469	46	2,515
2024	4,225	51	4,276
2025	3,276	524	3,800
2026 to 2030	16,365	840	17,205

The weighted average duration of DMFI's defined benefit retirement obligation are as follows:

	<b>Duration (years)</b>	
	<b>30 April 2020</b>	<b>30 April 2019</b>
Qualified retirement plan	10.2	9.3
Post-retirement benefits plan	8.1	9.5
Executive retirement plans	7.5 – 9.0	9.3 – 9.4

The projected future benefit payments for the DMFI plan as of 30 April 2020 are as follows:

	<b>Normal Retirement US\$'000</b>	<b>Other than Normal Retirement US\$'000</b>	<b>Total US\$'000</b>
Less than one year	25,864	2,077	27,941
More than one year to five years	94,143	3,879	98,022
More than five years	95,639	2,578	98,217





21. Employee benefits (cont'd)

*Actuarial valuation (cont'd)*

The weighted-average asset allocation of the Group's pension plan assets and weighted-average target allocation as of the measurement date from date of incorporation is as follows:

	30 April 2020	Target Allocation Range
Equity securities	37%	31-51%
Debt securities	52%	42-64%
Other	11%	2-19%
Total	100%	
	30 April 2019	Target Allocation Range
Equity securities	36%	31-51%
Debt securities	50%	42-64%
Other	14%	2-19%
Total	100%	

The plan exposes the Group to market risk.

The BOD of DMFI approves the percentage of asset to be allocated for fixed income instruments and equities. The retirement plan has set maximum exposure limits for each type of permissible investments in marketable securities and deposit instruments. The BOD of DMFI may, from time to time, in the exercise of its reasonable discretion and taking into account existing investment opportunities, review and revise such allocation and limits.

**Source of estimation uncertainty**

Pension expense and pension assets/liabilities are determined using certain actuarial estimates and assumptions relating to the discount rate used in valuing the subsidiary's defined benefit obligations and future experiences such as future salary increases, retirement date or age, mortality and turnover rate of covered employees. These estimates and assumptions directly influence the amount of the pension assets/liabilities and expense recognised in the financial statements.



# Del Monte Pacific Limited and its Subsidiaries

## Notes to the financial statements For the financial year ended 30 April 2020

### 21. Employee benefits (cont'd)

#### Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of reporting period would have increased (decreased) as a result of a change in the respective assumptions by the respective percentages below.

Defined benefit obligation	<-----DMFI----->			
	2020		2019	
	0.5% increase US\$'000	0.5% decrease US\$'000	0.5% increase US\$'000	0.5% decrease US\$'000
Discount rate (per annum)	(14,871)	16,224	(13,692)	14,868
Future salary increases (per annum)	N/A	N/A	1,118	(1,066)

Defined benefit obligation	<-----DMPI----->			
	2020		2019	
	1.0% increase US\$'000	1.0% decrease US\$'000	1.0% increase US\$'000	1.0% decrease US\$'000
Discount rate (per annum)	(2,848)	3,332	(2,253)	1,963
Future salary increases (per annum)	3,245	(2,834)	2,232	(1,981)

Defined benefit obligation	<-----ROHQ----->			
	2020		2019	
	1.0% increase US\$'000	1.0% decrease US\$'000	1.0% increase US\$'000	1.0% decrease US\$'000
Discount rate (per annum)	(53)	60	(38)	35
Future salary increases (per annum)	58	(53)	38	(35)

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation at 30 April 2020 and are applied to adjust the defined benefit obligation at the end of the report period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumption shown.



21. Employee benefits (cont'd)

*Sensitivity analysis (cont'd)*

Post-retirement benefit obligation

	-----DMFI----->			
	2020		2019	
	1.0% Increase US\$'000	1.0% decrease US\$'000	1.0% Increase US\$'000	1.0% decrease US\$'000
Health care cost trend rates (per annum)	15	(14)	908	(744)

**Accumulated post-retirement benefit obligation**

The accumulated post-retirement benefit obligation is computed in accordance with IAS 19 *Employee Benefits*. This quantity is the actuarial present value of all benefits attributed under the projected unit credit method to service rendered prior to a particular date. Prior to an employee's full eligibility date, the accumulated post-retirement benefit obligation as of a particular date for an employee is the portion of the expected post-retirement benefit obligation attributed to that employee's service rendered to that date; on and after the full eligibility date, the accumulated and expected post-retirement benefit obligations for an employee are the same.

**Source of estimation uncertainty**

Accumulated post-retirement benefit obligation is determined using certain actuarial estimates and assumptions relating to the annual rate(s) of change in the cost of health care benefits currently provided by the post-retirement benefit plans due to factors other than changes in the composition of the plan population by age and dependency status, for each year from the measurement date until the end of the period in which benefits are expected to be paid. These estimates and assumptions directly influence the amount of the pension assets/liabilities and expense recognised in the financial statements.

**Multi-employer plans**

The Group participates in several multi-employer pension plans, which provide defined benefits to covered union employees. Contribution rates to the multi-employer plans are provided in the collective bargaining agreements for the covered union employees. The contribution rates are expressed in terms of specific amounts to be contributed based on hours worked by covered union employees. The Group made contributions of US\$6.4 million, US\$6.7 million and US\$6.1 million during fiscal years 2020, 2019 and 2018, respectively.

The risks of participating in the multi-employer pension plans are as follows:

- assets contributed to the multi-employer plan by the Group may be used to provide benefits to employees of other participating employers;
- if a participating employer stops contributing to the plan, the unfunded obligations of the plan allocable to such withdrawing employer may be partially borne by the Group; and
- if the Group stops participating in some of its multi-employer pension plans, the Group may be required to pay those plans an amount based on its allocable share of the underfunded status of the plan, referred to as a withdrawal liability.



**21. Employee benefits (cont'd)**

**Defined Contribution Plans**

The Group participates in two defined contribution plans. Group contributions to these defined contribution plans are based on employee contributions and compensation. The expense recognised under these plans for the year ended 30 April 2020 was US\$4.4 million (2019: US\$4.1 million; 2018: US\$4.8 million).

**Other plans**

The Group has various other nonqualified retirement plans and supplemental retirement plans for executives, designed to provide benefits in excess of those otherwise permitted under the Group's qualified retirement plans. These plans are unfunded and comply with IRS rules for nonqualified plans.

**22. Environmental remediation liabilities**

	<b>Group</b>	
	<b>30 April 2020 US\$'000</b>	<b>30 April 2019 US\$'000</b>
At beginning of the year	697	144
Provision made during the year	9,471	631
Provisions used during the year	(78)	(78)
Provisions released during the year	(336)	-
Reclass to current portion	(167)	-
At end of the year	<u>9,587</u>	<u>697</u>

Provision for environmental remediation relates to legal or constructive obligations incurred by the Group in connection with its operations. The current portion of environmental liabilities is included in "Trade and other payables" in the consolidated statement of financial position. In connection with the plant sales of Mendota, Sleepy Eye, and Crystal City, US\$6.0 million, US\$3.0 million and US\$0.4 million, respectively, of environmental provisions were made in fiscal year 2020.



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

#### 23. Trade and other current liabilities

		<----- Group ----->		<----- Company ----->	
	Note	30 April 2020 US\$'000	30 April 2019 US\$'000	30 April 2020 US\$'000	30 April 2019 US\$'000
Trade payables		132,597	113,202	24	335
Deferred revenue	25	407	530	—	—
Accrued operating expenses:					
Refinancing cost	6, 41	31,324	—	—	—
Taxes and insurance		20,425	6,246	—	—
Trade promotions		12,657	9,476	—	—
Advertising		10,603	11,108	—	—
Accrued interest	40	9,045	10,481	1,568	2,159
Freight and warehousing		7,633	7,121	—	—
Professional fees		7,364	6,292	1,348	—
Utilities		5,861	1,015	—	—
Tinplate and consigned stocks		3,501	3,340	—	—
Salaries, bonuses and other employee benefits		3,373	2,579	—	—
Plant closure costs		3,125	—	—	—
Miscellaneous		6,894	3,694	659	360
Derivative liabilities	20	8,846	2,201	—	—
Overdrafts		6,280	3,478	—	—
Accrued payroll expenses		3,806	3,617	3,337	2,661
Withheld from employees (taxes and social security cost)		1,333	2,259	59	28
Other payables		1,109	622	—	120
Advances from customers		687	304	—	—
VAT payables		23	1,104	23	120
Amounts due to subsidiaries (non-trade)	38	—	—	60,090	98,194
		<u>276,893</u>	<u>188,669</u>	<u>67,108</u>	<u>103,977</u>

Deferred revenue pertains to contract liabilities relating to advances from customers which are generally expected to be recognised as revenue within periods of less than one year. Accordingly, opening contract liabilities are recognised within each reporting period. The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose the aggregate amount of the transaction price of unsatisfied or partially unsatisfied performance obligations as of the end of the reporting period because its contracts have original expected durations of one year or less (see Note 25).

The amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

Refinancing cost pertains to unpaid transaction costs directly attributable to the bond issuance in May 2020 (see Note 41).

Accrued miscellaneous include interest, utilities, customer deposits, freight and warehousing and customs and other importation incidental costs.

#### **Sources of estimation uncertainty**

The determination of the unbilled trade promotion accrual requires significant estimation of the amount of discount to be redeemed based on volumes sold when the services are performed and billings are received.



# Del Monte Pacific Limited and its Subsidiaries

## Notes to the financial statements For the financial year ended 30 April 2020

### 24. Leases

#### Group as a lessee

Set out below are the carrying amount of right-of-use assets recognised and the movements during the period:

	Buildings, land improvements and leasehold improvements US\$'000	Land US\$'000	Machinery and Equipment US\$'000	Total US\$'000
<b>Cost/Valuation</b>				
At 1 May 2019	–	–	–	–
Effect of adoption of IFRS 16	117,070	46,746	45,354	209,170
Additions	24	2,998	273	3,295
Disposals	(1,829)	–	(7,177)	(9,006)
Currency realignment	758	1,533	–	2,291
At 30 April 2020	116,023	51,277	38,450	205,750
<b>Accumulated amortisation</b>				
At 1 May 2019	–	–	–	–
Amortisation	21,543	6,828	14,161	42,532
Disposals	(831)	–	(2,180)	(3,011)
Currency realignment	40	104	–	144
At 30 April 2020	20,752	6,932	11,981	39,665
<b>Carrying amounts</b>				
At 30 April 2020	95,271	44,345	26,469	166,085

The following are the amounts recognised in fiscal year 2020 income statement:

	Note	US\$'000
Amortisation expense of right-of-use assets	26	35,179
Interest expense on lease liabilities	27	8,567
Expenses relating to short-term leases	26	15,365
Variable lease payments		793
<b>Total amount recognised in statement of income</b>		<b>59,904</b>

Amortisation expense is net of amount capitalised to inventory.

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	US\$000
<b>As at 1 May 2019</b>	192,283
Additions	2,469
Accretion of interest	10,001
Payments of principal	(34,427)
Payments of interest	(7,531)
Terminations	(5,836)
Currency realignment	1,566
<b>As at 30 April 2020</b>	<b>158,525</b>
Current	30,829
Non-current	127,696



**25. Revenue**

Revenue of the Group comprises fair value gains arising from biological assets, gross invoiced sales of goods, net of discounts and returns, and is recognised when goods are delivered. All intra-group transactions have been excluded from Group revenue.

Revenue for fiscal year ended 30 April 2020 is net of discounts of US\$82.9 million, returns of US\$19.9 million and direct promotions of US\$366.5 million. Revenue for fiscal year ended 30 April 2019 is net of discounts of US\$75.8 million, returns of US\$16.8 million and direct promotions of US\$327.2 million. Revenue for fiscal year ended 30 April 2018 is net of discounts of US\$87.1 million, returns of US\$20.6 million and direct promotions of US\$486.5 million.

Disaggregation of revenue is presented in Note 30.

*Contract Balances*

The following table provides information about trade receivables and contract liabilities from contracts with customers.

		<b>Group</b>		
	<b>Note</b>	<b>30 April 2020 US\$'000</b>	<b>30 April 2019 US\$'000</b>	<b>30 April 2018 US\$'000</b>
Receivables, included in Trade and other receivables	13	170,819	127,776	142,654
Contract liabilities	23	407	530	13,592

The Group recognised revenue adjustments from performance obligations satisfied or partially satisfied in previous periods due to changes in estimates of trade promotions, coupon redemptions, cash discounts and penalties amounting to US\$3.3 million and US\$3.5 million in fiscal year 2020 and 2019, respectively.

The contract liabilities at 30 April 2019 have been recognised as revenue as of 30 April 2020.



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

#### 26. Profit (loss) before taxation

Profit (loss) before taxation is arrived at after charging (crediting):

		<----- Group ----->			<----- Company ----->		
	Note	Year ended 30 April 2020 US\$'000	Year ended 30 April 2019 US\$'000	Year ended 30 April 2018 US\$'000	Year ended 30 April 2020 US\$'000	Year ended 30 April 2019 US\$'000	Year ended 30 April 2018 US\$'000
Inventories recognised as cost of sales	12	1,201,016	1,101,109	1,241,195	—	—	—
Depreciation of property, plant and equipment	5	136,674	132,052	140,061	—	—	—
Amortisation of right-of-use assets	24	35,179	—	—	—	—	—
Operating lease rentals	36	—	57,971	62,272	—	—	—
Short-term leases	24	15,365	—	—	—	—	—
Changes in fair value of agricultural produce harvested and sold	11	45,510	39,002	36,651	—	—	—
Impairment loss (reversal of impairment) on property, plant and equipment	5	40,746	1,262	24,534	—	—	—
Allowance for inventory obsolescence	12	9,649	19,245	21,823	—	—	—
Research and development expenses		11,489	11,526	13,522	—	—	—
Amortisation of intangible assets	8	6,650	6,654	7,784	—	—	—
Impairment (reversal) of trade and nontrade receivables	13	(292)	2,646	502	—	—	—
Audit fees							
- paid to the auditors of the Company		353	345	340	353	345	340
- paid to other auditors		1,150	998	1,064	—	—	—
Non-audit fees							
- paid to other auditors		153	144	150	57	3	11
Loss (gain) on disposal of property, plant and equipment		2,502	(6,158)	(11,317)	—	—	—
Legal (reversal of legal expenses)		2,566	2,626	4,956	3	1	(204)
<b>Staff costs</b>							
Wages and salaries		272,006	228,769	353,944	4,761	4,638	3,533
Social security costs		16,255	16,133	17,063	6	4	—
Pension costs - defined benefit pension plan*		8,182	7,633	13,390	92	59	—
Pension costs - provident fund		4,817	4,435	5,366	2	1	—
Equity-settled share-based payment transactions**	32	—	266	377	—	—	30

\*Included the effect of post-retirement medical plan amendment and enhanced early retirement program.

\*\*Net of non-controlling interests amounting to nil, US\$(114) and US\$179 for 2020, 2019 and 2018, respectively.

Other expenses not included above are advertising and marketing costs, freight, warehousing costs and others.





## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

#### 27. Net finance expense

Note	<----- Group ----->			<----- Company ----->		
	Year ended 30 April 2020 US\$'000	Year ended 30 April 2019 US\$'000	Year ended 30 April 2018 US\$'000	Year ended 30 April 2020 US\$'000	Year ended 30 April 2019 US\$'000	Year ended 30 April 2018 US\$'000
<b>Finance income</b>						
Interest income from:						
Bank deposits	171	481	269	1	—	5
Due from a related party	—	—	—	22,110	20,231	1,079
Others	682	744	871	—	—	—
Gain on purchase of second lien term loan	19 1,716	16,900	33,623	—	—	—
Realised foreign exchange gain	5,169	7	3,804	—	—	—
Unrealised foreign exchange (loss) gain	—	3,853	2,905	—	—	2
	<u>7,738</u>	<u>21,985</u>	<u>41,472</u>	<u>22,111</u>	<u>20,231</u>	<u>1,086</u>
<b>Finance expense</b>						
Interest expenses on bank loans	(83,694)	(89,125)	(93,169)	(16,117)	(17,216)	(13,910)
Amortisation of debt issue cost, discount	19 (13,737)	(7,833)	(9,154)	(197)	(286)	(2,364)
Interest rate swap settlement	(8,695)	—	—	—	—	—
Leases	24 (8,567)	—	—	—	—	—
Realised foreign exchange loss	(4,505)	(3,405)	(2,669)	(3)	(16)	(1)
Unrealised foreign exchange loss	(1,295)	(61)	(661)	(6)	—	—
	<u>(120,493)</u>	<u>(100,424)</u>	<u>(105,653)</u>	<u>(16,323)</u>	<u>(17,518)</u>	<u>(16,275)</u>
Net finance expense	<u>(112,755)</u>	<u>(78,439)</u>	<u>(64,181)</u>	<u>5,788</u>	<u>2,713</u>	<u>(15,189)</u>

As discussed in Note 19, the Group recognised a gain of US\$1.7 million (2019: US\$16.9 million) on purchase of a portion of the Second Lien term loan.

#### 28. Tax expense (credit) - net

Note	Group		
	Year ended 30 April 2020 US\$'000	Year ended 30 April 2019 US\$'000	Year ended 30 April 2018 US\$'000
<b>Current tax expense</b>			
- Current year	55,424	11,721	11,701
<b>Deferred tax credit</b>			
- Origination and reversal of temporary differences	9 (26,248)	(25,245)	3,143
	<u>29,176</u>	<u>(13,524)</u>	<u>14,844</u>



**Del Monte Pacific Limited and its Subsidiaries**

**Notes to the financial statements  
For the financial year ended 30 April 2020**

**28. Tax expense (credit) – net (cont'd)**

	Year ended 30 April 2020 US\$'000	Group Year ended 30 April 2019 US\$'000	Year ended 30 April 2018 US\$'000
<b>Reconciliation of effective tax rate</b>			
(Loss) profit before taxation	(64,654)	700	(36,232)
Taxation on profit at applicable tax rates	(25,313)	(8,878)	(13,687)
Dividend subjected to final tax	47,246	–	–
Non-deductible expenses	2,951	2,225	2,022
Non-taxable income	(2,013)	(2,733)	(2,537)
Change in unrecognised deferred tax asset	4,433	(4,325)	2,199
Others	1,872	187	(90)
Change in tax rate	–	–	26,937
	29,176	(13,524)	14,844

	Year ended 30 April 2020 US\$'000	Company Year ended 30 April 2019 US\$'000	Year ended 30 April 2018 US\$'000
<b>Current tax expense</b>			
- current year	21	7	25
<b>Deferred tax credit</b>			
- origination and reversal of temporary differences	(6)	(5)	(9)
	15	2	16

	Year ended 30 April 2020 US\$'000	Group Year ended 30 April 2019 US\$'000	Year ended 30 April 2018 US\$'000
<b>Applicable tax rates</b>			
- Philippines (non-PEZA)	30%	30%	30%
- Philippines (PEZA)*	5%	5%	5%
- India	31%	31%	31%
- Singapore	17%	17%	17%
- United States of America	25%	25%	25%
- Mexico	30%	30%	30%

\*based on gross profit for the year



**28. Tax expense (credit) – net (cont'd)**

DMPI's production operations in Cagayan de Oro City, Philippines are undertaken in the Philippine Packing Agricultural Export Processing Zone. This zone was established in accordance with the regulations of the Philippine Economic Zone Authority (PEZA). DMPI enjoys several fiscal and non-fiscal incentives including a 5% (2019 and 2018: 5%) tax on gross profit in lieu of the statutory 30% (2019 and 2018: 30%) on profit before tax, duty free importation of capital equipment, raw materials and supplies used in pursuit of its Ecozone-registered activities, among other incentives. The incentives may be availed of for as long as DMPI complies with the PEZA's requirements which include exporting 70% of its production and these incentives are not rationalised by law. This current tax incentive expired in fiscal year 2018 and was extended for an additional three years ending fiscal year 2021.

DMPI received PEZA approval for a second zone, the Bukidnon Agro-Resources Export Zone, for agri-development projects. This current tax incentive expired in fiscal year 2018 and was extended for an additional three years ending fiscal year 2021.

With respect to DMFI, on 22 December 2017, the United States enacted the Tax Cuts and Jobs Act (the "Act"). The Act lowered the U.S. federal statutory income tax rate from 35% to 21% effective 1 January 2018.

**Company**

There is no tax expense for the Company as the income of the Company is exempt from all income taxes in the British Virgin Islands except for ROHQ in the Philippines which has a preferential tax rate of 10%.

***Sources of estimation uncertainty***

The Group has exposure to income taxes in several foreign jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.



**Del Monte Pacific Limited and its Subsidiaries****Notes to the financial statements****For the financial year ended 30 April 2020**

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**29. Earnings (loss) per share****Basic earnings (loss) per share**

Basic earnings (loss) per share is calculated by dividing the net profit (loss) attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

Cumulative undeclared preference dividends amounted to US\$1.3 million as of 30 April 2020 and 2019.

	<b>Year ended 30 April 2020</b>	<b>Group Year ended 30 April 2019</b>	<b>Year ended 30 April 2018</b>
(Loss) profit attributable to owners of the Company (US\$'000)	<b>(81,394)</b>	20,319	(36,492)
Cumulative preference share dividends for the year (US\$'000)	<b>(19,750)</b>	(19,750)	(15,958)
	<b>(101,144)</b>	569	(52,450)
Weighted average number of ordinary shares ('000):			
Outstanding ordinary shares at 1 May	<b>1,943,960</b>	1,943,960	1,943,214
Effect of share awards granted	—	—	456
Weighted average number of ordinary shares during the year	<b>1,943,960</b>	1,943,960	1,943,670
Basic (loss) earnings per share (in US cents)	<b>(5.20)</b>	0.03	(2.70)



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

#### 29. Earnings (loss) per share (cont'd)

##### Diluted earnings (loss) per share

For the purpose of calculation of the diluted earnings per ordinary share, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from Del Monte Pacific RSP, with the potential ordinary shares weighted for the period outstanding.

	Year ended 30 April 2020	Group Year ended 30 April 2019	Year ended 30 April 2018
(Loss) profit attributable to owners of the Company (US\$'000)	(81,394)	20,319	(36,492)
Cumulative preference share dividends for the year (US\$'000)	(19,750)	(19,750)	(15,958)
	<u>(101,144)</u>	<u>569</u>	<u>(52,450)</u>
Diluted weighted average number of shares ('000):			
Weighted average number of ordinary shares at end of year (basic)	1,943,960	1,943,960	1,943,670
Potential ordinary shares issuable under share awards	—	—	—
Weighted average number of ordinary shares issued (diluted)	<u>1,943,960</u>	<u>1,943,960</u>	<u>1,943,670</u>
Diluted (loss) earnings per share (in US cents)	<u>(5.20)</u>	<u>0.03</u>	<u>(2.70)</u>

#### 30. Operating segments

The Group has two operating segments: geographical and product. In identifying these operating segments, management generally considers geographical as its primary operating segment.

##### Geographical segments

###### Americas

Reported under the Americas segment are sales and profit on sales in North and South America, and Canada. Majority of this segment's sales are principally sold under the Del Monte brand but also under the Contadina, S&W, College Inn and other brands. This segment also includes sales of private label food products. Sales across various channels include retail markets, as well as to the United States military, certain export markets, the food service industry and other food processors.



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

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#### 30. Operating segments (cont'd)

##### *Asia Pacific*

Reported under Asia Pacific are sales and profit on sales in the Philippines, comprising primarily of Del Monte branded packaged products, including Del Monte traded goods; Today's; S&W products in Asia both fresh and packaged; and Del Monte packaged products from the Philippines into Indian subcontinent as well as unbranded fresh and packaged goods.

##### *Europe*

Included in Europe segment are sales of unbranded products in Europe.

#### **Product segments**

##### *Packaged fruit and vegetable*

The packaged fruit and vegetable segment includes sales and profit of processed fruit and vegetable products under the Del Monte and S&W brands, as well as buyer's labels, that are packaged in different formats such as can, plastic cup, pouch and aseptic bag. Key products under this segment are canned beans, peaches and corn sold in the United States and canned pineapple and tropical mixed fruit in Asia Pacific.

##### *Beverage*

Beverage includes sales and profit of 100% pineapple juice in can, juice drinks in various flavours in can, tetra and PET packaging, and pineapple juice concentrate.

##### *Culinary*

Culinary includes sales and profit of packaged tomato-based products such as ketchup, tomato sauce, pasta sauce, recipe sauce, pizza sauce, pasta, broth and condiments under four brands namely Del Monte, S&W, College Inn and Contadina.

##### *Fresh fruit and others*

Fresh fruit and others include sales and profit of S&W branded fresh pineapples in Asia Pacific and buyer's label or non-branded fresh pineapples in Asia, and sales and profit of cattle in the Philippines. The cattle operation helps in the disposal of pineapple pulp, a residue of pineapple processing which is fed to the animals. This would also include non-branded sales to South America.

The Group allocated certain overhead and corporate costs to the various product segments based on sales for each segment relative to the entire Group.

#### **Segment assets**

Segment assets consist primarily of property, plant and equipment, intangible assets, trade and other receivables, biological assets, inventories and investments in joint ventures.



Del Monte Pacific Limited and its Subsidiaries

Notes to the financial statements  
For the financial year ended 30 April 2020

30. Operating segments (cont'd)

Information about reportable segments

	<-----Americas----->			<-----Asia Pacific----->			<-----Europe----->			<-----Total----->		
	Year ended 30 April 2020 US\$'000	Year ended 30 April 2019 US\$'000	Year ended 30 April 2018 US\$'000	Year ended 30 April 2020 US\$'000	Year ended 30 April 2019 US\$'000	Year ended 30 April 2018 US\$'000	Year ended 30 April 2020 US\$'000	Year ended 30 April 2019 US\$'000	Year ended 30 April 2018 US\$'000	Year ended 30 April 2020 US\$'000	Year ended 30 April 2019 US\$'000	Year ended 30 April 2018 US\$'000
<b>Revenue</b>												
Packaged/processed												
fruit and vegetable	1,259,911	1,150,516	1,349,509	116,846	101,861	123,136	23,513	22,501	24,359	1,400,270	1,274,878	1,497,004
Beverage	14,393	14,507	19,522	135,009	122,691	131,412	10,485	9,413	9,133	159,887	146,611	160,067
Culinary	262,915	245,695	274,208	129,859	121,299	123,620	76	—	—	392,850	366,994	397,828
Fresh fruit and others	1,824	4,277	2,217	173,512	162,082	140,193	—	—	—	175,336	166,359	142,410
<b>Total</b>	<b>1,539,043</b>	<b>1,414,995</b>	<b>1,645,456</b>	<b>555,226</b>	<b>507,933</b>	<b>518,361</b>	<b>34,074</b>	<b>31,914</b>	<b>33,492</b>	<b>2,128,343</b>	<b>1,954,842</b>	<b>2,197,309</b>
<b>Gross profit</b>												
Packaged/processed												
fruit and vegetable	233,073	191,191	214,615	30,238	27,939	37,704	1,471	3,515	8,587	264,782	222,645	260,906
Beverage	2,118	559	(275)	38,734	27,493	37,014	(550)	(4,292)	(2,585)	40,302	23,760	34,154
Culinary	42,783	49,094	44,226	47,705	44,311	48,582	26	—	—	90,514	93,405	92,808
Fresh fruit and others	(1,314)	1,119	499	57,873	54,056	44,107	—	—	—	56,559	55,175	44,606
<b>Total</b>	<b>276,660</b>	<b>241,963</b>	<b>259,065</b>	<b>174,550</b>	<b>153,799</b>	<b>167,407</b>	<b>947</b>	<b>(777)</b>	<b>6,002</b>	<b>452,157</b>	<b>394,985</b>	<b>432,474</b>
<b>Share in net loss of joint ventures</b>												
Packaged/processed												
fruit and vegetable	—	(176)	—	(1,451)	(610)	(97)	—	(111)	—	(1,451)	(897)	(97)
Beverage	—	—	—	(136)	(8)	(23)	—	—	—	(136)	(8)	(23)
Culinary	—	—	—	(1,365)	(72)	(185)	—	—	—	(1,365)	(72)	(185)
Fresh fruit and others	—	—	—	(132)	(6)	(1,247)	—	—	—	(132)	(6)	(1,247)
<b>Total</b>	<b>—</b>	<b>(176)</b>	<b>—</b>	<b>(3,084)</b>	<b>(696)</b>	<b>(1,552)</b>	<b>—</b>	<b>(111)</b>	<b>—</b>	<b>(3,084)</b>	<b>(983)</b>	<b>(1,552)</b>



Del Monte Pacific Limited and its Subsidiaries

Notes to the financial statements  
For the financial year ended 30 April 2020

30. Operating segments (cont'd)

Information about reportable segments

	<-----Americas----->			<-----Asia Pacific----->			<-----Europe----->			<-----Total----->		
	Year ended 30 April 2020 US\$'000	Year ended 30 April 2019 US\$'000	Year ended 30 April 2018 US\$'000	Year ended 30 April 2020 US\$'000	Year ended 30 April 2019 US\$'000	Year ended 30 April 2018 US\$'000	Year ended 30 April 2020 US\$'000	Year ended 30 April 2019 US\$'000	Year ended 30 April 2018 US\$'000	Year ended 30 April 2020 US\$'000	Year ended 30 April 2019 US\$'000	Year ended 30 April 2018 US\$'000
<b>(Loss) profit before taxation</b>												
Packaged/processed fruit and vegetable	(40,430)	(49,323)	(81,733)	14,316	11,107	20,404	(510)	577	5,618	(26,624)	(37,639)	(55,711)
Beverage	(2,256)	(4,247)	(5,775)	17,174	1,725	9,683	(1,557)	(5,513)	(3,685)	13,361	(8,035)	223
Culinary	(14,188)	(5,987)	(27,904)	25,739	20,706	24,789	(1)	—	—	11,550	14,719	(3,115)
Fresh fruit and others	(77,617)	(204)	(51)	14,676	31,859	22,422	—	—	—	(62,941)	31,655	22,371
<b>Total</b>	<b>(134,491)</b>	<b>(59,761)</b>	<b>(115,463)</b>	<b>71,905</b>	<b>65,397</b>	<b>77,298</b>	<b>(2,068)</b>	<b>(4,936)</b>	<b>1,933</b>	<b>(64,654)</b>	<b>700</b>	<b>(36,232)</b>
<b>Other Material Non-Cash Items</b>												
Depreciation and amortisation	74,978	51,738	54,677	103,525	86,968	93,168	—	—	—	178,503	138,706	147,845
<b>Capital expenditure</b>	<b>19,495</b>	<b>21,092</b>	<b>30,937</b>	<b>111,369</b>	<b>102,387</b>	<b>113,839</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>130,864</b>	<b>123,479</b>	<b>144,776</b>
<b>Segment assets</b>	<b>1,798,832</b>	<b>1,843,771</b>	<b>1,972,616</b>	<b>738,672</b>	<b>533,690</b>	<b>521,213</b>	<b>16,849</b>	<b>21,233</b>	<b>15,297</b>	<b>2,554,353</b>	<b>2,398,694</b>	<b>2,509,126</b>
<b>Segment liabilities</b>	<b>1,200,459</b>	<b>1,104,990</b>	<b>1,198,647</b>	<b>782,481</b>	<b>649,852</b>	<b>624,249</b>	<b>5,516</b>	<b>42,711</b>	<b>77,970</b>	<b>1,988,456</b>	<b>1,797,553</b>	<b>1,900,866</b>





**30. Operating segments (cont'd)**

***Major customer***

Revenues from a major customer of the Americas segment for fiscal year 2020 amounted to approximately US\$557.4 million or 26% (2019: US\$394.4 million or 20%, 2018: US\$631.9 million or 29%) of the Group's total revenue. The customer accounted for approximately 17% of trade and other receivable 30 April 2020 (2019: 12%, 2018: 13%).

**31. Seasonality of operations**

The Group's business is subject to seasonal fluctuations as a result of increased demand during the end of year festive season. For Americas, products are sold heavily during the Thanksgiving and Christmas seasons. As such, the Group's sales are usually highest during the five months from August to December.

The Group operates 11 production facilities (2019 and 2018: 15 production facilities, respectively) in the U.S., Mexico, and Philippines. Fruit plants are located in California and Washington in the United States and Philippines. Most of its vegetable plants are located in the U.S. Midwest and its tomato plant are located in California.

The US Consumer Food Business has a seasonal production cycle that generally runs between the months of June and October. This seasonal production primarily relates to the majority of processed fruit, vegetable and tomato products, while some of its processed fruit and tomato products and its *College Inn* broth products are produced throughout the year. Additionally, the Consumer Food Business has contracts to co-pack certain processed fruit and vegetable products for other companies.

**32. Share option and incentive plans**

The Company adopted the Del Monte Pacific Executive Share Option Plan 2016 ("ESOP 2016"), which was approved by the shareholders at the general meeting held on 30 August 2016. The purpose of the ESOP 2016 is to provide an opportunity for Group executives and directors to participate in the equity of the Company in order to motivate them to excel in their performance. The ESOP 2016 shall be valid for a period of ten years; however, it has yet to be implemented, and no options had been granted to-date.

The ESOP 2016 is administered by the Remuneration Share Option Committee (RSOC).



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

#### 32. Share option and incentive plans (cont'd)

##### ESOP

On 30 April 2013, the Company approved the grant of 150,000 stock options, representing a 20% adjustment to the number of unexercised stock options previously granted. The exercise period therefore follows that of the options granted on 7 March 2008.

As of 30 April 2020 and 2019, there is no outstanding ESOP options due to the lapse of its exercise period.

##### *Del Monte Pacific RSP*

Date of grant of share awards	Vesting period	Market price on date of grant S\$	Share awards granted	Share awards outstanding
22 August 2013	Up to 60%: 22 August 2013 - 21 August 2016 40%: 22 August 2016 - 21 August 2017	0.840	688,000	—
1 July 2015	Up to 60%: 22 August 2016 - 21 August 2017 40%: 22 August 2017 - 21 August 2018	0.385	57,918	—
			<u>745,918</u>	<u>—</u>

Since the commencement of the employee share option plans until the end of the financial year, no option have been granted at a discount.

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

On 20 September 2017, the Company released all of its outstanding share awards to its Directors. There were no additional share options exercised during the fiscal year ended 30 April 2020 and 2019.



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

#### 32. Share option and incentive plans (cont'd)

##### *Fair value of share options/awards and assumptions*

Date of grant of options/awards	7 March 2008	30 April 2013	1 July 2015	12 May 2009	29 April 2011	30 April 2013	22 August 2013	1 July 2015
	<-----ESOP----->			<----- Del Monte Pacific RSP ----->				
Fair value at measurement date	US\$0.12	US\$0.18	US\$0.29	US\$0.37	US\$0.40	US\$0.18	US\$0.65	US\$0.29
Share price (Singapore Dollars) at grant date	0.615	0.810	0.385	0.540	0.485	0.810	0.840	0.385
Exercise price (Singapore Dollars)	0.627	0.627	0.578	—	—	—	—	—
Expected volatility	5.00%	2.00%	2.00%	—	—	—	—	—
Time to maturity	2 years	2 years	2 years	—	—	—	—	—
Risk-free interest rate	3.31%	1.51%	2.51%	—	—	—	—	—

The expected volatility is based on the historic volatility (calculated based on the weighted average expected life of the share options), adjusted for any expected changes to future volatility due to publicly available information.

There are no market conditions associated with the share option grants. Service conditions and non-market performance conditions are not taken into account in the measurement of the fair value of the services to be received at the grant date.

##### *Del Monte Foods Holding Equity Compensation Plan*

During the second quarter of fiscal year 2016, DMFHI established a new plan, the 2015 Executive Long-Term Incentive Plan ("LTIP"), which intends to provide key executives with the opportunity to receive grants of stock options, cash-based awards and other stock-based awards. 9,000,000 shares of common stock of DMFHI were reserved for grant under the plan. In fiscal year 2016, the Company granted nonqualified stock options and cash incentive awards under the plan.

In September 2016, the authorised shares reserved for grant under the plan was increased from 9,000,000 to 15,000,000. As of 30 April 2020 and 2019, 14,716,500 and 14,372,044 share were available for future grant, respectively.



32. Share option and incentive plans (cont'd)

*Del Monte Foods Holding Equity Compensation Plan (cont'd)*

The fair value for stock options granted was estimated at the date of grant using a Black-Scholes option pricing model. This model estimates the fair value of the options based on a number of assumptions, such as expected option life, interest rates, the current fair market value and expected volatility of common stock and expected dividends. The expected term of options granted was based on the "simplified" method. Expected stock price volatility was determined based on the historical volatilities of comparable companies over a historical period that matches the expected life of the options. The risk-free interest rate was based on the expected U.S. Treasury rate over the expected life. The dividend yield was based on the expectation that no dividends will be paid. The following table presents the weighted-average assumptions for performance-based stock options granted for the periods indicated:

	3 November 2015
Expected life (in years)	5.5
Expected volatility	38.49%
Risk-free interest rate	1.64%

Stock option activity and related information during the periods indicated was as follows:

	2020		2019	
	Number of options	Weighted-average exercise price	Number of options	Weighted-average exercise price
Outstanding at beginning of year	627,956	5.39	1,422,001	5.39
Cancelled	(79,500)	5.39	(212,163)	5.39
Forfeited	(264,956)	5.39	(581,882)	5.39
Outstanding at end of year	283,500	5.39	627,956	5.39
Exercisable at end of year	283,500	—	—	—

There was no expense recognised in the consolidated income statement for equity-settled share based compensation for fiscal year 2020. The expense recognised in profit or loss for equity-settled share-based payments amounting to US\$0.3 million in fiscal year 2019 were included in personnel cost.

**Cash incentives**

On 3 November 2015, DMFHI granted a total cash incentive of US\$13.8 million to key executives under cash incentive award agreements. The awards will vest when the employee remains employed for a period of approximately four (4) years from the grant date until the defined vesting date. Of the total grant, US\$4.0 million remained outstanding as of 30 April 2019. There is nothing outstanding as of 30 April 2020 related to this grant (2019: US\$4.0 million remained outstanding).

In December 2017, DMFI granted US\$4.6 million in cash incentives to key executives under cash incentive award agreements. The awards will vest when the employee remains employed for a period of approximately two years from the grant date until the defined vesting date. Additionally, some of the grants require the employee to meet certain performance criteria. There is nothing outstanding as of 30 April 2020 related to this grant (2019: US\$3.5 million remained outstanding).



**32. Share option and incentive plans (cont'd)**

**Cash incentives (cont'd)**

In March 2018, DMFI granted an additional US\$0.3 million in cash incentives to key executives under cash incentive award agreements. The awards will vest when the employee remains employed for a period of approximately one to two years from the grant date until the defined vesting date. There is nothing outstanding as of 30 April 2020 related to this grant (2019: US\$0.3 million remained outstanding).

On 16 December 2019, DMFHI granted a total cash incentive of US\$2.6 million to key executives under cash incentive award agreements. The grants require performance criteria to be achieved. The awards will vest in two equal annual parts over a period of approximately two years when the employee remains employed on each vesting date.

There is no accrued net obligation at 30 April 2020. The accrued net obligation at 30 April 2019 amounted to US\$6.2 million. Total expense recognised under "Wages, salaries and other benefits" in the consolidated income statement of the Group amounted to US\$1.6 million, US\$3.1 million and US\$2.9 million in fiscal years 2020, 2019 and 2018, respectively.

**33. Financial risk management**

The Group has exposure to the following risks from financial instruments:

- credit risk
- interest rate risk
- liquidity risk
- foreign exchange risk
- commodity price risk

***Risk management framework***

The Board of the Group has overall responsibility for the establishment and oversight of the Group's risk management framework. The Audit and Risk Committee ("ARC") is responsible for monitoring the Group's risk management policies developed by management.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The ARC oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The ARC is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the ARC.



**33. Financial risk management (cont'd)**

***Financial risk management objectives and policies***

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The BOD of the Group continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

***Credit risk***

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. The carrying amounts of financial assets in the statements of financial position represent the Group and the Company's maximum exposures to credit risk, before taking into account any collateral held. The Group and Company do not hold any collateral in respect of their financial assets.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and countries in which customers are located, as these factors may have an influence on credit risk.

The ARC has approved a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes credit ratings, where available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount. Customers failing to meet the Group's benchmark credit worthiness may transact with the Group only on a prepayment or Letters of Credit basis.

***Exposure to credit risk***

At the reporting date, the maximum exposure to credit risk for financial assets, excluding cash on hand, by geographic region was:

	<b>Group</b>	
	<b>30 April 2020 US\$'000</b>	<b>30 April 2019 US\$'000</b>
Americas	133,501	85,760
Europe	7,375	5,470
Asia Pacific	224,895	85,382
	<b>365,771</b>	<b>176,612</b>

At 30 April 2020, the Group's most significant customer accounted for 17% of the trade and other receivables carrying amount (2019: 12%).



Notes to the financial statements  
For the financial year ended 30 April 2020

33. Financial risk management (cont'd)

*Financial risk management objectives and policies (cont'd)*

*Credit risk (cont'd)*

*Impairment losses*

The ageing of financial assets excluding cash on hand that were not impaired at the reporting date was:

Group	30 April 2020 US\$'000	30 April 2019 US\$'000
Not past due	307,255	125,095
Past due 0 - 60 days	35,517	26,900
Past due 61 - 90 days	3,486	1,755
Past due 91 - 120 days	2,340	6,417
More than 120 days	17,173	16,445
	<u>365,771</u>	<u>176,612</u>

As at 30 April 2020 and 2019, the Company's financial assets are all not past due.

The table below shows the credit quality of the Group's financial assets based on their historical experience with the corresponding third parties:

		30 April 2020		
Note		Grade A	Grade B	Total
		US\$'000	US\$'000	US\$'000
Cash in banks and cash equivalents	15	33,404	–	33,404
Trade and other receivables	13	–	323,065	323,065
Note receivables	10	1,141	–	1,141
Refundable deposits*	10	–	8,104	8,104
Derivative assets	14	–	57	57
		<u>34,545</u>	<u>331,226</u>	<u>365,771</u>

\*included under advance rentals and deposits

		30 April 2019		
Note		Grade A	Grade B	Total
		US\$'000	US\$'000	US\$'000
Cash in banks and cash equivalents	15	21,595	–	21,595
Trade and other receivables	13	–	149,054	149,054
Note receivables	10	4,038	–	4,038
Refundable deposits*	10	–	1,861	1,861
Derivative assets	14	–	64	64
		<u>25,633</u>	<u>150,979</u>	<u>176,612</u>

\*included under advance rentals and deposits



**Notes to the financial statements**  
**For the financial year ended 30 April 2020**

**33. Financial risk management (cont'd)**

***Financial risk management objectives and policies (cont'd)***

***Credit risk (cont'd)***

As at 30 April 2020 and 2019, the Company's financial assets were all classified under Grade A and Grade B, respectively.

	Note	30 April 2020		
		Grade A	Grade B	Total
		US\$'000	US\$'000	US\$'000
Cash in banks and cash equivalents	15	766	—	766
Trade and other receivables	13	—	95,131	95,131
		766	95,131	95,897

	Note	30 April 2019		
		Grade A	Grade B	Total
		US\$'000	US\$'000	US\$'000
Cash in banks and cash equivalents	15	886	—	886
Trade and other receivables	13	—	3,187	3,187
		886	3,187	4,073

Grade A financial assets pertain to those cash that are deposited in reputable banks. Grade B includes receivables that are collected on their due dates even without an effort from the Group to follow them up.

The Group sells its products through major distributors and buyers in various geographical regions. Management has a credit risk policy which includes, among others, the requirement of certain securities to ensure prompt observance and performance of the obligations of its distributors and other buyers from time to time. The Group monitors its outstanding trade receivables on an on-going basis. In addition, the Group also engages in sale of its trade receivables without recourse to certain financial institutions.

The Group assessed that all balances under Grade A and Grade B have not experienced significant increase in credit risk as of 30 April 2020 and 2019.

The Group applies the simplified approach in measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The Group uses a provision matrix to measure ECLs. Loss rates are based on actual credit loss experience over a period of three years. The Group has assessed that adjusting the loss rates for forward-looking information does not have a material effect considering the significantly low historical loss rates and the absence of economic factors that are highly correlated with the Group's credit loss experience on receivables.





**33. Financial risk management (cont'd)**

***Financial risk management objectives and policies (cont'd)***

***Credit risk (cont'd)***

*Cash in banks and cash equivalents*

Cash in banks and cash equivalents are held with banks and financial institutions which are regulated.

The percentages of cash in banks and cash equivalents held in the following regions are:

	<b>30 April 2020 %</b>	<b>30 April 2019 %</b>
<b>Group</b>		
United States of America	22	13
Philippines	67	45
Hong Kong	11	41
Singapore	—	1

**Company**

Philippines	86	55
Hong Kong	8	45
Singapore	6	—

Apart from the information stated above, the Group and Company have no significant concentration of credit risk with any single counterparty or group counterparties.

***Derivatives***

The derivatives are entered into with banks and financial institutions which are regulated.

***Interest rate risk***

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term and short-term debt obligations with floating interest rates.

The Group's cash balances are placed with reputable global banks and financial institutions. The Group manages its interest rate risks by placing the cash balances with varying maturities and interest rate terms. This includes investing the Group's temporary excess liquidity in short-term low-risk securities from time to time. The Group also enters into interest rate swaps to manage the volatility. The Group obtains financing through bank borrowings and leasing arrangements. Funding is obtained from bank loan facilities for both short-term and long-term requirement. The Group's policy is to obtain the most favourable interest rate available without increasing its foreign currency exposure.



33. Financial risk management (cont'd)

*Financial risk management objectives and policies (cont'd)*

*Interest rate risk (cont'd)*

*Interest rate profile of interest-bearing financial instruments*

The interest rate profile of the interest-bearing financial instruments as reported to management of the Group is as follows:

	<----- Group ----->		<----- Company ----->	
	30 April 2020 US\$'000	30 April 2019 US\$'000	30 April 2020 US\$'000	30 April 2019 US\$'000
<b>Fixed rate instruments</b>				
Loans and borrowings	188,443	372,574	128,971	183,774
<b>Variable rate instruments</b>				
Loans and borrowings	1,207,586	1,106,081	237,311	192,311
Interest rate swaps	5,915	3,960	—	—
	<u>1,213,501</u>	<u>1,110,041</u>	<u>237,311</u>	<u>192,311</u>
	<u>1,401,944</u>	<u>1,482,615</u>	<u>366,282</u>	<u>192,311</u>

*Cash flow sensitivity analysis for variable rate instruments*

At the reporting date, if interest rates had moved as illustrated in the table below, with all other variables held constant, profit/loss before tax in the next 12 months would have been affected as follows:

	Profit/loss before tax in the next 12 months	
	100 bp increase US\$'000	100 bp decrease US\$'000
<b>Group</b>		
<b>30 April 2020</b>		
Variable rate instruments	(1,329)	1,329
Interest rate swaps	(4,294)	4,294
Cash flow sensitivity (net)	<u>(5,623)</u>	<u>5,623</u>
<b>30 April 2019</b>		
Variable rate instruments	(6,825)	6,825
Interest rate swaps	(5,557)	5,557
Cash flow sensitivity (net)	<u>(12,382)</u>	<u>12,382</u>



**33. Financial risk management (cont'd)**

***Financial risk management objectives and policies (cont'd)***

***Interest rate risk (cont'd)***

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment, showing significantly higher volatility than in prior years.

As at 30 April 2020 and 28 April 2019, the Group designated each of its derivative contracts as a hedge of the variability of cash flows to be received or paid related to a recognised asset or liability ("cash flow hedge").

***Liquidity risk***

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

The Group maintains a balance between continuity of cash inflows and flexibility in the use of available and collateral free credit lines from local and international banks. Currently, the Group excluding DMFI is entitled to a total of US\$682.6 million (2019: US\$655.7 million) in credit lines, of which 13% (2019: 46%) remain available. The lines are mostly for short-term financing requirements since the long term facilities have been fully drawn. The Group constantly maintains good relations with its banks, such that additional facilities, whether for short or long-term requirements, may be made available.

The Group is able to increase the commitments under the ABL Facility, subject only to the consent of the new or existing lenders providing such increases, such that the aggregate principal amount of commitments does not exceed US\$450.0 million. The lenders under this facility are under no obligation to provide any such additional commitments, and any increase in commitments will be subject to customary conditions precedent. Notwithstanding any such increase in the facility size, the Group's ability to borrow under the facility will remain limited at all times by the borrowing base (to the extent the borrowing base is less than the commitments).

The Group has the right to request an additional US\$100.0 million plus an additional amount of secured indebtedness under the First Lien Term Loan and the Second Lien Term Loan. Lenders under this facility are under no obligation to provide any such additional loans, and any such borrowings will be subject to customary conditions precedent, including satisfaction of a prescribed leverage ratio, subject to the identification of willing lenders and other customary conditions precedent.



# Del Monte Pacific Limited and its Subsidiaries

## Notes to the financial statements For the financial year ended 30 April 2020

### 33. Financial risk management (cont'd)

#### Financial risk management objectives and policies (cont'd)

#### Liquidity risk (cont'd)

The following are the expected contractual undiscounted cash outflows of financial assets and liabilities, including interest payments and excluding the impact of netting agreements:

Group	Note	Carrying amount US\$'000	Contractual cash flows US\$'000	Less than 1 year US\$'000	1-5 years US\$'000	More than 5 years US\$'000
<b>30 April 2020</b>						
<b>Derivative financial assets</b>						
Commodity contracts	14	57	57	57	–	–
<b>Non-derivative financial assets</b>						
Cash in banks and cash equivalents	15	33,404	33,404	33,404	–	–
Trade and other receivables	13	320,217	320,217	320,217	–	–
Note receivables	10,13	3,989	4,194	2,924	1,270	–
Refundable deposits*	10	8,104	8,104	–	–	8,104
		365,771	365,976	356,602	1,270	8,104
*included under advance rentals and deposits						
<b>Derivative financial liabilities</b>						
Interest rate swaps used for hedging, net-settled	20	5,915	6,374	6,374	–	–
Commodity contracts	20	2,909	10,762	8,122	2,640	–
Call option	20	2,565	2,565	2,565	–	–
		11,389	19,701	17,061	2,640	–
	Note	Carrying amount US\$'000	Contractual cash flows US\$'000	Less than 1 year US\$'000	1-5 years US\$'000	More than 5 years US\$'000
<b>Non-derivative financial liabilities</b>						
Unsecured bank loans						
- Current	19	473,152	476,600	476,600	–	–
- Noncurrent	19	75,000	86,432	2,538	83,894	–
Secured bank loans						
- Current	19	825,140	826,766	826,766	–	–
- Noncurrent	19	22,737	49,646	20,377	29,269	–
Lease liabilities	24	158,525	199,819	39,754	110,546	49,520
Trade and other current liabilities*	23	265,597	265,597	265,597	–	–
		1,820,151	1,904,860	1,631,632	223,709	49,520
Net financial liabilities (assets)		1,454,380	1,538,884	1,275,030	222,439	41,416
*excludes derivative liabilities, advances from customers, deferred revenue, withheld from employees (taxes and social security cost) and VAT payables						



**Del Monte Pacific Limited and its Subsidiaries**

**Notes to the financial statements  
For the financial year ended 30 April 2020**

**33. Financial risk management (cont'd)**

***Financial risk management objectives and policies (cont'd)***

***Liquidity risk (cont'd)***

Group	Note	Carrying amount US\$'000	Contractual cash flows US\$'000	Less than 1 year US\$'000	1-5 years US\$'000	More than 5 years US\$'000
<b>30 April 2019</b>						
<b>Derivative financial assets</b>						
Commodity contracts	14	64	64	64	–	–
<b>Non-derivative financial assets</b>						
Cash in banks and cash equivalents	15	21,595	21,595	21,595	–	–
Trade and other receivables	13	143,628	143,628	143,628	–	–
Note receivables	10,13	9,464	10,072	5,647	4,425	–
Refundable deposits*	10	1,861	1,861	–	–	1,861
		<u>176,612</u>	<u>177,220</u>	<u>170,934</u>	<u>4,425</u>	<u>1,861</u>
<i>*included under advance rentals and deposits</i>						
<b>Derivative financial liabilities</b>						
Interest rate swaps used for hedging, net-settled	20	3,960	4,704	2,410	2,294	–
<b>Non-derivative financial liabilities</b>						
Unsecured bank loans						
- Current	19	353,870	354,778	354,778	–	–
- Noncurrent	19	168,825	180,353	7,381	172,972	–
Secured bank loans						
- Current	19	138,870	145,547	145,547	–	–
- Noncurrent	19	817,090	905,424	46,884	858,540	–
Trade and other current liabilities*	23	182,271	182,271	182,271	–	–
		<u>1,664,886</u>	<u>1,773,077</u>	<u>739,271</u>	<u>1,033,806</u>	<u>–</u>
Net financial liabilities (assets)		<u>1,488,274</u>	<u>1,595,857</u>	<u>568,337</u>	<u>1,029,381</u>	<u>(1,861)</u>

*\*excludes derivative liabilities, advances from customers, deferred revenue, withheld from employees (taxes and social security cost) and VAT payables*



**Del Monte Pacific Limited and its Subsidiaries**

**Notes to the financial statements  
For the financial year ended 30 April 2020**

**33. Financial risk management (cont'd)**

***Financial risk management objectives and policies (cont'd)***

***Liquidity risk (cont'd)***

Company		Carrying amount US\$'000	Contractual cash flows US\$'000	Less than 1 year US\$'000	1-5 years US\$'000	More than 5 years US\$'000
<b>30 April 2020</b>						
<b>Non-derivative financial assets</b>						
Cash in banks and cash equivalents	15	766	766	766	–	–
Trade and other receivables	13	95,131	95,131	95,131	–	–
		95,897	95,897	95,897	–	–
<b>Non-derivative financial liabilities</b>						
Unsecured bank loans						
- Short-term	19	216,311	219,379	219,379	–	–
- Long-term	19	75,000	86,432	2,538	83,894	–
Secured bank loans						
- Short-term	19	74,971	75,891	75,891	–	–
Trade and other current liabilities*	23	67,026	67,026	67,026	–	–
		433,308	448,728	364,834	83,894	–
Net financial liabilities (assets)		337,411	352,831	268,937	83,894	–
*excludes withheld from employees (taxes and social security cost) and VAT payables						
<b>30 April 2019</b>						
<b>Non-derivative financial assets</b>						
Cash in banks and cash equivalents	15	886	886	886	–	–
Trade and other receivables	13	3,187	3,187	3,187	–	–
		4,073	4,073	4,073	–	–
<b>Non-derivative financial liabilities</b>						
Unsecured bank loans						
- Short-term	19	135,070	135,532	135,532	–	–
- Long-term	19	111,241	119,571	4,783	114,788	–
Secured bank loans						
- Long-term	19	129,774	138,797	5,906	132,891	–
Trade and other current liabilities*	23	103,829	103,829	103,829	–	–
		479,914	497,729	250,050	247,679	–
Net financial liabilities (assets)		475,841	493,656	245,977	247,679	–
*excludes withheld from employees (taxes and social security cost) and VAT payables						

The Group's bank loans contain loan covenants, a default of which would require the Group to repay the loans earlier than indicated in the above table. The covenants are constantly monitored on a regular basis by the treasury department and regularly reported to management to ensure compliance.

For derivative financial liabilities, the disclosure shows net cash from amounts for derivatives that are net cash settled.



33. Financial risk management (cont'd)

*Financial risk management objectives and policies (cont'd)*

*Liquidity risk (cont'd)*

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

*Foreign exchange risk*

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The currency giving rise to this risk is primarily the Philippine Peso and Mexican Peso.

From time to time, the Group manages its exposure to fluctuations in foreign currency exchange rates by entering into forward contracts to cover a portion of its projected expenditures paid in foreign currency. The Group accounts for these contracts as cash flow hedges.

At the reporting date, the Group's exposure to foreign currencies is as follows:

	Philippine Peso US\$'000	Mexican Peso US\$'000
<b>30 April 2020</b>		
Trade and other receivables	31,821	2,352
Cash and cash equivalents	8,165	180
Other noncurrent assets	13,126	1,091
Loans and borrowings	(209,738)	-
Trade and other payables	(89,166)	(9,187)
	<u>(245,792)</u>	<u>(5,564)</u>
<b>30 April 2019</b>		
Trade and other receivables	40,259	2,554
Cash and cash equivalents	8,434	552
Other noncurrent assets	27,654	705
Loans and borrowings	(57,584)	-
Trade and other payables	(68,766)	(8,234)
	<u>(50,003)</u>	<u>(4,423)</u>

The Company has no significant exposure to foreign currencies as at 30 April 2020 and 2019.



33. Financial risk management (cont'd)

*Financial risk management objectives and policies (cont'd)*

*Foreign exchange risk (cont'd)*

*Sensitivity analysis*

A 10% strengthening of the group entities' foreign currencies against their respective functional currency at the reporting date would have increased (decreased) loss/profit before taxation and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

A 10% weakening of the group entities' foreign currencies against their respective functional currency would have the equal but opposite effect on the amounts shown below, on the basis that all other variables remain constant.

	US Dollar		Mexican Peso	
	Profit (loss) before taxation US\$'000	Equity US\$'000	Profit (loss) before taxation US\$'000	Equity US\$'000
<b>30 April 2020</b>				
10% strengthening	(24,579)	—	(556)	—
10% weakening	24,579	—	556	—
<b>30 April 2019</b>				
10% strengthening	(5,000)	—	(442)	—
10% weakening	5,000	—	442	—

*Commodity price risk*

Certain commodities such as diesel fuel and natural gas (collectively, "commodity contracts") are used in the production and transportation of the Group's products. Generally, these commodities are purchased based upon market prices that are established with the vendors as part of the procurement process. The Group uses futures, swaps, and swaption or option contracts, as deemed appropriate, to reduce the effect of price fluctuations on anticipated purchases. These contracts may have a term of up to 24 months. The Group accounts for these commodity derivatives as cash flow hedges. The effective portion of derivative gains and losses is deferred in equity and recognised as part of cost of products sold in the appropriate period and the ineffective portion is recognised as cost of products sold.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference index prices, purchase dates, maturities and the notional or par amounts.

The Group assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

In these hedge relationships, the main sources of ineffectiveness are the effect of the differences in timing of cash flows of the hedged item and the hedging instrument, difference in indexes linked to the hedged risk of the hedged item and the hedging instrument, the counterparties' credit risk differently impacting the fair value movements of the hedging instruments and changes to the forecasted amount of cash flows of hedged item and hedging instrument.





# Del Monte Pacific Limited and its Subsidiaries

## Notes to the financial statements For the financial year ended 30 April 2020

### 33. Financial risk management (cont'd)

#### *Financial risk management objectives and policies (cont'd)*

#### *Commodity price risk (cont'd)*

#### *Sensitivity analysis*

A 10% change in commodity prices at the reporting date would have decreased/(increased) profit/loss before tax and increased/(decreased) equity by the amounts shown below.

	30 April 2020	
	Profit (loss) before taxation US\$'000	Equity US\$'000
10% increase in commodity price	—	19
10% decrease in commodity price	—	(19)

### 34. Accounting classification and fair values

#### *Fair values versus carrying amounts*

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

Group	Note	Financial assets at amortised cost US\$'000	Derivatives US\$'000	Other financial liabilities US\$'000	Total carrying amount US\$'000	Fair value US\$'000
<b>30 April 2020</b>						
Cash and cash equivalents	15	33,465	—	—	33,465	33,465
Trade and other receivables	13	317,736	—	—	317,736	317,736
Note receivables	10	6,470	—	—	6,470	6,470
Refundable deposits**	10	8,104	—	—	8,104	8,104
Derivative assets	14	—	57	—	57	57
		<u>365,775</u>	<u>57</u>	<u>—</u>	<u>365,832</u>	<u>365,832</u>
Loans and borrowings	19	—	—	1,396,029	1,396,029	1,327,623
Trade and other payables*	23, 33	—	—	265,597	265,597	265,597
Derivative liabilities	20, 23	—	11,389	—	11,389	11,389
		<u>—</u>	<u>11,389</u>	<u>1,661,626</u>	<u>1,673,015</u>	<u>1,604,609</u>

\*excludes derivative liabilities, advances from customers, deferred revenue, withheld from employees (taxes and social security cost) and VAT payables

\*\*included under advance rentals and deposits



# Del Monte Pacific Limited and its Subsidiaries

## Notes to the financial statements For the financial year ended 30 April 2020

### 34. Accounting classification and fair values (cont'd)

#### Fair values versus carrying amounts (cont'd)

		Financial assets at amortised cost US\$'000	Derivatives US\$'000	Other financial liabilities US\$'000	Total carrying amount US\$'000	Fair value US\$'000
<b>Group</b>						
<b>30 April 2019</b>						
Cash and cash equivalents	15	21,636	—	—	21,636	21,636
Trade and other receivables	13	143,448	—	—	143,448	143,448
Note receivables	10	9,644	—	—	9,644	9,644
Refundable deposits**	10	1,861	—	—	1,861	1,861
Derivative assets	14	—	64	—	64	64
		<u>176,589</u>	<u>64</u>	<u>—</u>	<u>176,653</u>	<u>176,653</u>
Loans and borrowings	19	—	—	1,478,655	1,478,655	1,324,846
Trade and other payables*	23, 33	—	—	182,271	182,271	182,271
Derivative liabilities	20, 23	—	3,960	—	3,960	3,960
		<u>—</u>	<u>3,960</u>	<u>1,660,926</u>	<u>1,664,886</u>	<u>1,511,077</u>

\*excludes derivative liabilities, advances from customers, deferred revenue, withheld from employees (taxes and social security cost) and VAT payables

\*\*included under advance rentals and deposits

	Note	Financial assets at amortised cost US\$'000	Other financial liabilities US\$'000	Total carrying amount US\$'000	Fair value US\$'000
<b>Company</b>					
<b>30 April 2020</b>					
Cash and cash equivalents	15	766	—	766	766
Trade and other receivables	13	95,131	—	95,131	95,131
Due from a related party	38	228,683	—	228,683	228,683
		<u>324,580</u>	<u>—</u>	<u>324,580</u>	<u>324,580</u>
Loans and borrowings	19	—	366,282	366,282	366,367
Trade and other payables*	23, 33	—	67,026	67,026	67,026
		<u>—</u>	<u>433,308</u>	<u>433,308</u>	<u>433,393</u>

\*excludes withheld from employees (taxes and social security cost) and VAT payables

<b>30 April 2019</b>					
Cash and cash equivalents	15	886	—	886	886
Trade and other receivables	13	3,187	—	3,187	3,187
Due from a related party	38	202,471	—	202,471	136,668
		<u>206,544</u>	<u>—</u>	<u>206,544</u>	<u>140,741</u>
Loans and borrowings	19	—	376,085	376,085	367,610
Trade and other payables*	23, 33	—	103,829	103,829	103,829
		<u>—</u>	<u>479,914</u>	<u>479,914</u>	<u>471,439</u>

\*excludes withheld from employees (taxes and social security cost) and VAT payables



**35. Determination of fair values**

***Fair value hierarchy***

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised 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 prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by reassessing the categorisation at the end of each reporting period.

For purposes of the fair value disclosure, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Group	Note	30 April 2020			
		Level 1	Level 2	Level 3	Total
<b>Financial assets</b>					
Derivative assets	14	–	57	–	57
Notes receivables	10	–	–	1,141	1,141
<b>Non-financial assets</b>					
Fair value of agricultural produce harvested under inventories	11	–	–	3,657	3,657
Fair value of growing produce	11	–	–	61,160	61,160
Freehold land	5	–	–	54,758	54,758
<b>Financial liabilities</b>					
Derivative liabilities	20, 23	–	8,824	2,565	11,389
Lease liabilities	24	–	–	176,609	176,609
Loans and borrowings		–	931,256	396,367	1,327,623



**Del Monte Pacific Limited and its Subsidiaries**

**Notes to the financial statements  
For the financial year ended 30 April 2020**

**35. Determination of fair values**

***Fair value hierarchy (cont'd)***

		30 April 2019			
	Note	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>					
Derivative assets	14	—	64	—	64
Notes receivables	10	—	—	4,038	4,038
<b>Non-financial assets</b>					
Fair value of agricultural produce harvested under inventories	11	—	—	6,016	6,016
Fair value of growing produce	11	—	—	52,320	52,320
Freehold land	5	—	—	57,244	57,244
Noncurrent assets held for sale	16	—	—	4,465	4,465
<b>Financial liabilities</b>					
Derivative liabilities	20, 23	—	3,960	—	3,960
Loans and borrowings		—	918,761	406,085	1,324,846

During the period, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The Company has no assets and liabilities measured at fair value as of 30 April 2020 and 2019.

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods.



35. Determination of fair values (cont'd)

Financial instruments measured at fair value

Interest rate swaps	Market comparison technique: The fair values are calculated using a discounted cash flow analysis based on terms of the swap contracts and the observable interest rate curve. Fair values reflect the risk of the instrument and include adjustments to take into account the credit risk of the Group and counterparty when appropriate.
Commodities contracts	Market comparison technique. The commodities are traded over-the-counter and are valued based on the Chicago Board of Trade quoted prices for similar instruments in active markets or corroborated by observable market data available from the Energy Information Administration. The values of these contracts are based on the daily settlement prices published by the exchanges on which the contracts are traded.
Derivative liabilities	The estimated fair value of the additional RCPS and call option as at 30 April 2020 is based on the CRR binomial tree model of valuing derivatives. The value of these derivative liabilities is driven primarily by DMPI's forecasted net income which is not based on observable market data.

Financial instruments not measured at fair value

Type	Valuation technique
Financial assets and liabilities	The fair value of the secured first lien term loans, second lien term loans, note receivable and refundable deposits are calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date (Level 2).
Other financial assets and liabilities	<p>The notional amounts of financial assets and liabilities with maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) are, because of the short period to maturity, assumed to approximate their fair values.</p> <p>All financial assets and liabilities with maturity of more than one year are discounted using risk free rates, LIBOR and credit spreads to determine their fair values ranging from 3.5% to 7% (2019: 3.8% to 4.5%) (Level 3).</p>



35. Determination of fair values (cont'd)

Other non-financial assets

Assets	Valuation technique	Significant unobservable inputs
Freehold land	<p>The fair value of freehold land is determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued.</p> <p>The valuation method used is sales comparison approach. This is a comparative approach that consider the sales of similar or substitute properties and related market data and establish a value estimate by involving comparison (Level 3).</p>	<p>The unobservable inputs used to determine market value are the net selling prices, sizes, property location and market values. Other factors considered to determine market value are the desirability, neighbourhood, utility, terrain, and the time element involved.</p> <p>The market value per square meter ranges from US\$75.4 to US\$79.3. The market value per acre ranges from US\$4,252 to US\$94,556.</p>
Livestock (cattle for slaughter and cut meat)	Sales Comparison Approach: the valuation model is based on selling price of livestock of similar age, weight, breed and genetic make-up (Level 3).	The unobservable inputs are age, average weight and breed.
Harvested crops – sold as fresh fruit	The fair values of harvested crops are based on the most reliable estimate of selling prices, in both local and international markets at the point of harvest. The market price is derived from average sales price of the fresh fruit reduced by costs to sell (Level 3).	The unobservable input is the estimated pineapple selling price per ton specific for fresh products.
Harvested crops – used in processed products	The fair values of harvested crops are based on the most reliable estimate of market prices, in both local and international markets at the point of harvest. The market price is derived from average sales price of the processed product reduced by costs to sell (concentrates, pineapple beverages, sliced pineapples, etc.) and adjusted for margin associated to further processing (Level 3).	The unobservable input is the estimated pineapple selling price and gross margin per ton specific for processed products.



35. Determination of fair values (cont'd)

Other non-financial assets (cont'd)

Assets	Valuation technique	Significant unobservable inputs
Unharvested crops – fruits growing on the bearer plants	The growing produce are measured at fair value from the time of maturity of the bearer plant until harvest. Management used future selling prices and gross margin of finished goods, adjusted to remove the margin associated to further processing, less future growing costs applied to the estimated volume of harvest as the basis of fair value.	The unobservable inputs are estimated pineapple selling price and gross margin per ton for fresh and processed products, estimated volume of harvest and future growing costs.
Noncurrent assets held for sale	Market comparison technique and cost technique: The valuation model considered quoted market prices for similar items when available, and depreciated replacement cost as appropriate.	The unobservable inputs used to determine the market value are net selling prices, sizes, and property location. The unobservable inputs used to determine replacement costs are purchase price of building, land, and furniture and fixtures reduced by related selling costs.

Significant increase (decrease) in the significant unobservable inputs of freehold land, livestock, harvested crops sold as fresh fruit and harvested crop sold used in processed products would result in higher (lower) fair values. Significant increase (decrease) in the estimated future pineapple selling price, gross margin per ton and estimated volume of harvest would result in higher (lower) fair value of growing produce, while significant increase (decrease) in the future growing costs would result in lower (higher) fair value.



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

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#### 36. Commitments

##### *Operating lease commitments*

The Group leases certain property, equipment and office and warehouse facilities. At the reporting date, the Group have commitments for future minimum lease payments under non-cancellable operating leases as follows:

	<b>Group 30 April 2019 US\$'000</b>
Within one year	46,450
Between one to five years	135,678
More than five years	66,060
	<u>248,188</u>

The leases typically run for an initial period of 2 to 25 years, with an option to renew the lease after that date. Some of the leases contain escalation clauses but do not provide for contingent rents. Lease terms do not contain any restrictions on Group activities concerning dividends, additional debts or further leasing.

Minimum lease payments, recognised in the Group's profit or loss as short-term lease expense in fiscal year 2020 amounted to US\$15.4 million and operating lease expense for the fiscal years ended 30 April 2019 and 2018 amounted to US\$58.0 million and US\$62.3 million, respectively.

##### *Operating Lease Commitments – Group as Lessee*

The Group has entered into various lease agreements as a lessee. The Group had determined that the significant risks and rewards on properties leased from third parties are retained by the lessors.

##### *Purchase commitments*

The Group has entered into non-cancellable agreements with growers, co-packers, packaging suppliers and other service providers with commitments generally ranging from one year to ten years, to purchase certain quantities of raw products, including fruit, vegetables, tomatoes, packaging services and ingredients.

At the reporting date, the Group have commitments for future minimum payments under non-cancellable agreements as follows:

	<b>Group</b>	
	<b>30 April 2020 US\$'000</b>	<b>30 April 2019 US\$'000</b>
Within one year	225,632	278,910
After one year but within five years	294,016	270,448
After five years	353,158	406,047
	<u>872,806</u>	<u>955,405</u>





## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

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#### 36. Commitments (cont'd)

##### *Future capital expenditure*

	Group	
	30 April 2020 US\$'000	30 April 2019 US\$'000
<b>Capital expenditure not provided for in the financial statements</b>		
- approved by Directors and contracted for	7,184	8,467
- approved by Directors but not contracted for	27,032	39,418
	<u>34,216</u>	<u>47,885</u>

#### 37. Contingencies

In fiscal year 2019, a contingent liability of a subsidiary, DMPL India Limited, in the form of a letter of undertaking securing 50% of the obligations of FFPL under its Loan Agreement with Infrastructure Development Finance Company Limited, in proportion to its equity interest was fully settled.

##### Legal cases

The Group is the subject of, or a party to, various suits and pending or threatened litigation. While it is not feasible to predict or determine the ultimate outcome of these matters, the Group believes that none of these legal proceedings will have a material adverse effect on its financial position.

##### **Source of estimation uncertainty**

The Group, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations, if any, in accordance with its policies on provisions. In recognising and measuring provisions, management takes risk and uncertainties into account.

No provision for probable losses arising from legal contingencies were recognised in the Group's financial statements as of 30 April 2020 and 2019.

As of 30 April 2020, provision for probable losses arising from environmental remediation amounted to US\$9.6 million, US\$9.3 million of which is noncurrent (2019: US\$1.1 million, US\$0.7 million of which is noncurrent) (see Note 22).

As of 30 April 2020, provision for retained liabilities arising from workers' compensation claims amounted to US\$22.2 million, US\$19.0 million of which is noncurrent (2019: US\$22.6 million, US\$19.3 million of which is noncurrent) (see Note 20).



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

#### 38. Related parties

##### *Related party transactions*

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

All publicly-listed entities, including the Company, have Material Related Party Transaction Policies containing the approval requirements and limits on amounts and extent of related party transactions in compliance with the requirements under the Revised SRC Rule 68 and SEC Memorandum Circular 10, series of 2019.

Other than those disclosed elsewhere in the financial statements, there are no other significant transactions with related parties.

<u>Group</u>			Outstanding balance			
Category/ Transaction	Year	Amount of the transaction US\$'000	Due from Related Parties* US\$'000	Due to Related Parties** US\$'000	Terms	Conditions
Under Common Control						
▪ Shared IT services	2020	177	130	–	Due and	Unsecured; no impairment
	2019	161	242	–	demandable;	
	2018	343	247	–	non-interest bearing	
▪ Sale of tomato paste	2020	–	–	–	Due and	Unsecured; no impairment
	2019	31	–	–	demandable;	
	2018	32	–	–	non-interest bearing	
▪ Sale of apple juice concentrate /materials	2020	5	–	–	Due and	Unsecured; no impairment
	2019	–	1	–	demandable;	
	2018	–	–	–	non-interest bearing	
▪ Inventory count shortage	2020	–	–	–	Due and	Unsecured; no impairment
	2019	–	–	–	demandable;	
	2018	33	–	–	non-interest bearing	
▪ Purchases	2020	83	5	(9)	Due and	Unsecured
	2019	115	3	–	demandable;	
	2018	393	–	–	non-interest bearing	
▪ Tollpack fees	2020	128	55	–	Due and	Unsecured
	2019	556	–	(87)	demandable;	
	2018	572	110	–	non-interest bearing	
• Security Deposit	2020	27	–	–	Due and	Unsecured
	2019	6,000	6,000	–	demandable;	
	2018	–	–	–	non-interest bearing	



Del Monte Pacific Limited and its Subsidiaries

Notes to the financial statements  
For the financial year ended 30 April 2020

38. Related parties (cont'd)

*Related party transactions (cont'd)*

Group	Category/ Transaction	Year	Amount of the transaction US\$'000	Outstanding balance		Terms	Conditions
				Due from Related Parties*	Due to Related Parties**		
				US\$'000	US\$'000		
	<b>Other Related Party</b>						
	▪ Management fees	2020	4	2	–	Due and demandable;	Unsecured;
	from DMPI	2019	96	230	–	non-interest	no
	retirement fund	2018	19	446	–	bearing	impairment
	▪ Rental to DMPI Retirement	2020	1,662	–	(478)	Due and demandable;	Unsecured
		2019	1,558	–	(146)	non-interest	
		2018	1,858	–	–	bearing	
	<b>Other Related Party</b>						
	▪ Rental to NAI Retirement	2020	586	–	(160)	Due and demandable;	Unsecured
		2019	545	–	(50)	non-interest	
		2018	543	–	–	bearing	
	▪ Cash advances	2020	8,731	14,732	–	Short-term;	Unsecured;
	NAI	2019	–	–	–	Non interest	no
		2018	–	–	–	bearing	impairment
		<b>2020</b>	<b>11,403</b>	<b>14,924</b>	<b>(647)</b>		
		2019	9,062	6,476	(283)		
		2018	3,793	803	–		

\*included as part of trade and other receivables excluding long-term loans receivable

\*\*included as part of trade and other payables



# Del Monte Pacific Limited and its Subsidiaries

## Notes to the financial statements For the financial year ended 30 April 2020

### 38. Related parties (cont'd)

#### Related party transactions (cont'd)

<u>Company</u>			Outstanding Balance			
Category/ Transaction	Year	Amount of the Transaction US\$'000	Due from Related Parties* US\$'000	Due to Related Parties** US\$'000	Terms	Conditions
Subsidiaries						
▪ Dividend income	2020	230,473	—	—	Due and demandable; non-interest bearing	Unsecured; no impairment
	2019	33,000	—	—		
	2018	120,000	62,011	—		
▪ Long-term loans receivable	2020	4,107	228,683	—	Due on 2021; Interest- bearing	Unsecured; no impairment
	2019	91,741	202,471	—		
	2018	88,880	88,880	—		
▪ Reimbursement of expenses	2020	236,676	92,607	—	Due and demandable; non-interest bearing	Unsecured; no impairment
	2019	(97,981)	635	—		
	2018	136,455	114,938	—		
▪ Cash advance	2020	37,380	—	59,645	Due and demandable; non-interest bearing	Unsecured
	2019	(20,923)	—	98,104		
	2018	29,801	—	77,400		
▪ Management fees payable to subsidiaries	2020	445	—	445	Due and demandable; non-interest bearing	Unsecured
	2019	437	—	90		
	2018	748	—	1,620		
Joint Venture						
▪ Cash advance	2020	140	2,462	—	Due and demandable; non-interest bearing	Unsecured; no impairment
	2019	99	2,520	—		
	2018	—	2,421	—		
	2020	509,221	323,752	60,090		
	2019	6,373	205,626	98,194		
	2018	375,884	268,250	79,020		

\*included as part of trade and other receivables excluding long-term loans receivable

\*\*included as part of trade and other payables

The transactions with related parties are carried out based on terms agreed between the parties. Pricing for the sales of products are market driven, less certain allowances. For purchases, the Group's policy is to solicit competitive quotations. Purchases are normally awarded based on the lowest price.

Except for transactions identified in the previous section as interest-bearing, outstanding balances at financial reporting date are unsecured, interest-free and settlement occurs in cash and are collectible or payable on demand. For the years ended 30 April 2020 and 2019, the Group has not made any provision for doubtful accounts relating to amounts owed by related parties.



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

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#### 38. Related parties (cont'd)

##### *Related party transactions (cont'd)*

As discussed in Note 19, the Company extended a loan to DMFHII that was used to finance DMFHII's purchase of DMFI's Second Lien term loans. The loan was converted into ordinary shares in DMPLFL in May 2020.

##### *Key management personnel compensation*

Key management personnel of the Group are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. The Directors of the Company and key executive officers (excluding executive directors) are considered as key management personnel of the Group.

The key management personnel compensation is as follows:

	<----- Group ----->			<----- Company ----->		
	Year ended 30 April 2020 US\$'000	Year ended 30 April 2019 US\$'000	Year ended 30 April 2018 US\$'000	Year ended 30 April 2020 US\$'000	Year ended 30 April 2019 US\$'000	Year ended 30 April 2018 US\$'000
<b>Directors -</b>						
Fees and remuneration	2,942	2,964	2,873	2,542	2,541	2,531
<b>Key executive officers (excluding Directors):</b>						
Short-term employee benefits	3,615	3,476	3,317	1,772	1,691	1,486
Post-employment benefits	125	170	180	—	—	—



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2020

#### 39. Non-controlling interest in subsidiaries

The following table summarises the information relating to the Group's subsidiaries with material non-controlling interests, based on their respective financial statements prepared in accordance with IFRS, modified for fair value adjustments on acquisition and differences in Group's accounting policies.

	30 April 2020 US\$'000	30 April 2019 US\$'000	30 April 2018 US\$'000
<b>DMPLFL</b>			
Ownership interests held by non-controlling interests	10.57%	10.57%	10.57%
Revenue	1,529,840	1,421,317	1,649,060
(Loss) profit	(116,671)	(49,826)	(138,130)
Other comprehensive (loss) income	(21,595)	2,170	18,860
<b>Total comprehensive loss</b>			
Attributable to non-controlling interests:			
- (Loss) profit	(12,329)	(5,265)	(14,597)
- Other comprehensive (loss) income	(2,282)	229	1,993
<b>Total comprehensive loss</b>	<b>(14,611)</b>	<b>(5,036)</b>	<b>(12,604)</b>
Noncurrent assets	1,208,461	1,179,843	1,210,583
Current assets	577,653	659,036	753,475
Noncurrent liabilities	(567,731)	(982,861)	(1,274,477)
Current liabilities	(896,652)	(400,529)	(215,884)
<b>Net assets</b>	<b>321,731</b>	<b>455,489</b>	<b>473,697</b>
<b>Net assets attributable to non-controlling interests</b>	<b>33,823</b>	<b>48,133</b>	<b>50,057</b>
Cash flows provided by (used in) operating activities	212,019	(51,844)	266,304
Cash flows provided by (used in) investing activities	9,511	(4,976)	(24,323)
Cash flows provided by (used in) financing activities, before dividends to non-controlling interests	(217,072)	57,184	(242,599)
Currency realignment	32	9	3
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>4,490</b>	<b>373</b>	<b>(615)</b>



# Del Monte Pacific Limited and its Subsidiaries

## Notes to the financial statements For the financial year ended 30 April 2020

### 39. Non-controlling interest in subsidiaries (cont'd)

30 April  
2020  
US\$'000

#### DMPI

Ownership interests held by non-controlling interests	12%
Revenue	628,521
(Loss) profit	68,405
Other comprehensive (loss) income	1,601
<b>Total comprehensive loss</b>	
Attributable to non-controlling interests:	
- (Loss) profit	—
- Other comprehensive (loss) income	—
<b>Total comprehensive loss</b>	—
Noncurrent assets	333,925
Current assets	330,976
Noncurrent liabilities	(49,348)
Current liabilities	(396,519)
<b>Net assets</b>	219,034
<b>Net assets attributable to non-controlling interests</b>	26,410
Cash flows provided by (used in) operating Activities	111,286
Cash flows provided by (used in) investing activities	(116,280)
Cash flows provided by (used in) financing activities	17,163
Currency realignment	(136)
<b>Net increase (decrease) in cash and cash equivalents</b>	12,033

In the relation to the sale of 12% stake in DMPI, the Group recognised non-controlling interest amounting to US\$26.4 million, representing 12% of the net asset value of DMPI as at 30 April 2020 (see Note 6).



# Del Monte Pacific Limited and its Subsidiaries

## Notes to the financial statements For the financial year ended 30 April 2020

### 40. Supplemental Disclosure of Cash Flow Information

The changes in liabilities arising from financing activities of the Group for the year ended 30 April 2020, 2019 and 2018 are as follows:

	Note	30 April 2019 US\$'000	Cash inflows US\$'000	Cash outflows US\$'000	Accrued interest but not yet paid US\$'000	Foreign exchange movement US\$'000	Reclassifi- cation and others US\$'000	30 April 2020 US\$'000
<b>Group Fiscal Year 2020</b>								
Current interest-bearing loans and borrowings	19	492,740	713,696	(832,321)	—	8,079	916,098	1,298,292
Noncurrent interest-bearing loans and borrowings	19	985,915	75,000	(59,102)	—	—	(904,076)	97,737
Lease liabilities	24	192,283	—	(41,958)	10,001	1,566	(3,367)	158,525
Accrued interest payable	23	10,481	—	(84,250)	82,259	13	542	9,045
Derivative liabilities	20, 23	3,960	—	(2,867)	—	—	4,822	5,915
Total liabilities from financing activities		<u>1,685,379</u>	<u>788,696</u>	<u>(1,020,498)</u>	<u>92,260</u>	<u>9,658</u>	<u>14,019</u>	<u>1,569,514</u>

	Note	30 April 2018 US\$'00	Cash inflows US\$'00	Cash outflows US\$'00	Accrued interest but not yet paid US\$'00	Foreign exchange movement US\$'00	Reclassifi- cation and others US\$'00	30 April 2019 US\$'00
<b>Group Fiscal Year 2019</b>								
Current interest-bearing loans and borrowings	19	481,620	721,538	(710,798)	—	(1,508)	1,888	492,740
Noncurrent interest-bearing loans and borrowings	19	983,603	164,741	(149,833)	—	(406)	(12,190)	985,915
Accrued interest payable	23	11,939	—	(83,958)	82,623	(3)	(120)	10,481
Derivative liabilities	20, 23	5,063	—	(3,536)	—	—	2,433	3,960
Total liabilities from financing activities		<u>1,482,225</u>	<u>886,279</u>	<u>(948,125)</u>	<u>82,623</u>	<u>(1,917)</u>	<u>(7,989)</u>	<u>1,493,096</u>

		30 April 2017 US\$'00	Cash inflows US\$'00	Cash outflows US\$'00	Accrued interest but not yet paid US\$'00	Foreign exchange movement US\$'00	Reclassifi- cation and others US\$'00	30 April 2018 US\$'00
<b>Group Fiscal Year 2018</b>								
Current interest-bearing loans and borrowings		449,698	807,822	(822,773)	—	(6,324)	53,197	481,620
Noncurrent interest-bearing loans and borrowings		1,264,268	—	(234,784)	—	(2,130)	(43,751)	983,603
Accrued interest payable		13,186	—	(85,274)	84,852	—	(785)	11,979
Derivative liabilities		17,973	—	(9,285)	—	—	(3,625)	5,063
Total liabilities from financing activities		<u>1,745,125</u>	<u>807,822</u>	<u>(1,152,116)</u>	<u>84,852</u>	<u>(8,454)</u>	<u>5,036</u>	<u>1,482,265</u>





# Del Monte Pacific Limited and its Subsidiaries

## Notes to the financial statements For the financial year ended 30 April 2020

### 40. Supplemental Disclosure of Cash Flow Information (cont'd)

	Note	30 April 2019 US\$'000	Cash inflows US\$'000	Cash outflows US\$'000	Accrued interest but not yet paid US\$'000	Reclassifi- cation and others US\$'000	30 April 2020 US\$'000
<b>Company Fiscal Year 2020</b>							
Current interest-bearing loans and borrowings, excluding obligations under finance leases and hire purchase contracts	19	135,070	30,000	(60,000)	—	186,212	291,282
Noncurrent interest-bearing loans and borrowings, excluding obligations under finance leases and hire purchase contracts	19	241,015	75,000	(55,000)	—	(186,015)	75,000
Accrued interest payable	23	2,159	—	(15,637)	15,046	—	1,568
Total liabilities from financing activities		378,244	105,000	(130,637)	15,046	197	367,850

	Note	30 April 2018 US\$'000	Cash inflows US\$'000	Cash outflows US\$'000	Accrued interest but not yet paid US\$'000	Reclassifi- cation and others US\$'000	30 April 2019 US\$'000
<b>Company Fiscal Year 2019</b>							
Current interest-bearing loans and borrowings, excluding obligations under finance leases and hire purchase contracts	19	206,034	63,100	(134,170)	—	106	135,070
Noncurrent interest-bearing loans and borrowings, excluding obligations under finance leases and hire purchase contracts	19	129,594	164,741	(53,500)	—	180	241,015
Accrued interest payable	23	2,345	—	(15,927)	15,741	—	2,159
Total liabilities from financing activities		337,973	227,841	(203,597)	15,741	286	378,244

	Note	30 April 2017 US\$'000	Cash inflows US\$'000	Cash outflows US\$'000	Accrued interest but not yet paid US\$'000	Reclassifi- cation and others US\$'000	30 April 2018 US\$'000
<b>Company Fiscal Year 2018</b>							
Current interest-bearing loans and borrowings, excluding obligations under finance leases and hire purchase contracts		43,070	154,570	(45,500)	—	53,894	206,034
Noncurrent interest-bearing loans and borrowings, excluding obligations under finance leases and hire purchase contracts		281,854	—	(100,000)	—	(52,260)	129,594
Accrued interest payable		1,826	—	(12,370)	12,889	—	2,345
Total liabilities from financing activities		326,750	154,570	(157,870)	12,889	1,634	337,973



**40. Supplemental Disclosure of Cash Flow Information (cont'd)**

Reclassification and others include the effect of reclassification of noncurrent portion of interest-bearing loans and borrowings to current due to the passage of time, deferred financing costs, and fair value adjustments of hedge contracts. This also include additions and terminations of lease liabilities.

**41. Subsequent Events**

***DMFI Refinancing***

On 15 May 2020, DMFI issued US\$500.0 million of 11.875% Senior Secured Notes (the "Notes"). The Notes will mature on 15 May 2025 and are redeemable at the option of DMFI. Proceeds of US\$477.5 million from the issuance of the Notes were used to pay-off the balance of the First Lien Term Loan. As of 30 April 2020, prepaid transaction costs of US\$1.6 million, were included in "Prepaid and other current assets" and US\$31.3 million of transaction cost accruals were included in "Trade and other current liabilities" in the consolidated statement of financial position related to this transaction. The Notes include restrictive covenants limiting the Group's ability, and the ability of the Group's restricted subsidiaries, to incur additional indebtedness, create liens, engage in mergers or consolidations, sell or transfer assets, pay dividends and distributions or repurchase the Group's capital stock, make investments, loans or advances, prepay certain indebtedness, engage in certain transactions with affiliates, amend agreements governing certain subordinated indebtedness adverse to the lenders, and change the Group's lines of business.

On 15 May 2020, DMFHII issued 64.546 shares of capital stock to DMFHL. On the same date, DMFHL issued 0.64546 shares of capital stock to DMPLFL and DMPLFL issued 645.46 shares of capital stock to the Company as full payment of the US\$228.4 million loan to finance purchases of the Second Lien Term Loans. Upon issuance of the capital stock to the Company, DMFHL unconditionally released of all liabilities for principal and interest through 30 April 2020 relating to the purchase of the Second Lien Term Loans. On 15 May 2020, DMFHL recorded US\$229.5 million of additional paid-in capital related to this transaction. In addition, the Company and DMPLFL entered into a supplemental agreement dated 11 August 2020 for the issuance of additional 3.23 ordinary shares by DMPLFL to cover the additional accrued interest through 15 May 2020 which amounted to \$1.14 million.



**41. Subsequent Events (cont'd)**

***DMFI Refinancing (cont'd)***

On 15 May 2020, DMFHL issued 0.42395 of ordinary shares to DMPLFL and DMPLFL issued 432.95 shares of preferred stock to the Company in exchange for US\$150.0 million of additional paid-in capital. As a result, DMFHL recorded US\$150.0 million of additional paid-in capital related to this transaction.

On 15 May 2020, DMFHL entered into an agreement to refinance the ABL Credit Agreement with JP Morgan Chase as the administrative agent, and other lenders and agents parties thereto, to provide for senior secured financing of up to US\$450.0 million, subject to availability under the borrowing base, with a term of three years until 15 May 2023. Loans under the ABL Credit Agreement will bear interest based on either the Eurodollar rate of the alternative base rate, plus an applicable margin. Additionally, the Group fully amortised the remaining deferred financing fees related to the previous credit agreement of US\$1.0 million for the year ended 30 April 2020. The ABL Credit Agreement includes restrictive covenants limiting the Group's ability, and the ability of the Group's restricted subsidiaries, to incur additional indebtedness, create liens, engage in mergers or consolidations, sell or transfer assets, pay dividends and distributions or repurchase the Group's capital stock, make investments, loans or advances, prepay certain indebtedness, engage in certain transactions with affiliates, amend agreements governing certain subordinated indebtedness adverse to the lenders, and change the Group's lines of business.

***Trademark Assignment***

On 1 May 2020, Dewey Sdn. Bhd. assigned various trademarks in the Philippines including the "Del Monte" and "Today's" trademarks to Philippine Packing Management Service Corporation.



**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR CONSOLIDATED FINANCIAL STATEMENTS**

The management of **Del Monte Pacific Limited and its Subsidiaries** (collectively referred to as the "**Company**") is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, as at April 30, 2020, and 2019 and for each of the three years in the period ended April 30, 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Signature \_\_\_\_\_

**Rolando C. Gapud, Executive Chairman**

Signature \_\_\_\_\_

**Joselito D. Campos, Jr., Managing Director & Chief Executive Officer**

Signature \_\_\_\_\_

**Parag Sachdeva, Chief Financial Officer**

Signed on the 12<sup>th</sup> day of August 2020.



**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR CONSOLIDATED FINANCIAL STATEMENTS**

The management of Del Monte Pacific Limited and its Subsidiaries (collectively referred to as the "Company") is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, as at April 30, 2020, and 2019 and for each of the three years in the period ended April 30, 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Signature \_\_\_\_\_

Rolando C. Gapud, Executive Chairman

Signature \_\_\_\_\_

Josecito D. Campos, Jr., Managing Director & Chief Executive Officer

Signature \_\_\_\_\_

Parag Sachdeva, Chief Financial Officer

Signed on the 12<sup>th</sup> day of August 2020.



REPUBLIC OF THE PHILIPPINES     )  
CITY OF MAKATI, METRO MANILA    ) S.S.

SUBSCRIBED AND SWORN to before me this 12<sup>th</sup> day of August, 2020, in the City of Makati, by  
the affiant who exhibited to me the following -

Name	Competent Evidence of Identity	Date and Place of Issue/ Expiry Date
Joselito D. Campos, Jr.	Passport No. P0033661A	24 Aug 2016 / DFA-Manila/ valid until 23 Aug 2021
Parag Sachdeva	Passport No. Z4816522	16 May 2018/Manila/ valid until 15 May 2028

Witness my hand and seal on the date and place first above-written.

Doc. No: 210

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Book No: 34

Series of 2020.

*Juanito H. Vinculado*  
**JUANITO H. VINCULADO**  
NOTARY PUBLIC Until Dec. 31, 2021  
PTR 11891764 J, Las Piñas, 1/3/20  
IBP 090636, 8/15/19 for 2020, PPLM  
Roll No. 41092/ MCLE VI-0019646 up to 4/14  
Notarial Appt. No. M-49, 1/17/20, Makati C:  
No. 7, Ipil Road, Forbes Park, makati City  
CP No. 0916-420-3253

**DEL MONTE PACIFIC LIMITED**

(Incorporated in the British Virgin Islands with limited liability)

*This is the Information Memorandum in relation to the renewal of the shareholders' mandate for Interested Person Transactions referred to in Explanatory Note (vi) in the Notice of Annual General Meeting dated 27 August 2020.*

**INFORMATION MEMORANDUM**

in relation to

**RENEWAL OF SHAREHOLDERS' MANDATE FOR  
INTERESTED PERSON TRANSACTIONS****1. Background**

Pursuant to Chapter 9 of the Listing Manual ("**Listing Manual**") of the Singapore Exchange Securities Trading Limited, Del Monte Pacific Limited ("**DMPL**" or the "**Company**") was granted a shareholders' mandate on 26 July 2006 ("**IPT Mandate**") to enable the Company, its subsidiaries and associated companies (as defined in the Appendix\* to this Information Memorandum ("**Appendix**")), or any of them, to enter into any of the transactions falling within the classes of Interested Persons described in the Appendix\* ("**Interested Persons**"), provided that such transactions are made on normal commercial terms and in accordance with the review procedures for Interested Person Transactions ("**IPTs**") as set out in the Appendix. This Appendix is a revised and updated version of Appendix 1 of the Company's Circular to shareholders dated 4 July 2006 which provides information on the rationale of the IPT Mandate, the scope of the IPT Mandate, the benefit to shareholders, the classes of Interested Persons, the particulars of the IPTs and the review procedures for IPTs in respect of which shareholders' approval is sought for the IPT Mandate to be renewed.

**2. Audit and Risk Committee's Statement**

Pursuant to Rule 920(1)(c) of the Listing Manual, the Audit and Risk Committee ("**ARC**"), comprising Mr Benedict Kwek Gim Song, Mr Godfrey E Scotchbrook, Dr Emil Q Javier and Mrs Yvonne Goh, confirms that:

- (i) the review procedures for IPTs set out in the Appendix ("**Review Procedures**") have not changed since shareholders approved the IPT Mandate at the Company's General Meeting of 26 July 2006; and
- (ii) the Review Procedures are sufficient to ensure that the IPTs will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

All transactions carried out with Interested Persons are subject to the periodic review of the ARC to ensure that the prevailing rules and regulations of the Listing Manual (in particular Chapter 9 of the Listing Manual) are complied with.

The ARC will also consider from time to time whether the Review Procedures have become inappropriate or are insufficient to ensure that the transactions are on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

**3. Disclosures**

Disclosure will be made in the Company's Annual Report on the aggregate value of all IPTs conducted pursuant to the IPT Mandate during the financial year from 1 May 2019 to 30 April 2020, and in the Annual Reports for the subsequent financial years that the IPT Mandate is renewed and continues in force, in accordance with the form set out in Rule 907 of the Listing Manual. Further, the aggregate value of the transactions conducted pursuant to the IPT Mandate for each quarterly period will also be disclosed in the quarterly financial statements that will be reported in accordance with Rule 705 of the Listing Manual.

The Company will comply with the provisions of Chapter 9 of the Listing Manual in respect of all future IPTs and, if required under the Listing Manual, the Company will seek a fresh mandate from shareholders should the existing guidelines and procedures for transactions with Interested Persons become inappropriate. If a member of the ARC has an interest in a transaction, he will abstain from participating in the review and approval process in relation to that transaction.

The classes of Interested Persons for which the renewal of the IPT Mandate is sought are:

- (i) NutriAsia Inc and its associates (as such term is defined in paragraph 1.5(c) of the Appendix); and
- (ii) NutriAsia Holdings Ltd and its subsidiaries.

#### **4. Directors' and substantial shareholders' interests**

The interests of the Directors and substantial shareholders of the Company in the issued share capital of the Company can be found in the Company's FY2020 Annual Report.

NutriAsia Pacific Limited and its respective associates, being Interested Persons in relation to the proposed renewal of the IPT Mandate, will abstain from voting their respective shareholdings (if any) in the Company on Resolution 10 relating to the renewal of the IPT Mandate at the forthcoming Annual General Meeting to be held on 17 September 2020.



*This Appendix is a revised and updated extract of Appendix 1 of the Company's Circular to Shareholders dated 4 July 2006 on the rationale and scope of the IPT Mandate, the benefit to shareholders, the classes of Interested Persons, the particulars of the IPTs, and the review procedures for IPTs in respect of which the IPT Mandate is sought to be renewed.*

## **1. CHAPTER 9 OF THE LISTING MANUAL**

1.1 Chapter 9 of the Listing Manual ("**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") governs transactions by a listed company, as well as transactions by its subsidiaries and associated companies that are considered to be at risk, with the listed company's Interested Persons. When this Chapter applies to a transaction and the value of that transaction alone or in aggregation with other transactions conducted with the interested person during the financial year reaches, or exceeds, certain materiality thresholds, the listed company is required to make an immediate announcement, or to make an immediate announcement and seek its shareholders' approval for that transaction.

1.2 Except for certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested person and hence are excluded from the ambit of Chapter 9 of the Listing Manual, immediate announcement and shareholders' approval would be required in respect of transactions with Interested Persons if certain financial thresholds (which are based on the value of the transaction as compared with the listed company's latest audited consolidated net tangible assets ("**NTA**") are reached or exceeded. In particular, shareholders' approval is required for an interested person transaction of a value equal to, or which exceeds:

- (a) 5 per cent of the listed company's latest audited consolidated NTA; or
- (b) 5 per cent of the listed company's latest audited consolidated NTA, when aggregated with other transactions entered into with the same interested person (as such term is construed under Chapter 9 of the Listing Manual) during the same financial year.

1.3 Based on the latest audited consolidated accounts of the Company and its subsidiaries (the "**DMPL Group**" or "**Group**") for the financial year ended 30 April 2020, the consolidated NTA of the DMPL Group was (US\$135,450,060) and 5 per cent of this was (US\$6,772,503).

1.4 Chapter 9 of the Listing Manual permits a listed company, however, to seek a mandate from its shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials (but not in respect of the purchase or sale of assets, undertakings or businesses) that may be carried out with the listed company's Interested Persons.

1.5 Under the Listing Manual:

- (a) an "**entity at risk**" (EAR) means:
  - (i) the listed company;
  - (ii) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or
  - (iii) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed company and/or its subsidiaries (the "**listed group**"), or the listed group and its interested person(s), has control over the associated company;
- (b) an "**associated company**" means a company in which at least 20% but not more than 50% of its shares are held by the listed company or listed group;
- (c) an "**associate**" in relation to an interested person who is a director, chief executive officer or controlling shareholder, includes an immediate family member (that is, the spouse, child, adopted-child, step-child, sibling or parent) of such director, chief executive officer or controlling shareholder, the trustees of any trust of which the director/his immediate family, the chief executive officer/his immediate family or controlling shareholder/his immediate family is a beneficiary or, in the case of a

discretionary trust, is a discretionary object, and any company in which the director/his immediate family, the chief executive officer/his immediate family or controlling shareholder/his immediate family has an aggregate interest (directly or indirectly) of 30% or more, and, where a controlling shareholder is a corporation, its subsidiary or holding company or fellow subsidiary or a company in which it and/or they have (directly or indirectly) an interest of 30% or more;

- (d) an “**approved exchange**” means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to Chapter 9 of the Listing Manual;
- (e) an “**interested person**”<sup>1</sup> means a director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder; and
- (f) an “**interested person transaction**” means a transaction between an entity at risk and an interested person.

## **2. RATIONALE FOR THE NEW IPT MANDATE<sup>1</sup> FOR THE INTERESTED PERSON TRANSACTIONS**

It is envisaged that, in the ordinary course of their businesses, transactions between companies in the EAR Group (as defined below) and the Company’s Interested Persons are likely to occur from time to time. Such transactions would include, but are not limited to, the provision of goods and services in the ordinary course of business of the EAR Group to the Company’s Interested Persons or the obtaining of goods and services from them.

In view of the time-sensitive nature of commercial transactions, the obtaining of a mandate (the “**New IPT Mandate**”) pursuant to Chapter 9 of the Listing Manual will enable:

- (a) DMPL;
- (b) subsidiaries of DMPL (other than subsidiaries listed on the SGX-ST or an approved exchange); and
- (c) associated companies of DMPL (other than associated companies listed on the SGX-ST or an approved exchange) over which the DMPL Group, or the DMPL Group and interested person(s) of DMPL has or have control, (together, the “**EAR Group**”), or any of them, in the ordinary course of their businesses, to enter into the categories of transactions (“**Interested Person Transactions**”) set out in paragraph 6 below with the specified classes of DMPL’s Interested Persons (the “**Interested Persons**”) set out in paragraph 5 below, provided such Interested Person Transactions are made on normal commercial terms.

## **3. SCOPE OF THE NEW IPT MANDATE<sup>1</sup>**

- 3.1 The New IPT Mandate will cover Interested Person Transactions as set out in paragraph 6 below.
- 3.2 The New IPT Mandate will not cover any transaction by a company in the EAR Group with an Interested Person that is below S\$100,000 in value as the threshold and aggregation requirements of Chapter 9 of the Listing Manual would not apply to such transactions.
- 3.3 Transactions with Interested Persons (including the Interested Persons) that do not fall within the ambit of the New IPT Mandate will be subject to the relevant provisions of Chapter 9 of the Listing Manual and/or other applicable provisions of the Listing Manual.

## **4. BENEFIT TO SHAREHOLDERS**

The New IPT Mandate (and its subsequent renewal thereafter on an annual basis) will enhance the ability of companies in the EAR Group to pursue business opportunities which are time-sensitive in nature, and will eliminate the need for DMPL to announce, or

<sup>1</sup> The IPT Mandate which was approved by shareholders in a general meeting held on 26 July 2006 was subsequently renewed on 27 April 2007, 28 April 2008, 27 April 2009, 28 April 2010, 29 April 2011, 30 April 2012, 30 April 2013, 15 April 2014, 28 August 2015, 30 August 2016, 30 August 2017, 17 August 2018, and 28 August 2020 respectively.

to announce and convene separate general meetings on each occasion to seek Shareholders' prior approval for the entry by the relevant company in the EAR Group into such transactions. This will substantially reduce the expenses associated with the convening of general meetings on an ad hoc basis, improve administrative efficacy considerably, and allow manpower resources and time to be channeled towards attaining other corporate objectives.

## **5. CLASSES OF INTERESTED PERSONS**

*The New IPT Mandate will apply to the Interested Person Transactions which are carried out with the following classes of Interested Persons:*

- (a) *NutriAsia Inc and its associates (as such term is defined in paragraph 1.5(c) of this Appendix 1) (the "**NutriAsia Inc Group**");*
- (b) *NutriAsia Holdings Limited and its subsidiaries (the "**NutriAsia Holdings Group**"); and*
- (c) *Mr Edgardo M Cruz, Jr, Mr Rolando C Gapud, and their respective associates (as such term is defined in paragraph 1.5(c) of this Appendix 1).*

## **6. CATEGORIES OF INTERESTED PERSON TRANSACTIONS**

*The Interested Person Transactions with the Interested Persons (as described in paragraph 5 above) which will be covered by the New IPT Mandate are set out below:*

### **(a) General Transactions**

*This category relates to general transactions ("**General Transactions**") in connection with the provision to, or the obtaining from, Interested Persons of products and services in the normal course of business of the EAR Group or which are necessary for the day-to-day operations of the EAR Group comprising the following:*

- (i) *the sale and/or purchase, or joint sale and/or purchase, of packaging materials, food or food-related supplies, items and livestock;*
- (ii) *the provision and obtaining of expansion of food service distribution;*
- (iii) *the provision and obtaining of food preparation, manufacturing, processing, toll packing and related services;*
- (iv) *the provision and obtaining of, and sale/purchase of, technical, IT, insurance and other related services (such as procurement/warehouse/inventory management, software support etc.);*
- (v) *the provision and obtaining of call centre and customer hotline services;*
- (vi) *the provision of security agency services;*
- (vii) *the rental of office facilities and share in utility cost, and*
- (viii) *the provision or the obtaining of such other products and/or services which are incidental to, or in connection with, the provision or obtaining of products and/or services in sub-paragraphs (i) to (vii) above and which are recurring transactions of a revenue or trading nature or necessary for its business.*

### **(b) Treasury Transactions**

*Treasury transactions comprise the entry into with any Interested Person of forex, swap and option transactions for hedging purposes or in connection with the operations of the DMPL Group ("**Treasury Transactions**").*

*The EAR Group may be able to benefit from competitive rates and quotes in an expedient manner on the entry into any forex, swap and option transactions with any Interested Persons.*

## **7. REVIEW PROCEDURES FOR INTERESTED PERSON TRANSACTIONS**

7.1 The EAR Group has established the following procedures to ensure that Interested Person Transactions are undertaken on an arm's length basis and on normal commercial terms.

### **(a) General Transactions**

#### Review Procedures

*In general, there are procedures established by the EAR Group to ensure that Interested Person Transactions with Interested Persons are undertaken on an arm's length basis and on normal commercial terms consistent with the EAR Group's usual business practices and policies, which are generally no more favourable to the Interested Persons than those extended to unrelated third parties.*

*In particular, the following review procedures have been put in place.*

#### **(aa) Provision of Services or the Sale of Products**

*The review procedures are:*

- (i) all contracts entered into or transactions with Interested Persons are to be carried out at the prevailing market rates or prices of the service or product providers, on terms which are no more favourable to the Interested Person than the usual commercial terms extended to unrelated third parties (including, where applicable, preferential rates/prices/discounts accorded to corporate customers or for bulk purchases) or otherwise in accordance with applicable industry norms; and*
- (ii) where the prevailing market rates or prices are not available due to the nature of the service to be provided or the product to be sold, the EAR Group's pricing for such services to be provided or products to be sold to Interested Persons is determined in accordance with the EAR Group's usual business practices and pricing policies, consistent with the usual margin to be obtained by the EAR Group for the same or substantially similar type of contract or transaction with unrelated third parties. Such comparisons are based on the EAR Group's business experience in relation to those services or products previously provided or sold, which are as comparable as possible to the service or product to be provided or sold. In determining the transaction price payable by Interested Persons for such services or products, factors such as, but not limited to, quantity, volume, consumption, customer requirements, specifications, duration of contract and strategic purposes of the transaction will be taken into account.*

#### **(bb) Obtaining of Services or the Purchasing of Products**

*The review procedures are:*

- (i) all purchases made by the EAR Group, including purchases from Interested Persons, are governed by the same internal control procedures which detail matters such as the constitution of internal approving authorities, their monetary jurisdictions, the number of vendors from whom bids are to be obtained and the review procedures. The guiding principle is to objectively obtain the best products and/or services on the best terms. In determining whether the price and terms offered by vendors, including Interested Persons, are fair and reasonable, factors such as, but not limited to, delivery schedules, specification compliance, track record, experience and expertise, and where applicable, preferential rates, rebates or discounts accorded for bulk purchases, will also be taken into account; and*

- (ii) *in the event that quotations from unrelated third party vendors cannot be obtained (for instance, if there are no unrelated third party vendors of similar products or services, or if the product is a proprietary item), both the Chief Financial Officer (“CFO”) and Chief Executive Officer (“CEO”) of the Company (as long as they have no interest, direct or indirect in that transaction) will determine whether the price and terms offered by the Interested Persons are fair and reasonable by using their business experience in relation to those services or products previously obtained or purchased, which are as comparable as possible to the service or product to be obtained or purchased and will ensure that the terms of supply will (where applicable) be in accordance with, or not higher than, industry norms. If any one of the two has an interest in the transaction, whether direct or indirect, the reasonableness of the price shall be determined by the Audit and Risk Committee of the Company (“ARC”).*

**(b) Treasury Transactions**

Review Procedures

*In general, there are procedures established by the EAR Group to ensure that Treasury Transactions with Interested Persons are undertaken on an arm's length basis and on normal commercial terms consistent with the EAR Group's usual business practices and policies, which are generally no more favourable to the Interested Persons than those extended to unrelated third parties.*

*In relation to forex, swap and option transactions with any Interested Person by the EAR Group, the Company will require that rate quotations shall be obtained from such Interested Person and at least two commercial banks. The EAR Group will only enter into such forex, swap or option transactions with such Interested Person provided that such terms quoted are no less favourable than the terms quoted by such banks.*

**7.2** *In addition to the review procedures, the EAR Group will supplement its internal systems to ensure that Interested Person Transactions are undertaken with Interested Persons on an arm's length basis and on normal commercial terms as follows:*

- (a) *each Interested Person Transaction equal to or exceeding S\$100,000 (or such equivalent in US\$) but less than S\$1,000,000 (or such equivalent in US\$) in value will be endorsed by the CFO of the Company and approved by the CEO of the Company, and the ARC shall be advised; and*
- (b) *each Interested Person Transaction equal to or exceeds S\$1,000,000 (or such equivalent in US\$) in value will be endorsed by the CFO and CEO of the Company, respectively, and approved by the ARC.*

*Where the CFO of the Company has any interest, direct or indirect, in the Interested Person Transaction, such Interested Person Transaction shall be approved by the CEO of the Company. Where such CEO is not available, the ARC shall approve such Interested Person Transaction.*

*Where the CEO of the Company has any interest, direct or indirect, in the Interested Person Transaction, such Interested Person Transaction shall be approved by the ARC. Where any member of the ARC is interested in any of the Interested Person Transactions, he will abstain from voting in relation to such transactions.*

**7.3** *The Company will maintain a register of transactions carried out with Interested Persons pursuant to the New IPT Mandate (recording the transaction values, basis, including the quotations obtained to support such basis, on which they were entered into), and the Company's internal audit plan will incorporate an annual review of all transactions entered into in the relevant financial year pursuant to the New IPT Mandate.*

**7.4** *The ARC shall review the internal audit report on Interested Person Transactions to ascertain that the established review procedures to monitor Interested Person Transactions have been complied with. The ARC shall review the Interested Person Transactions on a quarterly basis.*

7.5 *If, during these periodic reviews by the ARC, the ARC is of the view that the review procedures as stated above have become inappropriate or insufficient in view of changes to the nature of, or the manner in which, the business activities of the EAR Group are conducted, the Company will revert to Shareholders for a fresh mandate based on new guidelines and review procedures to ensure that Interested Person Transactions will be on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.*

#### **8. EXPIRY AND SUBSEQUENT RENEWAL OF THE NEW IPT MANDATE**

*If approved by Shareholders at the Annual General Meeting of the Company which is scheduled to be held on 17 September 2020, the New IPT Mandate will take effect from the date of passing of the ordinary resolution relating thereto and will continue in force until the conclusion of the next Annual General Meeting of the Company, unless revoked or varied by the Company in a general meeting.*

*The Company will seek the approval of Shareholders for the subsequent renewal of the New IPT Mandate at every Annual General Meeting, subject to the satisfactory review by the ARC of the continued requirements of the New IPT Mandate and the procedures for the Interested Person Transactions.*

#### **9. DISCLOSURE OF INTERESTED PERSON TRANSACTIONS PURSUANT TO THE NEW IPT MANDATE**

*The Company will announce the aggregate value of transactions conducted with Interested Persons pursuant to the New IPT Mandate for the quarterly financial periods which the Company is required to report on pursuant to the Listing Manual and within the time required for the announcement of such report.*

*Disclosure will be made in the Annual Report of the Company for the financial year ended 30 April 2020 of the aggregate value of transactions conducted with Interested Persons pursuant to the New IPT Mandate during the financial year, and will be made in the Company's Annual Reports for subsequent financial years that the New IPT Mandate continues to be in force, in accordance with the requirements of Chapter 9 of the Listing Manual.*