

# Del Monte Pacific Limited and its Subsidiaries

Financial Statements  
30 April 2022 and 2021

and

Independent Auditor's Report



## INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders  
Del Monte Pacific Limited

### 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 2022 and 2021, 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 2022, 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 2022 and 2021, and their financial performance and their cash flows for each of the three years in the period ended 30 April 2022 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 2022, the Group has biological assets amounting to US\$50.1 million.</p> <p>The valuation of biological assets was significant to our audit as the estimation process is complex, involves significant management estimate, and is based on assumptions that could be affected by natural phenomena. The key assumptions in determining the fair value of harvested produce include expected selling prices and gross margins. The key assumptions for the fair value of produce prior to harvest include its 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 Notes 11 and 34 to the financial statements.</p>	<p>We obtained an understanding of management’s fair value measurement methodology and their process in deriving the fair value of the biological assets. We assessed 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 assessed the adequacy of the related disclosures related to biological assets.</p>



Impairment assessment of goodwill and indefinite life trademarks

**Why significant**

As at 30 April 2022, the Group carries goodwill of US\$203.4 million and indefinite life trademarks of US\$408.1 million, representing 13% and 26% of the total noncurrent assets, respectively.

*a. Goodwill and indefinite life trademarks allocated to Del Monte Foods, Inc. and its subsidiaries*

The Group's goodwill is allocated to a Cash Generating Unit ("CGU"), Del Monte Foods, Inc., a subsidiary in the United States of America, and its subsidiaries (collectively, "DMFI"). Included within the CGU are the indefinite life America trademarks "Del Monte" and "College Inn" amounting to US\$394.0 million. The Group uses the value in use calculation to estimate the recoverable amount of the CGU for purposes of assessing whether there is any impairment to be recognized.

The annual impairment test is significant to our audit because the assessment process is complex, involves significant management judgement and is dependent on certain key estimates such as expected cash flow covering a four-year period and the long-term growth rate and discount rate of the CGU.

The Group's disclosures relating to the goodwill and indefinite life America trademarks allocated to DMFI, sources of estimation uncertainty and sensitivity of the recoverable amounts are included in Note 8 to the financial statements.

**How our audit addressed the matter**

We obtained an understanding of the Group's impairment assessment process and the related controls. We tested the key assumptions, which include revenue growth rate, gross margin, earnings before interest, taxation, depreciation and amortization ("EBITDA") margin, discount rate and long-term growth rate 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 these assets. We involved our internal specialist in evaluating certain key assumptions and methodology used.

We also reviewed 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.



**Why significant**

**How our audit addressed the matter**

*b. Other indefinite life trademarks*

As at 30 April 2022, other indefinite life trademarks comprising of “Del Monte” in the Philippines and India, “S&W” in Asia, and “Todays” in the Philippines are carried at US\$14.1 million.

The annual impairment test is significant to our audit because the assessment process is complex, involves significant management judgment and is dependent on certain estimates that can be affected by future market and economic conditions as well as trademark and royalty rates in the market.

The Group used the Relief-from-Royalty methodology in valuing its Philippines and S&W Asia trademarks. This approach relies on the forecasted revenue for the related brand or trademark and applies the royalty rates observed in the market. For the India trademark, the Group used the discounted cash flows 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 growth rates and discount rates.

The Group’s disclosures relating to its indefinite life trademarks, sources of estimation uncertainty and sensitivity of the recoverable amounts are included in Notes 7 and 8 to the financial statements.

We assessed the forecasted revenue and royalty rates used to derive the recoverable amount of the brand and trademarks by comparing against available market and historical information.

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 growth rates and discount rates, by comparing them against management plans, historical data and available market information in light of current market and economic conditions. We involved our internal specialist in evaluating certain key assumptions and methodologies used.

We 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 impairment of these assets.

We also reviewed the Group’s disclosures in Notes 7 and 8 to the financial statements, about those assumptions to which the outcome of the impairment tests were most sensitive, that is, those that have the most significant effect on the determination of the recoverable amounts of the CGUs.



### Recognition of deferred tax assets

Why significant	How our audit addressed the matter
<p>As at 30 April 2022, the Group has recognized net deferred tax assets of US\$116.7 million, of which US\$113.2 million was attributable to DMFI.</p> <p>The recognition 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 recoverability of deferred tax assets recognized by comparing it to the taxable income forecast. We tested the key assumptions in estimating 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 management's taxable income forecasts with those included in the budget approved by the Board of Directors. We also evaluated the timing of the reversal of future taxable and deductible temporary differences by considering the taxable income forecast and current tax laws.</p> <p>We assessed the robustness of management's forecasting process by comparing the actual results of the subsidiary against 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 and assets

Why significant	How our audit addressed the matter
<p>As at 30 April 2022, the Group has defined benefit plans attributable to DMFI, giving rise to net defined benefit liability of US\$18.2 million, which is measured using the projected unit credit valuation methodology.</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 and sources of estimation uncertainty are included in Note 20 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 pension obligations attributable to DMFI. 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 2022, 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 2022 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.

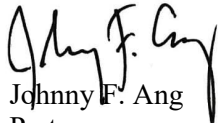
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation 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 Johnny F. Ang.

SYCIP GORRES VELAYO & CO.



Johnny F. Ang  
Partner

CPA Certificate No. 0108257

Tax Identification No. 221-717-423

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 108257-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-101-2021, October 1, 2021, valid until September 30, 2024

PTR No. 8853464, January 3, 2022, Makati City

15 July 2022



## Del Monte Pacific Limited and its Subsidiaries

### Statements of financial position

As at 30 April 2022 and 2021

(In US\$'000)

		<----- Group ----->		<----- Company ----->	
	Note	30 April 2022	30 April 2021	30 April 2022	30 April 2021
<b>Noncurrent assets</b>					
Property, plant and equipment - net	5	577,647	544,776	–	–
Right-of-use assets	23	123,539	135,208	132	25
Investments in subsidiaries	6	–	–	980,008	901,015
Investments in joint ventures	7	17,172	22,530	2,836	2,789
Intangible assets and goodwill	8	688,047	694,697	–	–
Deferred tax assets - net	9	116,745	130,538	–	90
Biological assets	11	2,735	2,655	–	–
Pension assets	20	9,799	7,889	–	–
Other noncurrent assets	10	30,411	25,325	49	–
		<b>1,566,095</b>	<b>1,563,618</b>	<b>983,025</b>	<b>903,919</b>
<b>Current assets</b>					
Biological assets	11	47,346	44,913	–	–
Inventories	12	685,958	557,602	–	–
Trade and other receivables	13	214,553	185,049	84,832	82,282
Prepaid expenses and other current assets	14	49,052	37,286	931	998
Cash and cash equivalents	15	21,853	29,435	2,129	2,104
		<b>1,018,762</b>	<b>854,285</b>	<b>87,892</b>	<b>85,384</b>
<b>Total assets</b>		<b>2,584,857</b>	<b>2,417,903</b>	<b>1,070,917</b>	<b>989,303</b>
<b>Equity</b>					
Share capital	16	29,449	49,449	29,449	49,449
Share premium		298,339	478,339	298,478	478,478
Retained earnings	17	140,320	83,349	140,320	83,349
Reserves	17	(42,541)	(29,953)	(42,541)	(29,953)
<b>Equity attributable to owners of the Company</b>		<b>425,567</b>	<b>581,184</b>	<b>425,706</b>	<b>581,323</b>
Non-controlling interests		69,138	61,312	–	–
<b>Total equity</b>		<b>494,705</b>	<b>642,496</b>	<b>425,706</b>	<b>581,323</b>
<b>Noncurrent liabilities</b>					
Loans and borrowings	18	1,088,012	953,290	434,587	293,561
Employee benefits	20	24,342	31,866	12	376
Environmental remediation liabilities	21	203	7,429	–	–
Lease liabilities	23	91,771	103,690	–	–
Deferred tax liabilities - net	9	12,421	6,599	8	–
Other noncurrent liabilities	19	23,023	18,697	–	–
		<b>1,239,772</b>	<b>1,121,571</b>	<b>434,607</b>	<b>293,937</b>
<b>Current liabilities</b>					
Loans and borrowings	18	479,354	332,453	170,571	69,810
Employee benefits	20	36,958	38,275	–	–
Trade payables and other current liabilities	22	302,833	254,729	40,029	44,233
Lease liabilities	23	29,549	25,113	–	–
Current tax liabilities		1,686	3,266	4	–
		<b>850,380</b>	<b>653,836</b>	<b>210,604</b>	<b>114,043</b>
<b>Total liabilities</b>		<b>2,090,152</b>	<b>1,775,407</b>	<b>645,211</b>	<b>407,980</b>
<b>Total equity and liabilities</b>		<b>2,584,857</b>	<b>2,417,903</b>	<b>1,070,917</b>	<b>989,303</b>

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 2022, 2021 and 2020

(In US\$'000)

	Note	<----- Group ----->			<----- Company ----->		
		Year ended 30 April 2022	Year ended 30 April 2021	Year ended 30 April 2020	Year ended 30 April 2022	Year ended 30 April 2021	Year ended 30 April 2020
Revenue	24, 29	<b>2,342,086</b>	2,162,709	2,128,343	-	-	-
Cost of sales		<b>(1,719,429)</b>	(1,606,746)	(1,676,186)	-	-	-
<b>Gross profit</b>		<b>622,657</b>	555,963	452,157	-	-	-
Distribution and selling expenses		<b>(221,798)</b>	(200,417)	(213,414)	-	-	-
General and administrative expenses		<b>(129,311)</b>	(144,053)	(120,010)	<b>(12,983)</b>	(13,158)	(11,099)
Other (expenses) income - net		<b>(4,258)</b>	357	(67,547)	<b>1,674</b>	1,714	1,524
<b>Results from operating activities</b>		<b>267,290</b>	211,850	51,186	<b>(11,309)</b>	(11,444)	(9,575)
Finance income	26	<b>5,201</b>	7,534	7,738	<b>145</b>	851	22,111
Finance expense	26	<b>(112,707)</b>	(114,110)	(120,493)	<b>(13,238)</b>	(13,134)	(16,323)
Net finance (expense) income		<b>(107,506)</b>	(106,576)	(112,755)	<b>(13,093)</b>	(12,283)	5,788
Share in net (loss) income of joint ventures and subsidiaries	7	<b>(4,954)</b>	(1,531)	(3,085)	<b>124,437</b>	86,990	(77,592)
<b>Profit (loss) before taxation</b>	25	<b>154,830</b>	103,743	(64,654)	<b>100,035</b>	63,263	(81,379)
Tax expense - net	27	<b>(39,300)</b>	(27,273)	(29,176)	<b>(4)</b>	(7)	(15)
<b>Profit (loss) for the year</b>		<b>115,530</b>	76,470	(93,830)	<b>100,031</b>	63,256	(81,394)
<b>Profit (loss) attributable to:</b>							
Owners of the Company	28	<b>100,031</b>	63,256	(81,394)	<b>100,031</b>	63,256	(81,394)
Non-controlling interests		<b>15,499</b>	13,214	(12,436)	-	-	-
		<b>115,530</b>	76,470	(93,830)	<b>100,031</b>	63,256	(81,394)
<b>Earnings (loss) per share</b>							
Basic earnings (loss) per share (US cents)	28	<b>4.17</b>	2.24	(5.20)	-	-	-
Diluted earnings (loss) per share (US cents)	28	<b>4.17</b>	2.24	(5.20)	-	-	-

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 2022, 2021 and 2020**

(In US\$'000)

Group	Note	Year ended 30 April 2022	Year ended 30 April 2021	Year ended 30 April 2020
<b>Profit (loss) for the year</b>		<b>115,530</b>	76,470	(93,830)
<b>Other comprehensive income (loss)</b>				
<b>Items that will or may be reclassified subsequently to profit or loss:</b>				
Currency translation difference		(15,302)	6,900	5,401
Effective portion of changes in fair value of cash flow hedges		(8,805)	4,283	962
Tax impact on share in cash flow hedges		2,193	(1,049)	(236)
		<u>(21,914)</u>	<u>10,134</u>	<u>6,127</u>
<b>Items that will not be reclassified to profit or loss:</b>				
Remeasurement of retirement plans	20	12,760	54,580	(28,993)
Tax impact on remeasurement of retirement plans	9	(3,255)	(13,880)	6,113
Gain on property revaluation	5	-	-	4,066
Impact of tax on revaluation reserve	9	-	629	(1,220)
		<u>9,505</u>	<u>41,329</u>	<u>(20,034)</u>
<b>Other comprehensive income (loss) for the year, net of tax</b>		<b>(12,409)</b>	51,463	(13,907)
<b>Total comprehensive income (loss) for the year</b>		<b><u>103,121</u></b>	<u>127,933</u>	<u>(107,737)</u>
<b>Total comprehensive income (loss) attributable to:</b>				
Owners of the Company		89,196	110,777	(93,041)
Non-controlling interests		13,925	17,156	(14,696)
		<u>103,121</u>	<u>127,933</u>	<u>(107,737)</u>

*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 2022, 2021 and 2020**

(In US\$'000)

Company	Year ended 30 April 2022	Year ended 30 April 2021	Year ended 30 April 2020
<b>Profit (loss) for the year</b>	<b>100,031</b>	63,256	(81,394)
<b>Other comprehensive income (loss)</b>			
<b>Items that will or may be reclassified subsequently to profit or loss:</b>			
Currency translation difference	<b>(13,351)</b>	6,026	5,378
Effective portion of changes in fair value of cash flow hedges	<b>(8,239)</b>	4,008	860
Tax impact on share in cash flow hedges	<b>2,052</b>	(982)	(210)
	<b>(19,538)</b>	9,052	6,028
<b>Items that will not be reclassified to profit or loss:</b>			
Remeasurement of retirement plans	<b>11,685</b>	50,856	(26,014)
Tax impact on remeasurement of retirement plans	<b>(2,982)</b>	(12,934)	5,493
Gain on property revaluation	-	-	4,066
Derecognition (impact) of tax on revaluation reserve	-	547	(1,220)
	<b>8,703</b>	38,469	(17,675)
<b>Other comprehensive income (loss) for the year, net of tax</b>	<b>(10,835)</b>	47,521	(11,647)
<b>Total comprehensive income (loss) for the year</b>	<b>89,196</b>	110,777	(93,041)

*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 2022, 2021 and 2020**

(In US\$'000)

<----- Attributable to owners of the Company ----->

	Note	Share capital	Share premium	Translation reserve	Revaluation reserve	Remeasurement Retirement plans	Hedging reserve	Share option reserve	Reserve for own shares	Retained earnings	Total	Non-controlling interests	Total equity
<b>Group 2022</b>													
At 30 April 2021		49,449	478,339	(81,971)	14,278	35,049	1,224	1,753	(286)	83,349	581,184	61,312	642,496
<b>Total comprehensive income for the year</b>													
Profit for the year		-	-	-	-	-	-	-	-	100,031	100,031	15,499	115,530
<b>Other comprehensive income (loss)</b>													
Currency translation differences		-	-	(13,351)	-	-	-	-	-	-	(13,351)	(1,951)	(15,302)
Remeasurement of retirement plans, net of tax	20	-	-	-	-	8,703	-	-	-	-	8,703	802	9,505
Effective portion of changes in fair value of cash flow hedges, net of tax		-	-	-	-	-	(6,187)	-	-	-	(6,187)	(425)	(6,612)
<b>Total other comprehensive income (loss)</b>		-	-	(13,351)	-	8,703	(6,187)	-	-	-	(10,835)	(1,574)	(12,409)
<b>Total comprehensive income (loss) for the year</b>		-	-	(13,351)	-	8,703	(6,187)	-	-	100,031	89,196	13,925	103,121
<b>Transactions with owners of the Company recognized directly in equity</b>													
<b>Contributions by and distributions to owners of the Company</b>													
Redemption of A-1 preference shares	2, 16	(20,000)	(180,000)	-	-	-	-	-	-	-	(200,000)	-	(200,000)
Cancelled options	31	-	-	-	-	-	-	(1,753)	-	-	(1,753)	(207)	(1,960)
Dividends	17	-	-	-	-	-	-	-	-	(43,060)	(43,060)	(5,892)	(48,952)
<b>Total contributions by and distributions to owners</b>		(20,000)	(180,000)	-	-	-	-	(1,753)	-	(43,060)	(244,813)	(6,099)	(250,912)
<b>At 30 April 2022</b>	<b>16, 17</b>	<b>29,449</b>	<b>298,339</b>	<b>(95,322)</b>	<b>14,278</b>	<b>43,752</b>	<b>(4,963)</b>	<b>-</b>	<b>(286)</b>	<b>140,320</b>	<b>425,567</b>	<b>69,138</b>	<b>494,705</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 (cont'd)  
Years ended 30 April 2022, 2021 and 2020  
(In US\$'000)

<----- Attributable to owners of the Company ----->													
	Note	Share capital	Share premium	Translation reserve	Revaluation reserve	Remeasurement Retirement plans	Hedging reserve	Share option reserve	Reserve for own shares	Retained earnings	Total	Non-controlling interests	Total equity
<b>Group 2021</b>													
At 30 April 2020		49,449	478,339	(87,997)	13,731	(2,873)	(1,802)	1,753	(286)	60,763	511,077	54,820	565,897
<b>Total comprehensive income for the year</b>													
Profit for the year		-	-	-	-	-	-	-	-	63,256	63,256	13,214	76,470
<b>Other comprehensive income</b>													
Currency translation differences		-	-	6,026	-	-	-	-	-	-	6,026	874	6,900
Gain on property revaluation, net of tax		-	-	-	547	-	-	-	-	-	547	82	629
Remeasurement of retirement plans, net of tax	20	-	-	-	-	37,922	-	-	-	-	37,922	2,778	40,700
Effective portion of changes in fair value of cash flow hedges, net of tax		-	-	-	-	-	3,026	-	-	-	3,026	208	3,234
<b>Total other comprehensive income</b>		-	-	6,026	547	37,922	3,026	-	-	-	47,521	3,942	51,463
<b>Total comprehensive income for the year</b>		-	-	6,026	547	37,922	3,026	-	-	63,256	110,777	17,156	127,933
<b>Transactions with owners of the Company recognized directly in equity</b>													
<b>Contributions by and distributions to owners of the Company</b>													
Sale of shares of a subsidiary	6	-	-	-	-	-	-	-	-	9,135	9,135	2,201	11,336
Dividends	17	-	-	-	-	-	-	-	-	(49,805)	(49,805)	(12,865)	(62,670)
<b>Total contributions by and distributions to owners</b>		-	-	-	-	-	-	-	-	(40,670)	(40,670)	(10,664)	(51,334)
<b>At 30 April 2021</b>	<b>16, 17</b>	<b>49,449</b>	<b>478,339</b>	<b>(81,971)</b>	<b>14,278</b>	<b>35,049</b>	<b>1,224</b>	<b>1,753</b>	<b>(286)</b>	<b>83,349</b>	<b>581,184</b>	<b>61,312</b>	<b>642,496</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 (cont'd)  
Years ended 30 April 2022, 2021 and 2020  
(In US\$'000)

Group	Note	Attributable to owners of the Company									Total	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			
<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>		–	–	–	–	–	–	–	–	(1,013)	(1,013)	–	(1,013)
At 30 April 2019		49,449	478,339	(93,375)	10,885	17,648	(2,452)	1,753	(286)	95,061	557,022	43,106	600,128
<b>Total comprehensive loss for the year</b>													
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	20	–	–	–	–	(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 recognized 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	17	–	–	–	–	–	–	–	–	(29,862)	(29,862)	–	(29,862)
<b>Total contributions by and distributions to owners</b>		–	–	–	–	–	–	–	–	47,096	47,096	26,410	73,506
<b>At 30 April 2020</b>	16, 17	49,449	478,339	(87,997)	13,731	(2,873)	(1,802)	1,753	(286)	60,763	511,077	54,820	565,897

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 (cont'd)**  
**Years ended 30 April 2022, 2021 and 2020**  
(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
<b>Company</b>											
<b>2022</b>											
At 30 April 2021		49,449	478,478	(81,971)	14,278	35,049	1,224	1,753	(286)	83,349	581,323
<b>Total comprehensive income for the year</b>											
Profit for the year		–	–	–	–	–	–	–	–	100,031	100,031
<b>Other comprehensive income (loss)</b>											
Currency translation differences		–	–	(13,351)	–	–	–	–	–	–	(13,351)
Remeasurement of retirement plans, net of tax	20	–	–	–	–	8,703	–	–	–	–	8,703
Effective portion of changes in fair value of cash flow hedges, net of tax		–	–	–	–	–	(6,187)	–	–	–	(6,187)
<b>Total other comprehensive income (loss)</b>		–	–	(13,351)	–	8,703	(6,187)	–	–	–	(10,835)
<b>Total comprehensive income (loss) for the year</b>		–	–	(13,351)	–	8,703	(6,187)	–	–	100,031	89,196
<b>Transactions with owners of the Company recognized directly in equity</b>											
<b>Contributions by and distributions to owners of the Company</b>											
Redemption of A-1 preference shares	16	(20,000)	(180,000)	–	–	–	–	–	–	–	(200,000)
Cancelled options	31	–	–	–	–	–	–	(1,753)	–	–	(1,753)
Dividends	17	–	–	–	–	–	–	–	–	(43,060)	(43,060)
<b>Total contributions by and distributions to owners</b>		(20,000)	(180,000)	–	–	–	–	(1,753)	–	(43,060)	(244,813)
<b>At 30 April 2022</b>	16, 17	29,449	298,478	(95,322)	14,278	43,752	(4,963)	–	(286)	140,320	425,706

*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 (cont'd)**  
**Years ended 30 April 2022, 2021 and 2020**  
(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
<b>Company 2021</b>											
At 30 April 2020		49,449	478,478	(87,997)	13,731	(2,873)	(1,802)	1,753	(286)	60,763	511,216
<b>Total comprehensive income for the year</b>											
Profit for the year		–	–	–	–	–	–	–	–	63,256	63,256
<b>Other comprehensive income</b>											
Currency translation differences		–	–	6,026	–	–	–	–	–	–	6,026
Gain on property revaluation, net of tax		–	–	–	547	–	–	–	–	–	547
Remeasurement of retirement plans, net of tax	20	–	–	–	–	37,922	–	–	–	–	37,922
Effective portion of changes in fair value of cash flow hedges, net of tax		–	–	–	–	–	3,026	–	–	–	3,026
<b>Total other comprehensive income</b>		–	–	6,026	547	37,922	3,026	–	–	–	47,521
<b>Total comprehensive income for the year</b>		–	–	6,026	547	37,922	3,026	–	–	63,256	110,777
<b>Transactions with owners of the Company recognized directly in equity</b>											
<b>Contributions by and distributions to owners of the Company</b>											
Sale of shares of a subsidiary	6	–	–	–	–	–	–	–	–	9,135	9,135
Dividends	17	–	–	–	–	–	–	–	–	(49,805)	(49,805)
<b>Total contributions by and distributions to owners</b>		–	–	–	–	–	–	–	–	(40,670)	(40,670)
<b>At 30 April 2021</b>	16, 17	<u>49,449</u>	<u>478,478</u>	<u>(81,971)</u>	<u>14,278</u>	<u>35,049</u>	<u>1,224</u>	<u>1,753</u>	<u>(286)</u>	<u>83,349</u>	<u>581,323</u>

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 (cont'd)**

**Years ended 30 April 2022, 2021 and 2020**

**(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
<b>Company</b>											
<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)
At 30 April 2019		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	20	-	-	-	-	(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 recognized 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	17	-	-	-	-	-	-	-	-	(29,862)	(29,862)
<b>Total contributions by and distributions to owners</b>		-	-	-	-	-	-	-	-	47,096	47,096
<b>At 30 April 2020</b>	16, 17	49,449	478,478	(87,997)	13,731	(2,873)	(1,802)	1,753	(286)	60,763	511,216

*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 2022, 2021 and 2020

(In US\$'000)

	Note	<----- Group ----->			<----- Company ----->		
		Year ended 30 April 2022	Year ended 30 April 2021	Year ended 30 April 2020	Year ended 30 April 2022	Year ended 30 April 2021	Year ended 30 April 2020
<b>Cash flows from operating activities</b>							
Profit (loss) for the year		115,530	76,470	(93,830)	100,031	63,256	(81,394)
Adjustments to reconcile profit (loss) for the year to net cash flows:							
Depreciation of property, plant and equipment	5	146,480	139,950	137,887	-	-	-
Finance expense		111,986	113,615	119,198	12,977	13,116	16,317
Amortization of right-of-use assets	23	40,369	40,720	35,179	93	106	-
Tax expense - current	27	20,605	33,059	55,424	22	51	21
Tax credit - deferred	9, 27	18,695	(5,786)	(26,248)	(18)	(44)	(6)
Amortization of intangible assets	8	6,650	6,650	6,650	-	-	-
Share in losses (earnings) of joint ventures and subsidiaries	7	4,954	1,531	3,085	(124,437)	(86,990)	77,592
Allowance for inventory obsolescence	13	4,135	7,043	9,649	-	-	-
Finance income		(2,629)	(7,028)	(7,738)	(11)	(846)	(22,111)
Impairment loss in joint ventures	7	2,000	2,096	-	-	-	-
Equity-settled share-based payment transactions		(1,960)	-	-	-	-	-
Unrealized foreign exchange (gain) loss		(1,851)	(11)	1,295	127	13	6
Impairment (reversal) of trade and nontrade receivables	13	1,060	144	(292)	-	-	-
(Gain) loss on disposal of property, plant and equipment	25	789	(1,333)	2,502	-	-	-
Impairment loss of property, plant and equipment	5	-	-	40,746	-	-	-
Ineffective portion of cash flow hedges		-	-	941	-	-	-
		<b>466,813</b>	<b>407,120</b>	<b>284,448</b>	<b>(11,216)</b>	<b>(11,338)</b>	<b>(9,575)</b>
Changes in:							
Other assets		(9,039)	3,853	(28,190)	(49)	-	-
Inventories		(139,021)	(79,117)	172,695	-	-	-
Biological assets		(6,311)	18,716	(7,505)	-	-	-
Trade and other receivables		(40,020)	24,053	(48,722)	1	55	(29)
Prepaid expenses and other current assets		(9,334)	(3,161)	(6,824)	(110)	(868)	(17)
Employee benefits		1,809	18,345	14,144	192	90	17
Trade payables and other current liabilities		31,757	(43,071)	44,377	(494)	2,236	1,837
Operating cash flows		<b>296,654</b>	<b>346,738</b>	<b>424,423</b>	<b>(11,676)</b>	<b>(9,825)</b>	<b>(7,767)</b>
Taxes paid		(15,916)	(31,464)	(46,982)	(6)	(76)	(22)
<b>Net cash flows provided by (used in) operating activities</b>		<b>280,738</b>	<b>315,274</b>	<b>377,441</b>	<b>(11,682)</b>	<b>(9,901)</b>	<b>(7,789)</b>



## Del Monte Pacific Limited and its Subsidiaries

### Statements of cash flows (cont'd) Years ended 30 April 2022, 2021 and 2020

(In US\$'000)

	Note	<----- Group ----->			<----- Company ----->		
		Year ended 30 April 2022	Year ended 30 April 2021	Year ended 30 April 2020	Year ended 30 April 2022	Year ended 30 April 2021	Year ended 30 April 2020
<b>Cash flows from investing activities</b>							
Acquisitions of property, plant and equipment		(202,659)	(163,974)	(132,453)	-	-	-
Interest received		1,169	514	756	11	14	1
Investments in joint ventures	7	(1,001)	-	(1,530)	-	-	-
Advances to joint ventures		(595)	(840)	(140)	(595)	(840)	(140)
Proceeds from disposal of property, plant and equipment and noncurrent assets held for sale		231	11,705	29,238	-	-	-
Collection of receivable from prior year sale of shares of subsidiary and settlement of transaction costs		-	106,520	-	-	-	-
Proceeds from additional sale of shares of subsidiary		-	8,954	-	-	-	-
Investments in subsidiaries		-	-	-	-	(150,000)	-
Advances to related company		-	-	-	(67,874)	(33,505)	(235,388)
Dividend received		-	-	-	33,519	242,721	230,474
<b>Net cash flows (used in) provided by investing activities</b>		<b>(202,855)</b>	<b>(37,121)</b>	<b>(104,129)</b>	<b>(34,939)</b>	<b>58,390</b>	<b>(5,053)</b>
<b>Cash flows from financing activities</b>							
Proceeds from borrowings	39	2,848,113	4,299,181	788,696	333,000	157,300	105,000
Repayment of borrowings	39	(2,547,034)	(4,380,653)	(891,423)	(89,810)	(158,911)	(115,000)
Redemption of preference share capital	16	(200,000)	-	-	(200,000)	-	-
Interest paid		(89,359)	(77,349)	(87,117)	(11,004)	(11,686)	(15,637)
Dividends paid to equity holders of the parent	17	(43,060)	(49,805)	(29,862)	(43,060)	(49,805)	(29,862)
Payments of lease liability	23	(38,870)	(43,377)	(41,958)	(52)	(107)	-
Dividends paid to non-controlling interests		(5,892)	(12,865)	-	-	-	-
Payment of debt related costs		(2,383)	(20,551)	-	(2,383)	(1,948)	-
Net collections (repayments) of advances from related companies		-	-	-	20,941	(238,611)	(46,864)
Advances from related companies		-	-	-	39,034	256,597	115,036
<b>Net cash flows (used in) provided by financing activities</b>		<b>(78,485)</b>	<b>(285,419)</b>	<b>(261,664)</b>	<b>46,666</b>	<b>(47,171)</b>	<b>12,673</b>



**Del Monte Pacific Limited and its Subsidiaries**

**Statements of cash flows (cont'd)  
Years ended 30 April 2022, 2021 and 2020**

(In US\$'000)

	<----- Group ----->			<----- Company ----->			
	Note	Year ended 30 April 2022	Year ended 30 April 2021	Year ended 30 April 2020	Year ended 30 April 2022	Year ended 30 April 2021	Year ended 30 April 2020
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(602)</b>	(7,266)	11,648	<b>45</b>	1,318	(169)
Effect of exchange rate changes on cash and cash equivalents held in foreign currency		<b>(6,980)</b>	3,236	181	<b>(20)</b>	20	49
Cash and cash equivalents at beginning of year		<b>29,435</b>	33,465	21,636	<b>2,104</b>	766	886
Cash and cash equivalents at end of year		<b>21,853</b>	29,435	33,465	<b>2,129</b>	2,104	766

*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 2022

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These notes form an integral part of the financial statements.

The accompanying financial statements were approved and authorized for issuance by the Board of Directors (the "Board") on 15 July 2022.

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

The immediate holding company is NutriAsia Pacific Limited ("NAPL"), and the indirect shareholders of which are NutriAsia Inc. ("NAI") and Well Grounded Limited ("WGL"), which at 30 April 2022, 2021 and 2020, each 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 (Series A-1) was listed on 7 April 2017 and the second tranche (Series A-2) on 15 December 2017. On 7 April 2022, the Company redeemed all of the outstanding 20,000,000 Series A-1 Preference Shares (see Note 16).

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 Philippine 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 30 April 2022 and 2021 and for each of the three years in the period ended 30 April 2022 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.



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2022

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#### 2. Going concern

The Company's current liabilities were higher by US\$122.7 million compared to current assets as at 30 April 2022 (30 April 2021: US\$28.7 million). The Group's at a consolidated level is in net current asset position of US\$168.4 million as at 30 April 2022 (30 April 2021: US\$200.4 million)

Management believes that the Company 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:

- The Group's net current asset position of US\$168.4 million as at 30 April 2022 and the Company continues to receive dividend payments from its subsidiaries and expects the same in the next 12 months;
- The Group generated net operating cash flows of US\$280.7 million for the current year (30 April 2021: US\$315.3 million) and remains vigilant in managing its cost. Management has undertaken various measures to improve operating costs such as Del Monte Foods, Inc.'s ("DMFI") asset light strategy undertaken in FY2020 and cost optimization initiatives including distribution center consolidations, among others, which has contributed to DMFI's improved operating performance following prior year's major operational restructuring and refinancing. The Group continuously reviews its manufacturing and distribution footprint in the US as well as continue to improve and streamline its operations to further promote operational efficiency with the intent of increasing future operating cash flows.
- The Company continues to find new sources of funding and had issued a 3-year unrated Senior Notes amounting to US\$90.0 million which was utilized to redeem its Series A-1 Preferred Shares on 7 April 2022 which were otherwise due for a step-up rate on 7 April 2022.
- The Group has sufficient credit lines available for drawdown and, as such, Management believes that the Group will have sufficient working capital to enable the Group to meet its objectives and future financial obligations.

#### 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.

##### 3.4 *Use of estimates and judgements*

The preparation of the financial statements in conformity with IFRSs 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.





## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2022

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

##### 3.4 Use of estimates and judgements (cont'd)

###### **Judgements**

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized 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 – Recognition of Share Purchase Agreement as at 30 April 2020
- Note 6 – Debt versus equity classification
- Note 7 – Determination of joint control and the type of joint arrangement
- Note 8 – Assessment of useful life of intangible assets with indefinite useful life
- Note 23 – Determination of lease term of contracts with renewal options
- Note 36 – Contingencies

###### **Estimates and underlying assumptions**

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized 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 – Obligation to purchase excess shares or sell shortfall shares
- Note 6 – Fair valuation of derivative liability on the call option
- Note 7 – Recoverability of investments in joint ventures
- Note 8 – Useful lives of intangible assets and impairment of goodwill and intangible assets
- Note 9 – Recoverability 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 realizable value
- Note 13 – Impairment of trade and nontrade receivables
- Note 20 – Measurement of employee benefit obligations
- Note 21 – Estimation of environmental remediation liabilities
- Note 22 – Estimation of trade promotion accruals
- Note 23 – Determination of incremental borrowing rate for lease liabilities
- Note 27 – Measurement of income tax
- Note 34 – Determination of fair values
- Note 36 – 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. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

- Level 1: quoted 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 recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, 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 fair value hierarchy as explained above.



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

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

The accounting policies adopted are consistent with those of the previous fiscal year, except that the Group has adopted the following new accounting pronouncements starting 1 May 2021. Unless otherwise indicated, adoption of these new standards did not have any significant impact on the Group's consolidated financial statements.

- 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 2022; and
  - There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

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

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest Rate Benchmark Reform – Phase 2*. The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Group shall also disclose information about:

- The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition



#### **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's goodwill is initially measured at cost, measures goodwill at the acquisition date as:

- the fair value of consideration transferred; plus
- the recognized 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 recognized 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 recognized immediately in the income statement.

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

Any contingent consideration payable is recognized 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 recognized 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 recognized 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.



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2022

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

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

(i) Business combination (cont'd)

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.

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 recognized are retrospectively adjusted, and any additional assets or liabilities recognized, 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 recognized 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 other comprehensive income ("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 reorganization 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 derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognized 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.

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



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

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

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

Investments in joint ventures are accounted for using the equity method. They are recognized initially at cost, which includes transaction 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 unrealized income or expenses arising from intra-group transactions, are eliminated in preparing the financial statements. Unrealized gains arising from transactions with joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized 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 recognized 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. Unrealized losses are eliminated in the same way as unrealized 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.

**4.2 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.



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

**4.2 Foreign currency (cont'd)**

*(i)* Foreign currency transactions

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 recognized in the income statement, except for differences which are recognized 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 recognized 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 recognized in OCI, and presented in the translation reserve in equity.

**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 realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.





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

**4.3 Current versus Noncurrent Classification (cont'd)**

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 recognized 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 capitalized 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 capitalized includes the cost of materials, direct labor, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalized borrowing costs. Other development expenditure is recognized in the income statement as incurred. Capitalized development expenditure is measured at cost less accumulated amortization and accumulated impairment losses.

*(iii)* Other intangible assets

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



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

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

(iv) Subsequent expenditure

Subsequent expenditure is capitalized 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 recognized in the income statement as incurred.

(v) Amortization

Amortization is calculated based on the cost of the asset.

Amortization is recognized 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

Amortization 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.

(i) Recognition and measurement

Financial instruments are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized 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 financial assets at fair value through profit or loss ("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*.



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

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

(ii) Classification and subsequent measurement

*Financial assets*

On initial recognition, the Group classifies its financial assets into the following categories: financial assets at amortized cost, financial assets at FVTPL, and financial assets at financial assets through other comprehensive income ("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.

A financial asset is measured at amortized 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 amortized 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 amortized 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 amortized cost*

These assets are subsequently measured at amortized cost using the effective interest method and are subject to impairment. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Impairment losses on trade receivables are recognized under distribution and selling expenses. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets at amortized cost comprise cash in banks and cash equivalents, trade and other receivables, due from a subsidiary, refundable deposits and note receivables recognized under "Other noncurrent assets".



4. Significant accounting policies (cont'd)

4.5 Financial instruments (cont'd)

(ii) Classification and subsequent measurement (cont'd)

*Business model assessment*

The Group's 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.

*Assessment Whether Contractual Cash Flows are Solely Payments of Principal and Interest ("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).



**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 Solely Payments of Principal and Interest ("SPPI") (cont'd)*

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 amortized 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 recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Financial liabilities at amortized 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 Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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



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

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

*(iii)* Derecognition

The Group derecognizes 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 recognized as a separate asset or liability.

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or has 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 recognized and the portion that was repurchased based on the relative fair values on the date of the repurchase.

*(iv)* Exchange or modification of financial liabilities

The Group considers both qualitative and quantitative factors in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original EIR, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the modification of the financial liability is so fundamental that immediate derecognition of the original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the fair value of the new liability is recognized in profit or loss.

When the exchange or modification of the existing financial liability is not considered as substantial, the Group recalculates the gross carrying amount of the financial liability as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR and recognizes a modification gain or loss in profit or loss.

If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the financial instrument and are amortized over the remaining term of the modified financial instrument.



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

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

(v) 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 realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

*Derivative financial instruments, including hedge accounting*

The Group uses derivative financial instruments for the purpose of managing risks associated with interest rates, currencies, transportation 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 recognized 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) Offsetting (cont'd)

*Derivative financial instruments, including hedge accounting (cont'd)*

- the hedged item and the hedging instrument are not intentionally weighted to create hedge ineffectiveness, whether recognized or not, to achieve an accounting outcome that would be inconsistent with the purpose of hedge accounting.

Derivatives are recognized initially at fair value; any directly attributable transaction costs are recognized in the income statement as they are incurred. Subsequent to initial recognition, derivatives are measured at fair value. Changes therein are recognized in OCI, generally for derivatives designated as effective hedges, or the consolidated income statement, for other derivatives.

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 recognized in OCI and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognized 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 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 recognized.

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.





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

**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 values 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.

Any increase in the revaluation amount is recognized in OCI and presented in the revaluation reserve in equity unless it offsets a previous decrease in value of the same asset that was recognized in the income statement. A decrease in value is recognized in the income statement where it exceeds the increase previously recognized in the revaluation reserve. Upon disposal, any related revaluation reserve is transferred from OCI to retained earnings.

Bearer plants are measured at cost less accumulated amortization based on actual volume of harvest over total estimated volume of harvest. Costs to grow include purchase cost of various chemicals and fertilizers, land preparation expenses and direct expenses during the cultivation of the primary ratoon and, if needed, re-ratoon crops.

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 labor, 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 capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized 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 recognized net within other income/other expenses in the income statement.



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

**4.6 Property, plant and equipment (cont'd)**

*(ii)* Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognized 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 derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in the income statement as incurred.

*(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 recognized 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 recognized 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 leasehold improvements	-	3 to 50 years or lease term, 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.

*(iv)* Borrowing costs

Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.



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

**4.6 Property, plant and equipment (cont'd)**

(iv) Borrowing costs (cont'd)

Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset shall be determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during a period shall not exceed the amount of borrowing costs incurred during that period.

Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs ceases when all the activities necessary to prepare the asset for its intended use or sale are substantially complete. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized.

**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:

*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.



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

**4.7 *Biological assets (cont'd)***

The Group's agricultural produce are accounted for as follows:

*Agricultural Produce*

The Group's growing or unharvested produce are measured at their fair value from the time of maturity of the bearer plant until harvest. The Group estimates the fair value of unharvested agricultural produce using estimated tonnage of harvest, estimated future selling prices and gross margin of finished goods less estimated future growing cost and adjusted for margin related to production. The fair value is multiplied to the estimated tonnage of harvested pineapple fruit at the end of the period based on the age of the crops after planting date. 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 and adjusted for margin related to production. The fair value is multiplied to actual harvest for the period. Gains and losses arising from changes in fair values are included in profit or loss under "Changes in fair values of biological assets" in "Revenue" for the period in which they arise.

*Cutmeat*

Cutmeat is measured at each reporting date at their fair value less cost to sell. Gains and losses arising from changes in fair values are included in profit or loss under "changes in fair value of biological assets" in "Revenue" for the period in which they arise.

**4.8 *Leases***

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.

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

*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 recognizes lease liability to make lease payments and right-of-use asset representing the right to use the underlying asset.



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

**4.8 Leases (cont'd)**

*Right-of-use Assets*

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liability. The right-of-use assets were measured at an amount equal to the lease liability, adjusted for 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 recognized right-of-use assets are 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 leasehold improvements	-	2 to 6 years
Land	-	2 to 26 years
Machineries and equipment	-	2 to 17 years

The right-of-use assets are presented separately in the statement of financial position.

*Lease liabilities*

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate ("IBR"). 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.



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

**4.8 Leases (cont'd)**

*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 recognized as expense on a straight-line basis over the lease term.

*Sale and Leaseback*

When the Group sells or transfers an asset to another entity (the buyer-lessor) and leases that asset back from the buyer-lessor, the Group account for the sale or transfer contract and the lease by applying the requirements of IFRS 16. The Group first applies the requirements for determining when a performance obligation is satisfied in IFRS 15 to determine whether the sale or transfer of an asset is accounted for as a sale of that asset.

For sale or transfer of an asset that satisfies the requirements of IFRS 15 to be accounted for as a sale of the asset, the Group measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the Group. Accordingly, the Group recognizes only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor.

If the sale or transfer of an asset does not satisfy the requirements of IFRS 15 to be accounted for as a sale of the asset, the Group continues to recognize the transferred asset and recognizes a financial liability equal to the proceeds from the sale or transfer. The Group accounts for the financial liability in accordance with the requirements of IFRS 9.

*Sublease arrangements*

The Group determines if the sublease arrangement qualifies as a finance or operating lease. The Group assesses and classifies a sublease as finance lease if it has transferred substantially all the risk and rewards incidental to the ownership of the leased asset. The Group compares the sublease term with the head lease term. If the sublease term accounts for the majority or 75% of the head lease term, same is classified as a finance lease, otherwise it is classified as an operating lease.

At the inception date, if the sublease qualifies as finance lease, the Group derecognizes the right-of-use asset on the head lease and continues to account for the original lease liability. The Group as a sublessor, recognizes a net investment in sublease and evaluate it for impairment. If classified as operating lease, the Group continues to account for the lease liability and right-of-use asset on the head lease like any other lease.

**4.9 Inventories**

Inventories are measured at the lower of cost and net realizable 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.



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

**4.9 Inventories (cont'd)**

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 realizable 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.

**4.11 Impairment**

*(i)* Non-derivative financial assets

The Group recognizes loss allowances for expected credit losses ("ECLs") on financial assets measured at amortized 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, non-trade and other receivables 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.



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

**4.11 Impairment (cont'd)**

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

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 realizing security (if any is held), or when the financial asset is more than 90 days past due.

At each reporting date, the Group assesses whether financial assets at amortized 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 reorganization, 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 amortized 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 recognized if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.





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

**4.11 Impairment (cont'd)**

(ii) Non-financial assets (cont'd)

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 recognized in the income statement. Impairment losses recognized 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 recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss recognized 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 amortization, if no impairment loss had been recognized.

*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 recognized in the income statement. An impairment loss is reversed if there has been a favorable 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 recognized 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.



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

**4.11 Impairment (cont'd)**

(ii) Non-financial assets (cont'd)

*Goodwill (cont'd)*

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.

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 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 recognized as an employee benefit expense in the income statement in the periods during which services are rendered by employees.

(ii) 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 recognized 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 realizable during the life of the plan, or on settlement of the plan liabilities.



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

**4.12 Employee benefits (cont'd)**

(ii) Defined benefit pension plan (cont'd)

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

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 recognizes 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 recognized immediately in the income statement.

When the plan amendment or curtailment occurs, the Group recognizes 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 20).

*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 a defined contribution 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.

(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 recognized 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 31).



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

**4.12 Employee benefits (cont'd)**

(v) Termination benefits

Termination benefits are recognized 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 recognized 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 recognized for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(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 recognized 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 recognized over the period during which the employees become unconditionally entitled to the shares.

*Share options*

The fair value, measured at grant date, is recognized 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 recognizes the impact of the revision of original estimates in employee benefit expense and as a corresponding adjustment to equity over the remaining vesting period.

**4.13 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.



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

**4.13 Share Capital and Retained earnings (cont'd)**

(i) Share capital (cont'd)

*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 Board.

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 recognized as an expense.

*Repurchase, disposal and reissue of share capital (treasury shares)*

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized 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 recognized 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.

(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 recognized as a liability and deducted from retained earnings when they are declared.



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

**4.14 Provisions**

A provision is recognized 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 recognized 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 recognized when such losses are probable, and the amounts of such losses can be estimated reliably. Accruals for estimated losses for environmental remediation obligations are recognized 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.

**4.15 Revenue recognition**

Revenue from contracts with customers is recognized 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 recognized:

(i) Sales of goods

Revenue from the sale of goods is recognized 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.



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

**4.15 Revenue recognition (cont'd)**

(i) Sales of goods (cont'd)

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 recognized at the later of when the Group recognizes 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 authorized 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.

(ii) 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 recognized 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 recognized for the right to recover products from a customer since Group's policy is to dispose all goods to be returned.

(iii) 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 recognized 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)**

**4.15 Revenue recognition (cont'd)**

- (iii) 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 recognized when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

- (iv) 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 recognized 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.

Other income:

- (i) Finance income

Such income is recognized as the interest accrues taking into account the effective interest yield on the asset.

- (ii) Other income

Other income is recognized when earned.





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

**4.16 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 recognized 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 recognized using the Group's incremental borrowing rate. All borrowing costs are recognized in income statement using the effective interest method, except to the extent that they are capitalized 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.

**4.17 Tax**

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in income statement except to the extent that it relates to a business combination, or items recognized 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 recognized 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 recognized 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 realized simultaneously.

A deferred tax asset is recognized 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 utilized. 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 realized.



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

**4.17 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.

**4.18 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.

**4.19 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.

**4.20 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 recognized 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.



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

**4.20 Contingencies (cont'd)**

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 recognized 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.

**4.21 New standards and interpretations issued but not yet effective**

Standards Issued but not yet effective

Pronouncements issued but not yet effective are listed below. The Group intends to adopt the following pronouncements when they become effective. Unless otherwise indicated, adoption of these pronouncements is not expected to have a significant impact on the Group's consolidated financial statements.

*Effective beginning on or after 1 May 2022*

- Amendments to IFRS 3, *Reference to the Conceptual Framework*. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of IFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments are effective for annual reporting periods beginning on or after 1 May 2022 and apply prospectively.

- Amendments to IAS 16, *Plant and Equipment: Proceeds before Intended Use*. The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 May 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.



4. Significant accounting policies (cont'd)

4.21 New standards and interpretations issued but not yet effective (cont'd)

Effective beginning on or after 1 May 2022 (cont'd)

- Amendments to IAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*. The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 May 2022. The Group will apply these amendments to contracts for which it has yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *Annual Improvements to IFRSs 2018-2020 Cycle*
  - Amendments to IFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D15(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 May 2022 with earlier adoption permitted.

- Amendments to IFRS 9, *Financial Instruments, Fees in the “10 per cent” test for derecognition of financial liabilities*. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 May 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

- Amendments to IAS 41, *Agriculture, Taxation in fair value measurements*. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 May 2022 with earlier adoption permitted.



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

**4.21 New standards and interpretations issued but not yet effective (cont'd)**

*Effective beginning on or after 1 May 2023*

- Amendments to IAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*. The amendment narrows the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after 1 May 2023.

- Amendments to IAS 8, *Definition of Accounting Estimates*. The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 May 2023 with earlier adoption permitted.

- Amendments to IAS 1 and IFRS Practice Statement 2, *Disclosure of Accounting Policies*. The amendment provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies; and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to IAS 1 are effective for annual periods beginning on or after 1 May 2023. Early application is permitted as long as this fact is disclosed.



4. Significant accounting policies (cont'd)

4.21 New standards and interpretations issued but not yet effective (cont'd)

*Effective beginning on or after 1 May 2024*

- Amendments to IAS 1, *Classification of Liabilities as Current or Non-current*. The amendments clarify paragraphs 69 to 76 of IAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than 1 January 2024.

*Effective beginning on or after 1 May 2025*

- IFRS 17, *Insurance Contracts*. IFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2025, with comparative figures required. Early application is permitted.



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

**4.21 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 address 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 recognized 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 recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On 13 January 2016, the Financial Reporting Standards Council (FRSC) deferred the original effective date of 1 January 2016 of the said amendments until the 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 2022

5. Property, plant and equipment – net

Group Cost/Valuation	←----- At cost ----->			At appraised value		
	Buildings, land improvements and leasehold improvements US\$'000	Machineries and equipment US\$'000	Construction -in-progress ("CIP") US\$'000	Bearer plants US\$'000	Freehold land US\$'000	Total US\$'000
At 1 May 2021	227,519	593,896	34,953	374,803	63,145	1,294,316
Additions	6,596	17,429	47,509	133,622	–	205,156
Disposals	(167)	(12,106)	–	–	–	(12,273)
Write off - closed fields	–	–	–	(95,754)	–	(95,754)
Reclassifications from CIP	1,942	21,871	(23,813)	–	–	–
Currency realignment	(5,990)	(18,691)	(1,265)	(29,889)	(1,267)	(57,102)
At 30 April 2022	229,900	602,399	57,384	382,782	61,878	1,334,343
At 1 May 2020	224,926	561,392	29,151	361,982	63,294	1,240,745
Additions	4,328	3,725	36,430	121,586	–	166,069
Disposals	(8,095)	(9,897)	–	–	(870)	(18,862)
Write off - closed fields	–	–	–	(125,362)	–	(125,362)
Reclassifications from CIP	2,897	28,295	(31,192)	–	–	–
Currency realignment	3,463	10,381	564	16,597	721	31,726
At 30 April 2021	227,519	593,896	34,953	374,803	63,145	1,294,316





Del Monte Pacific Limited and its Subsidiaries

Notes to the financial statements  
For the financial year ended 30 April 2022

5. Property, plant and equipment – net (cont'd)

	<----- At cost ----->				At appraised value	
	Buildings, land improvements and leasehold improvements US\$'000	Machineries and equipment US\$'000	Construction -in-progress ("CIP") US\$'000	Bearer plants US\$'000	Freehold land US\$'000	Total US\$'000
<b>Accumulated depreciation and impairment losses</b>						
At 1 May 2021	110,782	415,584	–	214,638	8,536	749,540
Charge for the year	10,163	35,201	–	104,753	–	150,117
Write off - closed fields	–	–	–	(95,754)	–	(95,754)
Disposals	(138)	(11,098)	–	–	–	(11,236)
Other adjustments	–	62	–	–	–	62
Currency realignment	(3,185)	(14,930)	–	(17,918)	–	(36,033)
At 30 April 2022	117,622	424,819	–	205,719	8,536	756,696
At 1 May 2020	101,750	371,508	–	241,366	8,536	723,160
Charge for the year	10,553	43,990	–	87,715	–	142,258
Write off - closed fields	–	–	–	(125,362)	–	(125,362)
Disposals	(3,223)	(7,702)	–	–	–	(10,925)
Currency realignment	1,702	7,788	–	10,919	–	20,409
At 30 April 2021	110,782	415,584	–	214,638	8,536	749,540



**Del Monte Pacific Limited and its Subsidiaries**

**Notes to the financial statements  
For the financial year ended 30 April 2022**

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**5. Property, plant and equipment - net (cont'd)**

	<----- At cost ----->				At appraised value	
	Buildings, land improvements and leasehold improvements US\$'000	Machineries and equipment US\$'000	Construction -in-progress ("CIP") US\$'000	Bearer plants US\$'000	Freehold land US\$'000	Total US\$'000
<b>Carrying amounts</b>						
At 30 April 2022	112,278	177,580	57,384	177,063	53,342	577,647
At 30 April 2021	116,737	178,312	34,953	160,165	54,609	544,776



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2022

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#### 5. Property, plant and equipment - net (cont'd)

Depreciation recognized in the consolidated statements of cash flows is net of the amount capitalized in inventories.

The Group has property, plant and equipment acquisitions of US\$3.0 million as of 30 April 2022 (2021: US\$2.9 million) presented under "Accrued operating expenses" in "Trade and other current liabilities". Down payments made by the Group for the acquisition of property, plant and equipment amounted to US\$4.2 million as of 30 April 2022 (2021: to US\$1.1 million) recorded under "Advances to suppliers" in "Other noncurrent assets". In addition, the Group has reclassified certain prepaid and other current assets to property, plant and equipment which amounted to US\$3.7 million (2021: US\$0.2 million). The cost of fields closed and written off in 2022 amounted to US\$95.8 million, which have been fully depreciated during the year (2021: US\$125.4 million).

#### Bearer Plants

	Group	
	30 April 2022	30 April 2021
Hectares planted with growing crops:		
- Pineapples	16,130	15,027
- Papaya	123	111
	<hr/>	<hr/>
Fruits harvested from the growing crops: (in metric tons)		
- Pineapples	785,876	778,464
- Papaya	1,266	1,008
	<hr/>	<hr/>

Bearer plants are 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 labor 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 2022 and 2021, 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 2022

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#### 5. Property, plant and equipment - net (cont'd)

##### Freehold Land

The table below summarizes the valuation of freehold land held by the Group as at 30 April 2022 in various locations:

Located in	30 April 2022 US\$'000	30 April 2021 US\$'000	Date of Latest Valuation
The Philippines	10,799	11,809	2020 (Various)
United States of America	32,459	32,459	1 May 2020
Singapore	10,084	10,341	18 May 2020
	<u>53,342</u>	<u>54,609</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 34. Management believes that there are no events or changes in circumstances indicating a significant change in fair value of the land from the last appraisal made. In relation to the revaluation of its freehold land in DMFI, management believes that the cost approximates their fair values as at 30 April 2022 and 2021.

In fiscal year 2022, the Group disposed freehold land with a net book value amounting to nil (2021: US\$0.9 million).

The carrying amount of the Group's freehold land as at 30 April 2022 would be US\$34.6 million (2021: US\$34.8 million) had the freehold land been carried at cost less impairment losses.

##### Construction-in-Progress ("CIP")

CIP includes on-going item expansion projects for the Group's operations.

Major items in CIP as of 30 April 2022 include plastic sleeveless cartoning for Modesto, new labeling line for packaging club and retail items for Markesan, installation of corn cutters on the process line, higher capacity palletizer for Toppenish, installation of additional FDM 202 Line at the Bugo Cannery, construction of North DC warehouse in Marilao, Bulacan and purchase of Tetra Line for Cabuyao Plant, which are among the significant projects implemented in fiscal year 2022. These projects are expected to be completed by fiscal year 2023.

Major items in CIP as of 30 April 2021 include plastic sleeveless cartoning for Modesto, various line improvements such as capacity upgrade of Plover, installation of can making equipment from Ball Corporation, installation of automated line for 2.3kg tidbits and the integration of 202 cans in the filling process, which are the same major items for fiscal year 2020. These projects are expected to be completed in fiscal year 2023.



**5. Property, plant and equipment - net (cont'd)**

**Construction-in-Progress ("CIP") (cont'd)**

Capitalized borrowing costs for the year ended 30 April 2022 amounting to US\$0.01 million is related to the installation of additional FDM 202 Line, Can Making Equipment, installation of Automated Line for 2.3kg Tidbits and Acquisition of 307 Line 6 Autocaser. For the year ended 30 April 2021, capitalized borrowing costs amounting to US\$0.03 million is related to the installation of Can Making Equipment and installation of Automated Line for 2.3kg Tidbits.

The Group also capitalized interest expense arising from general borrowings and lease liabilities to bearer plants amounting to US\$1.2 million and US\$1.0 million for the years ended 30 April 2022 and 2021, respectively. Average capitalization rate used is 2.25% and 2.62% for the fiscal years ended 30 April 2022 and 2021, respectively.

**Plant closures and divestiture of Sager Creek business**

In connection with the plant closures, the Group recognized impairment losses amounting to US\$40.7 million in fiscal year 2020.

*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 recognized 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 recognized 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 recognized 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 fiscal year 2020, the Group recognized provisions for employee severance benefits amounting to US\$4.5 million, with nothing outstanding as of 30 April 2021 (2020: US\$2.3 million). The employee severance benefits are presented under "Employee benefits" (see Note 20) and were fully paid in fiscal year 2021. Environmental liabilities of US\$9.6 million were also recognized as of 30 April 2020 (see Note 21). The majority of this liability relates to the obligations to treat and remove the waste-water ponds at Sleepy Eye, Mendota and Crystal City. In fiscal year 2021, the Group released its provision amounting to US\$1.8 million due to adjustment of Mendota lagoon cost based on the purchase and sale agreement entered by DMFI with the City of Mendota on 22 March 2021. Remaining balance pertains to US\$0.4 million provision for Crystal City and Gilroy that were already settled. Related inventory and property, plant and equipment write-downs amounting to US\$9.2 million were recognized for the year ended 30 April 2020.

In connection with these announcements, the Group has recorded expenses of US\$68.4 million in "Other (expenses) income – net" for the year ended 30 April 2020.

As of 30 April 2020, the assets from Cambria, Crystal City, Sleepy Eye and Mendota, have been sold.



5. **Property, plant and equipment - net (cont'd)**

**Plant closures and divestiture of Sager Creek business (cont'd)**

*Plymouth Plant*

In relation to the closure of its Plymouth, Indiana plant in fiscal year 2018, the Group sold its Plymouth building and land in fiscal year 2019. As of 30 April 2022 and 2021, a non-current receivable of US\$1.0 million has been recorded in "Note receivables" under "Other Non-current Assets" related to this sale (see Note 10). This receivable is due on 2 July 2023.

***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 requires 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.

In fiscal year 2020, the recoverable amount of the impaired assets was based on fair value less cost to sell, which is subject to estimation. Such estimate relies on comparable sales in the market adjusted to account for the differences in the characteristics of the assets (Level 3).



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2022

#### 6. Investments in subsidiaries

	30 April 2022 US\$'000	30 April 2021 US\$'000
Unquoted equity shares, at cost, at the beginning of the year	1,020,215	640,699
Conversion of loan receivable to investment in equity	–	229,516
Investment in preference shares	–	150,000
Unquoted equity shares, at cost, at the end of the year	1,020,215	1,020,215
Amounts due from subsidiaries (nontrade)	237,516	237,074
	<u>1,257,731</u>	<u>1,257,289</u>
Accumulated share in losses at the beginning of the year	(356,274)	(257,746)
Dividends declared by subsidiaries	(33,519)	(242,721)
Share in net profit of subsidiaries	124,985	87,504
Share in other comprehensive income (losses) of subsidiaries, net of tax	(11,162)	47,554
Reserve from sale of shares of a subsidiary	–	6,570
Change in fair value of the derivative liability for the call option	–	2,565
Cancelled options of a subsidiary	(1,753)	–
	<u>(277,723)</u>	<u>(356,274)</u>
Interests in subsidiaries at the end of the year	<u>980,008</u>	<u>901,015</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.

On 15 May 2020, the Company converted its long-term loans receivable from Del Monte Foods Holdings Limited ("DMFHL") amounting to US\$229.5 million (including accrued interest of US\$0.8 million from 30 April 2020 to conversion date) to equity investment. On the same date, DMFHII issued 64.546 shares of capital stock to DMFHL, 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 was 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 US\$1.1 million.

On 15 May 2020, the Company invested US\$150.0 million of additional paid-in capital to DMPLFL in exchange for 423.95 shares of preferred stock.



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2022

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#### 6. Investments in subsidiaries (cont'd)

##### 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"), Del Monte Philippines, Inc. ("DMPI") and SEA Diner, a company incorporated in Singapore, entered into a Share Purchase Agreement and Shareholders' Agreement pursuant to which and subsequent arrangements, CARI agreed to 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 were convertible to voting, convertible, participating and 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 private placement transaction closed on 20 May 2020.

##### *Terms of the RCPS*

The terms of the RCPS were as follows:

- 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.

On 3 August 2020, the SEC approved the amendment of DMPI's Articles of Incorporation to reflect the conversion of 335,678,400 convertible common shares to RCPS and the removal of the conversion feature of the remaining convertible common shares.

On 16 December 2020, CARI sold additional 27,973,200 common shares of DMPI to SEA Diner for US\$10 million, which increased the ownership of SEA Diner in DMPI to 13%.





## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2022

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#### 6. Investments in subsidiaries (cont'd)

##### Share Purchase Agreement and Shareholders' Agreement with Sea Diner Holdings (S) Pte. Ltd. ("SEA Diner") (cont'd)

##### *Terms of the RCPS (cont'd)*

As at 30 April 2020 up to the time the RCPS were converted back to common shares on 2 March 2021, the Group is in compliance with the terms set out for the RCPS.

On 1 March 2021, the SEC approved the amendment of DMPI's Articles of Incorporation to change DMPI's Php 3 billion authorized capital stock to common shares with a par value of Php 1 per share. Consequently, the 335,678,400 RCPS issued to SEA Diner were converted to 335,678,400 common shares.

##### Call Option Agreement

On 24 January 2020, the Company, CARI, DMPI and SEA Diner entered into a call option agreement 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 exercisable within the Option Period which means:

(A) commencing on:

- (i) in the event where an IPO of DMPI is consummated on or before 30 April 2022, and:
  - (a) such IPO of DMPI is consummated at a price per DMPI share which implies an IPO pre-money market capitalization of US\$2,000,000,000 or lower, the date on which such IPO of DMPI is consummated; or
  - (b) such IPO of DMPI is consummated at a price per DMPI share which implies an IPO pre-money market capitalization of more than US\$2,000,000,000 and following such IPO, the SEA Diner sells any DMPI shares at a price per DMPI share which implies that DMPI's valuation is at or lower than an IPO pre-money market capitalization of US\$2,000,000,000, the date on which the SEA Diner makes such sale of DMPI shares; or
- (ii) 30 April 2022, if DMPI does not consummate an IPO on or before 30 April 2022; and

(B) ending on the earliest of:

- (i) the date falling ten (10) years after the date of completion of the closing date;
- (ii) the date falling five (5) years after the consummation of an IPO of DMPI; and
- (iii) the date on which the SEA Diner receives an amount in respect of a redemption of its DMPI shares pursuant to the Shareholders' Agreement that provides the SEA Diner with a rate of return of no less than eight (8) per cent.



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2022

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#### 6. Investments in subsidiaries (cont'd)

##### Share Purchase Agreement and Shareholders' Agreement with Sea Diner Holdings (S) Pte. Ltd. ("SEA Diner") (cont'd)

##### Impact on the Group

In relation to the above transaction, as at 30 April 2020, the Group recognized the gross consideration of US\$120.0 million under "Trade and other receivables", transaction costs of US\$14.0 million (US\$0.7 million of which was already paid as at 20 April 2020 and the outstanding balance of US\$13.3 million as at 30 April 2020 is recorded as accrued operating expenses under "Trade payables and other current liabilities", long-term derivative liability of US\$2.6 million 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 17) and "Non-controlling interests" of US\$26.4 million representing investor's proportionate share in the net assets of DMPI (see Note 38).

In relation to the additional sale of DMPI shares in fiscal year 2021, the Group recognized an additional "Non-controlling interests" of US\$2.2 million and paid transaction costs amounting to US\$1.2 million. The resulting gain of US\$6.6 million was recorded as equity reserve under "Retained earnings".

Management assessed that the fair value of derivative liability related to the call option is nil as at 30 April 2022 and 2021. The change in fair value amounting to nil (2021: US\$2.6 million) was recognized in equity reserve in fiscal year 2021.

##### Impact on the Company

In fiscal year 2020, the Company recognized an increase in investment in subsidiary and retained earnings equal to its share in the net equity reserve amounting to US\$77.0 million recognized by CARI, accrued transaction costs of US\$1.3 million, and receivable from CARI amounting to US\$2.1 million.

As a result of the additional sale of DMPI shares in fiscal year 2021, the Company recognized an increase in investment in subsidiary and equity reserve amounting to US\$6.6 million, net of transaction costs of US\$1.2 million. The equity reserve recognized in fiscal year 2021 was subsequently closed to retained earnings.

##### ***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.



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2022

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#### 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 any 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 for a conditional obligation for DMPI to deliver additional RCPS if DMPI would be unable to meet a certain level of net income and adjusted equity value as defined in the agreement for fiscal year ended 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 2022 and 2021 based on its actual net income for the year ended 31 April 2021 which has exceeded the target. Also, on 5 February 2021, the Board and stockholders of DMPI approved the amendment to DMPI's Articles of Incorporation to change the authorized capital stock to common shares from RCPS. The SEC approved this amendment to the Articles of Incorporation on 1 March 2021.

##### 2. Obligation to Purchase Excess Shares or Sell Shortfall Shares

The Shareholders' Agreement provides for 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-money market capitalization exceeding the US\$2 billion threshold amount or an IPO being consummated more than 275 days from a conversion date) set out 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 2022 and 2021 since the IPO did not occur during such periods. As a result, the probability of the options relating to the excess shares and shortfall shares being triggered 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. Management assessed that the fair value of the derivative liability is nil as at 30 April 2022 and 2021 as the estimated pre-money market capitalization is higher than the threshold in the Call Option Agreement.



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2022

#### 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 2022 %	30 April 2021 %
<b>Held by the Company</b>				
Del Monte Pacific Resources Limited ("DMPRL") <sup>[6]</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>[6]</sup>	Selling processed 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>[7][9]</sup>	Investment holding	British Virgin Islands	93.57	93.57
<b>Held by DMPRL</b>				
Central American Resources, Inc. ("CARI") <sup>[6]</sup>	Investment holding	Panama	100.00	100.00
Dewey Limited ("Dewey") <sup>[7]</sup>	Mainly investment holding	Bermuda	100.00	100.00
<b>Held by CARI</b>				
DMPI <sup>[1][2]</sup>	Growing, processing and distribution of food products mainly under the brand name "Del Monte"	Philippines	87.00	87.00
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 2022

#### 6. Investments in subsidiaries (cont'd)

Name of subsidiary	Principal activities	Place of incorporation and business	Effective equity held by the Group	
			30 April 2022 %	30 April 2021 %
<b>Held by DMPI</b>				
Philippine Packing Management Services Corporation ("PPMSC") <sup>[1] [2]</sup>	Intellectual property holding and licensing, management, logistics and support services	Philippines	87.00	87.00
Del Monte Txanton Distribution Inc ("DMTDI") <sup>[a] [1] [2]</sup>	Inactive	Philippines	34.80	34.80
<b>Held by Dewey</b>				
Dewey Sdn. Bhd. <sup>[4]</sup>	Inactive	Malaysia	100.00	100.00
<b>Held by DMPLI</b>				
DMPL India Limited <sup>[7]</sup>	Investment holding	Mauritius	95.13	95.13
<b>Held by S&amp;W</b>				
S&W Japan Limited <sup>[7]</sup>	Support and marketing services	Japan	100.00	100.00
<b>Held by DMPLFL</b>				
Del Monte Foods Holdings Limited ("DMFHL") <sup>[1] [9]</sup>	Investment holding	British Virgin Islands	93.57	93.57
<b>Held by DMFHL</b>				
Del Monte Foods Holdings II, Inc. ("DMFHII") <sup>[5] [9]</sup>	Investment holding	State of Delaware, U.S.A.	93.57	93.57
<b>Held by DMFHII</b>				
Del Monte Foods Holdings Inc. ("DMFHI") <sup>[5] [9]</sup>	Investment holding	State of Delaware, U.S.A.	93.57	93.57
<b>Held by DMFHI</b>				
Del Monte Foods, Inc. ("DMFI") <sup>[5] [9]</sup>	Manufacturing, processing and distributing food, beverages and other related products	State of Delaware, U.S.A.	93.57	93.57
<b>Held by DMFI</b>				
Sager Creek Foods, Inc. (formerly Vegetable Acquisition Corp.) <sup>[5] [9]</sup>	Real estate holding	State of Delaware, U.S.A.	93.57	93.57
Del Monte Andina C.A. <sup>[8] [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 2022

#### 6. Investments in subsidiaries (cont'd)

Name of subsidiary	Principal activities	Place of incorporation and business	Effective equity held by the Group	
			30 April 2022 %	30 April 2021 %
<b>Held by DMFI (cont'd)</b>				
Del Monte Colombiana S.A. <sup>[4] [9]</sup>	Manufacturing, processing and distributing food, beverages and other related products	Colombia	76.35	76.35
Industrias Citricolas de Montemorelos, S.A. de C.V. ("ICMOSA") <sup>[4] [9]</sup>	Manufacturing, processing and distributing food, beverages and other related products	Mexico	93.57	93.57
Del Monte Peru S.A.C. <sup>[7] [9]</sup>	Distribution of food, beverages and other related products	Peru	93.57	93.57
Del Monte Ecuador DME C.A. <sup>[7] [9]</sup>	Distribution of food, beverages and other related products	Ecuador	93.57	93.57
Hi-Continental Corp. <sup>[7] [9]</sup>	Distributor of non-Del Monte products	State of California, U.S.A.	93.57	93.57
College Inn Foods <sup>[7] [9]</sup>	Distributor of College Inn brand products	State of California, U.S.A.	93.57	93.57
Contadina Foods, Inc. <sup>[7] [9]</sup>	Distributor of Contadina brand products	State of Delaware, U.S.A.	93.57	93.57
S&W Fine Foods, Inc. <sup>[7] [9]</sup>	Distributor of S&W Fine Foods, Inc,	State of Delaware, U.S.A.	93.57	93.57
Del Monte Ventures, LLC ("DM Ventures") <sup>[6] [9]</sup>	Holding company	State of Delaware, U.S.A.	93.57	93.57
<b>Held by DM Ventures</b>				
Del Monte Avo, LLC <sup>[6] [9]</sup>	Development, production, marketing, sale and distribution of UHP avocado products	State of Delaware, U.S.A.	47.72	47.72
Del Monte Chilled Fruit Snacks, LLC <sup>[6] [9]</sup>	Development, production, marketing, sale and distribution of processed refrigerated fruit products	State of Delaware, U.S.A.	47.72	47.72
<b>Held by Del Monte Andina C.A.</b>				
Del Monte Argentina S.A. <sup>[7]</sup>	Inactive	Argentina	–	–



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2022

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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 Board approved the dissolution and liquidation of DMTDI by shortening its corporate term. As at 30 April 2022, 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 2022 and 2021.
- [1] Audited by SyCip Gorres Velayo & Co. ("SGV"), member firm of Ernst & Young Global.
- [2] On 20 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. On 16 December 2020, CARI sold additional 27,973,200 common shares of DMPI to SEA Diner for US\$10 million, which increased the ownership of SEA Diner in DMPI to 13%.
- [3] Audited by Ernst and Young LLP ("EY") Singapore.
- [4] Audited by Ernst & Young Global member firms in the respective countries.
- [5] Not required to be audited in the country of incorporation. Audited by SGV for the purpose of group reporting.
- [6] Not required to be audited in the country of incorporation. Audited by EY Singapore for the purpose of group reporting.
- [7] Not required to be audited in the country of incorporation.
- [8] 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.



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2022

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#### 6. Investments in subsidiaries (cont'd)

- [9] On 15 May 2020, DMFHIL 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 was 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 US\$1.1 million. On 15 May 2020, DMFHL issued 0.42395 of ordinary shares to DMPLFL and DMPLFL issued 423.95 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.

Information relating to the Group's subsidiaries with shareholder/s with material non-controlling interests are disclosed in Note 38.

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.

#### **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 2022	30 April 2021
			%	%
FieldFresh Foods Private Limited ("FFPL") <sup>1</sup>	Production and sale of fresh and processed fruits and vegetable food products	India	47.56	47.56
Nice Fruit Hong Kong Limited ("NFHKL") <sup>2</sup>	Production and sale of frozen fruits and vegetable food products	Hong Kong	35.00	35.00
Del Monte – Vinamilk Dairy Philippines, Inc. (DVPDI) <sup>3</sup>	Distribution of dairy and milk products	Philippines	43.50	–

1 Audited by Deloitte Haskins & Sells, Gurgaon, India. It had been renamed to Del Monte Foods Private Limited.

2 Audited by Ernst and Young Hong Kong.

3 Audited by SyCip Gorres Velayo & Co. ("SGV"), member firm of Ernst & Young Global.





## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2022

#### 7. Investments in joint ventures (cont'd)

DVDPI is a new joint venture entered into by Del Monte Philippines, Inc. with Vietnam Dairy Products Joint Stock Company, a leading regional dairy company to expand further into the dairy sector in the Philippines. This joint venture was incorporated and registered with SEC on 12 July 2021.

The summarized financial information of a material joint venture, FFPL, not adjusted for the percentage ownership held by the Group, is as follows:

	Year ended 30 April 2022 US\$'000	Year ended 30 April 2021 US\$'000
Revenue	66,871	71,055
Loss from continuing operations <sup>a</sup>	(6,810)	(2,035)
Other comprehensive income	–	–
<b>Total comprehensive loss</b>	<b>(6,810)</b>	<b>(2,035)</b>
<sup>a</sup> Includes:		
- depreciation	59	66
- interest expense	1,681	1,760
Noncurrent assets	11,600	11,962
Current assets	23,686	23,501
Noncurrent liabilities	(21,890)	(22,572)
Current liabilities	(12,879)	(12,595)
Net assets	517	296
Proportion of the Group's ownership including non-controlling interest	50%	50%
	259	148
Goodwill	20,000	20,000
Impairment loss	(4,096)	(2,096)
Translation adjustment	(1,827)	1,689
Carrying amount of investment	14,336	19,741
	Year ended 30 April 2022 US\$'000	Year ended 30 April 2021 US\$'000
<b>Carrying amount of interest in FFPL at beginning of the year</b>	19,741	22,855
Capital injection during the year	–	–
Impairment loss	(2,000)	(2,096)
Group's share of:		
- loss from continuing operations	(3,405)	(1,018)
- other comprehensive income	–	–
total comprehensive loss	(3,405)	(1,018)
<b>Carrying amount of interest at end of the year</b>	<b>14,336</b>	<b>19,741</b>

In fiscal year 2022, the Group recognized an impairment loss amounting to US\$2.0 million due to the continuous net loss position of FFPL (2021: US\$2.1 million). The impairment loss was included in "other (expenses) income – net" in the income statement.



**Del Monte Pacific Limited and its Subsidiaries**

**Notes to the financial statements  
For the financial year ended 30 April 2022**

**7. Investments in joint ventures (cont'd)**

The interest in the net assets of an immaterial joint venture, NFHKL, is as follows:

	Year ended 30 April 2022 US\$'000	Year ended 30 April 2021 US\$'000
<b>Carrying amount of interest in NFHKL at beginning of the year</b>	2,789	2,462
Additional advances during the year	595	840
Group's share of:		
- loss from continuing operations	(548)	(513)
- other comprehensive income	-	-
total comprehensive loss	(548)	(513)
<b>Carrying amount of interest at end of the year</b>	<b>2,836</b>	<b>2,789</b>

The interest in the net assets of an immaterial joint venture, DVDPI, is as follows:

	Year ended 30 April 2022 US\$'000	Year ended 30 April 2021 US\$'000
<b>Carrying amount of interest in DVDPI at beginning of the year</b>	-	-
Capital injection	1,001	-
Group's share of:		
- loss from continuing operations	(1,001)	-
- other comprehensive income	-	-
total comprehensive loss	(1,001)	-
<b>Carrying amount of interest at end of the year</b>	<b>-</b>	<b>-</b>

The summarized interest in joint ventures of the Group and the Company, is as follows:

	Group		Company	
	Year ended 30 April 2022 US\$'000	Year ended 30 April 2021 US\$'000	Year ended 30 April 2022 US\$'000	Year ended 30 April 2021 US\$'000
<b>Group's interest in joint ventures</b>				
FFPL	14,336	19,741	-	-
NFHKL	2,836	2,789	2,836	2,789
<b>Carrying amount of investments in joint ventures</b>	<b>17,172</b>	<b>22,530</b>	<b>2,836</b>	<b>2,789</b>

***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.



7. Investments in joint ventures (cont'd)

***Determination of joint control and the type of joint arrangement (cont'd)***

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, NFHKL and DVDPI 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.

***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 amortization ("EBITDA") margin and terminal 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 2022</b>	<b>30 April 2021</b>
	%	%
Pre-tax discount rate	14.9	14.1
Revenue growth rate	5.0 – 19.6	5.0 – 23.0
EBITDA margin	1.2 – 10.4	4.1 – 10.2
Long-term EBITDA margin	10.4	10.2
Terminal growth rate	5.0	5.0



**7. Investments in joint ventures (cont'd)**

***Key assumptions used in discounted cash flow projection calculations (cont'd)***

In fiscal year 2022, 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 23.60% in 2022 (2021: 22.78%), at a market interest rate of 7.80% in 2022 (2021: 8.13%).

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 7% (2021: -23%) 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.

***Sensitivity to changes in assumptions***

In fiscal year 2022, the carrying amount of interest in a joint venture and trademark exceed the estimated recoverable amount, accordingly, impairment loss of US\$2.0 million (2021: US\$2.1 million) was recognized.

Management has identified that a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount. The implication of the key assumptions for the recoverable amount is discussed below:

Long-term growth rates – A reduction of 0.5% (2021: 0.5%) in the long-term growth rate would result in a further impairment of approximately US\$1.1 million (2021: US\$0.5 million).

Discount rates – An increase of 1.0% (2021: 1.0%) in the discount rate would result in a further impairment of approximately US\$3.4 million (2021: US\$2.9 million).



**Del Monte Pacific Limited and its Subsidiaries**

**Notes to the financial statements  
For the financial year ended 30 April 2022**

**8. Intangible assets and goodwill**

	Note	Goodwill US\$'000	Indefinite life trademarks US\$'000	Amortizable trademarks US\$'000	Customer relationship US\$'000	Total US\$'000
<b>Cost</b>						
At 1 May 2020, 30 April 2021, 1 May 2021 and 30 April 2022		203,432	408,043	24,180	107,000	742,655
<b>Accumulated amortization</b>						
At 1 May 2021		–	–	9,519	38,439	47,958
Amortization	25	–	–	1,300	5,350	6,650
At 30 April 2022		–	–	10,819	43,789	54,608
At 1 May 2020		–	–	8,219	33,089	41,308
Amortization	25	–	–	1,300	5,350	6,650
At 30 April 2021		–	–	9,519	38,439	47,958
<b>Carrying amounts</b>						
At 30 April 2022		203,432	408,043	13,361	63,211	688,047
At 30 April 2021		203,432	408,043	14,661	68,561	694,697

**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\$394.0 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, owned 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.



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2022

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#### 8. Intangible assets and goodwill (cont'd)

##### The Philippines trademarks (cont'd)

On 1 May 2020, Dewey Sdn. Bhd. assigned various trademarks in the Philippines including the "Del Monte" and "Today's" trademarks to PPMSC.

##### 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 exists at the reporting date.

##### Philippines Trademarks

In 2022 and 2021, the recoverable amounts of the Philippines Trademarks were based on fair value less cost of disposal using the Relief from Royalty ("RFR") method, and value in use ("VIU"), respectively.

The RFR and VIU calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The Philippines Trademarks' cash flows beyond the five-year period is extrapolated using a steady 6.1% (2021: 5.4%) cumulative annual growth rate which Management believes is reasonable and that any reasonably possible change in the key assumptions on which the Philippines Trademarks' recoverable amount is based would not cause the Philippines Trademarks' carrying amount to exceed its recoverable amount.

The key assumptions used in the estimation of the fair value less cost of disposal and VIU represent management's assessment of future trends in the relevant industries and were based on historical data from both external and internal sources.



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2022

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#### 8. Intangible assets and goodwill (cont'd)

##### Philippines Trademarks (cont'd)

As of 30 April 2022 and 2021, the carrying values of the intangible assets do not exceed the fair values less cost of disposal and VIU, respectively, hence, no impairment has been recorded. Below are the key assumptions used in fiscal year 2022 and 2021:

	<b>2022</b>	2021
	%	%
Discount rate	8.7	10.1
Terminal growth rate	6.1	5.4
Royalty rate	1.0	N/A
Revenue growth rate	7.7	6.1

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.

##### S&W Asia trademark

In 2022 and 2021, 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.

	<b>2022</b>	2021
	%	%
Discount rate	10.5	10.7
Royalty rate	3.0	3.0
Revenue growth rate	6.5	6.7

##### Indian sub-continent trademark

The Indian sub-continent trademark and the investment in FFPL were allocated to Indian sub-continent CGU (see Note 7).



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2022

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#### 8. Intangible assets and goodwill (cont'd)

##### America trademarks and Goodwill

In 2022 and 2021, the recoverable amount of the CGU was based on VIU being greater than the fair value less costs of disposal:

	<b>30 April 2022 US\$'000</b>	<b>30 April 2021 US\$'000</b>
Value-in-use	6,130,000	4,010,000
Fair value less costs of disposal – income approach	6,050,000	3,190,000
Recoverable amount	6,130,000	4,010,000

The Americas trademarks were also included in the CGU used in the goodwill impairment testing.

As of valuation date in April 2022 and January 2021, the estimated recoverable amount of the CGU exceeded its carrying amount of US\$1,402.0 million and US\$1,318.8 million, respectively, by approximately US\$4,728.0 million and US\$2,691.2 million, respectively. Therefore, the CGU is not impaired. The change in valuation date in fiscal 2022 was due to the approval of long-range plan (LRP) which happened on April 2022.

##### *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.

	<b>2022</b>	<b>2021</b>
	<b>%</b>	<b>%</b>
Pre-tax discount rate	8.9	8.7
Terminal growth rate	2.0	2.0
Long-term EBITDA margin	15.8	14.0
Revenue growth rate	3.5 – 8.3	(1.9) – 7.3
Gross margin	24.4 – 27.0	22.7 – 26.8

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 21% as at 30 April 2022 (2021: 22%) at a risk-free interest rate of 3.1% as of 30 April 2022 (2021: 2.5%).

The cash flow projections included specific estimates for four years for fiscal year 2022 (2021: ten years) and a terminal growth rate thereafter. Due to various growth initiatives of the Company, management shortened the cashflow forecast period to four years in fiscal year 2022 (2021: ten years) to meet the minimum requirement in terms of forecasted period and allow for its operations to reach a steady state in gradually in terms of its long-term compound annual EBITDA growth rate. The terminal growth rate was determined based on management's estimate of the long-term compound annual EBITDA growth rate. This growth rate is consistent with the assumption that a





8. Intangible assets and goodwill (cont'd)

**America trademarks and Goodwill (cont'd)**

market participant would make and with industry expectations and internal estimates of sustainable long-term growth for the business.

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 four years and estimated sales volume and price growth for the next four years (2021: ten years). It was assumed that sales price would increase in line with forecasted inflation over the next four years. The amounts are probability-weighted.

***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.

	2022	2021
	%	%
Discount rate	22.9	15.3
Long-term EBITDA margin	4.8	4.4

***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.

The outbreak of COVID-19 was declared a pandemic by the World Health Organization on 11 March 2020 and has severely impacted global financial markets. The current response to COVID-19 presents an unprecedented set of circumstances on which to base a valuation judgement.

The Group managed to continue operating in the middle of the pandemic since its products are considered to be essential. There were no significant internal operational interruptions and disruptions caused by external factors. Restrictions to movement of materials were managed, thus, there was no major adverse impacts to the overall results of the Group's operations for the fiscal years ended 30 April 2022 and 2021.



**Del Monte Pacific Limited and its Subsidiaries**

**Notes to the financial statements  
For the financial year ended 30 April 2022**

**8. Intangible assets and goodwill (cont'd)**

***Amortizable trademarks and customer relationship***

	Net carrying amount		Remaining amortization period (years)	
	30 April 2022	30 April 2021	30 April 2022	30 April 2021
	US\$'000	US\$'000		
Asia S&W trademark	–	–	–	–
America S&W trademark	363	563	1.8	2.8
America Contadina trademark	12,998	14,098	11.8	12.8
	<u>13,361</u>	<u>14,661</u>		

**S&W Asia trademark**

The amortizable trademark pertains to “Label Development” trademark. As at 30 April 2022 and 2021, the trademark has been fully amortized.

**America trademarks**

The amortizable 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.

	30 April 2022	30 April 2021
	US\$'000	US\$'000
Net carrying amount	63,211	68,561
Remaining amortization period (years)	11.8	12.8

Management has included the customer relationships in the CGU impairment assessment and concluded no impairment exists at the reporting date.



**Del Monte Pacific Limited and its Subsidiaries**

**Notes to the financial statements  
For the financial year ended 30 April 2022**

**8. Intangible assets and goodwill (cont'd)**

***Source of estimation uncertainty***

The Group estimates the useful lives of its amortizable 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 amortizable trademarks and customer relationships would increase recorded amortization expense and decrease noncurrent assets.

**9. Deferred tax assets – net**

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:

	<b>Assets</b>		<b>Liabilities</b>	
	<b>30 April 2022 US\$'000</b>	<b>30 April 2021 US\$'000</b>	<b>30 April 2022 US\$'000</b>	<b>30 April 2021 US\$'000</b>
<b>Group</b>				
Provisions	6,532	8,466	–	–
Employee benefits	13,954	13,935	–	–
Property, plant and equipment - net	–	–	(14,959)	(17,228)
Intangible assets and goodwill	–	–	(92,089)	(79,671)
Effective portion of changes in fair value of cash flow hedges	1,603	–	–	(395)
Tax loss carry-forwards	155,391	166,114	–	–
Inventories	1,409	2,127	–	–
Biological assets	–	–	(1,916)	(1,796)
Interest	29,234	24,450	–	–
Undistributed profits from a subsidiary	–	–	(5,730)	(2,168)
Charitable contributions	3,321	3,254	–	–
Others	7,574	6,851	–	–
Deferred tax assets (liabilities)	219,018	225,197	(114,694)	(101,258)
Set off of tax	(102,273)	(94,659)	102,273	94,659
<b>Deferred Taxes</b>	<b>116,745</b>	<b>130,538</b>	<b>(12,421)</b>	<b>(6,599)</b>



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2022

#### 9. Deferred tax assets – net (cont'd)

Movements in deferred tax assets and deferred tax liabilities of the Group during the year are as follows:

	At 1 May 2021 US\$'000	Recognized in profit or loss US\$'000	Recognized in other comprehen- sive income US\$'000	Currency realignment US\$'000	At 30 April 2022 US\$'000
<b>2022</b>					
Provisions	8,466	(1,606)	–	(328)	6,532
Employee benefits	13,935	3,202	(3,255)	72	13,954
Property, plant and equipment - net	(17,228)	2,015	–	254	(14,959)
Intangible assets and goodwill	(79,671)	(12,418)	–	–	(92,089)
Effective portion of changes in fair value of cash flow hedges	(395)	(195)	2,193	–	1,603
Tax loss carry-forwards	166,114	(10,723)	–	–	155,391
Inventories	2,127	(718)	–	–	1,409
Biological assets	(1,796)	(265)	–	145	(1,916)
Interest	24,450	4,784	–	–	29,234
Undistributed profits from a subsidiary	(2,168)	(3,562)	–	–	(5,730)
Charitable contributions	3,254	67	–	–	3,321
Others	6,851	724	–	(1)	7,574
	<u>123,939</u>	<u>(18,695)</u>	<u>(1,062)</u>	<u>142</u>	<u>104,324</u>

	At 1 May 2020 US\$'000	Recognized in profit or loss US\$'000	Recognized in other comprehen- sive income US\$'000	Currency realignment US\$'000	At 30 April 2021 US\$'000
<b>2021</b>					
Provisions	8,257	28	–	181	8,466
Employee benefits	28,816	(993)	(13,880)	(8)	13,935
Property, plant and equipment - net	(19,813)	2,125	629	(169)	(17,228)
Intangible assets and goodwill	(69,094)	(10,577)	–	–	(79,671)
Effective portion of changes in fair value of cash flow hedges	2,162	(1,508)	(1,049)	–	(395)
Tax loss carry-forwards	160,414	5,700	–	–	166,114
Inventories	876	1,251	–	–	2,127
Biological assets	(1,841)	129	–	(84)	(1,796)
Deferred income	(5,455)	5,455	–	–	–
Interest	23,139	1,311	–	–	24,450
Undistributed profits from a subsidiary	(7,514)	5,346	–	–	(2,168)
Charitable contributions	3,856	(602)	–	–	3,254
Accrued plant closure costs	309	(309)	–	–	–
Others	8,415	(1,570)	–	6	6,851
	<u>132,527</u>	<u>5,786</u>	<u>(14,300)</u>	<u>(74)</u>	<u>123,939</u>



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2022

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#### 9. Deferred tax assets – net (cont'd)

In fiscal year 2021, the Group derecognized US\$0.6 million of its deferred tax liability on property, plant and equipment – net related to the revaluation surplus on freehold land, resulting from the change in tax rate in the Philippines. The amount was recognized in other comprehensive income.

As at 30 April 2022, the Group recognized deferred tax liability related to undistributed profit of a subsidiary amounting to US\$5.7 million (2021: US\$2.2 million).

#### **Unrecognized deferred tax assets**

The following deferred tax assets have not been recognized as of 30 April 2022 and 2021:

	30 April 2022	30 April 2021
	US\$'000	US\$'000
Deductible temporary differences	5,266	23,991
Tax losses and tax credits	15,377	7,668
	<u>20,643</u>	<u>31,659</u>

The tax losses will expire in 2023 and 2024. The tax credits will expire between 2024 and 2028. Deferred tax assets have not been recognized with respect to these items because it is not probable that future taxable profits will be available to utilize the benefits.

#### **Sources of estimation uncertainty**

As of 30 April 2022, deferred tax assets amounting to US\$155.4 million (2021: US\$166.1 million) have been recognized 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 utilize these benefits. Management expects profitable growth coming from revenue strategies and cost efficiencies in the future. To the extent that profitable growth does not materialize in the future periods, deferred tax assets as at 30 April 2022 may not be realized. Tax losses arising from fiscal years subsequent to 2017 can be carried forward indefinitely. Tax losses carry forwards prior to 30 April 2017 may be utilised up to a 20-year period.

The COVID-19 outbreak did not have a significant impact on the assumptions used in the recoverability of deferred tax assets. There was no adverse impact to the future taxable profits used in the assessment since the Group continued operating in the middle of the pandemic and there were no major interruptions to the business.



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2022

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#### 10. Other noncurrent assets

		Group	
		30 April 2022	30 April 2021
	Note	US\$'000	US\$'000
Advance rentals and deposits		16,679	13,493
Excess insurance		3,762	4,442
Receivable from sale and leaseback		2,818	3,156
Advances to suppliers	5	4,212	1,036
Note receivables	5	1,000	1,000
Lease receivable		194	750
Others		1,746	1,448
		<u>30,411</u>	<u>25,325</u>

Advance rentals and deposits consists of 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.

Excess insurance relates mainly to reimbursements from insurers to cover certain workers' compensation claims liabilities (see Note 19).

Advances to suppliers represents advance payments made on capital projects.

As at 30 April 2022 and 2021, note receivables of US\$1.0 million relates to the sale of certain assets of Plymouth (see Note 5).

Receivable from sale and leaseback is the noncurrent portion of receivable relating to assets sold to DMPPI Employees Agrarian Reform Beneficiaries Cooperation ("DEARBC") and subsequently leased back to the Group in 2021 (see Note 23). The current portion of US\$0.1 million is presented under "Trade and other receivables".

Lease receivable is the noncurrent portion of receipts to be received from the Group's sublease agreements (see Note 23).



**Del Monte Pacific Limited and its Subsidiaries**

**Notes to the financial statements  
For the financial year ended 30 April 2022**

**11. Biological assets**

	Group	
	30 April 2022 US\$'000	30 April 2021 US\$'000
<b>Livestock</b>		
At beginning of the year	2,655	2,118
Purchases of livestock	895	1,065
Sales of livestock	(601)	(631)
Currency realignment	(214)	103
At end of the year	2,735	2,655

	Group	
	30 April 2022 US\$'000	30 April 2021 US\$'000
<b>Agricultural produce</b>		
At beginning of the year	10,878	25,966
Additions	16,177	1,710
Harvested	(12,016)	(17,896)
Currency realignment	(1,271)	1,098
At end of the year	13,768	10,878
Fair value gain on produce prior to harvest	33,578	34,035
At end of the year	47,346	44,913
Current	47,346	44,913
Noncurrent	2,735	2,655
<b>Totals</b>	50,081	47,568

		Group	
	Note	30 April 2022 US\$'000	30 April 2021 US\$'000
<b>Fair value gain (loss) recognized under:</b>			
Harvested pine for cannery			
Inventories	34	3,375	5,389
Cost of sales	25	37,532	34,652
		40,907	40,041
Inventories - cattle for slaughter		(9)	(33)
Cost of sales - fresh pines	25	22,704	18,912
Unharvested agricultural produce		2,076	(2,812)
Fair value gain recognized under revenues		65,678	56,108

The changes in fair values of the Group's biological assets are recorded as part of revenues (see Note 24).



**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**

*Fair Value of Harvested Agricultural Produce*

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 and associated costs related to production. Changes in fair values of agricultural produce after initial recognition are included in the carrying amount of cased goods at the reporting date.

*Future Tonnage of Harvests*

Bearer plants are stated at cost which comprises actual costs incurred in nurturing the crops reduced by the equivalent amortization of fruits harvested which considers the future tonnage 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 cost is developed by allocating growing costs for the estimated growth cycle of 2 to 3 years over the estimated harvests to be made during the life cycle of the plant crops. The Group reviews and monitors the estimated future tonnage of harvests regularly.





## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2022

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#### 11. Biological assets (cont'd)

##### *Fair Value of Unharvested Agricultural Produce*

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 multiplied by estimated tonnage of pineapple fruits based on crop age after planting. Fair value is initially recognized 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.

For the pineapple variety being sold as fresh fruits, the gross margin is based on the market price of pineapple fruits being sold by the Group. For the pineapple variety being processed as cased goods, the gross margin is based on the selling price of the final product sold in the market adjusted for margin related to production.

Estimated tonnage is based on standard weight of the growing pineapple crops when they reach certain months after planting date. Estimated tonnage is also affected by natural phenomenon such as weather patterns and volume of rainfall, and actual field performance.

The valuation techniques and significant unobservable inputs used in determining the fair value of these biological assets are discussed in Note 34.

#### 12. Inventories

	Group	
	30 April 2022 US\$'000	30 April 2021 US\$'000
Finished goods		
- at cost	430,070	348,045
- at net realizable value	20,380	23,796
Semi-finished goods		
- at cost	94,966	70,948
- at net realizable value	8,182	12,328
Raw materials and packaging supplies		
- at cost	75,165	47,302
- at net realizable value	57,195	55,183
	685,958	557,602

Total cost of inventories carried at net realizable value amounted to US\$92.2 million as at 30 April 2022 (2021: US\$104.6 million). Inventories recognized as an expense in cost of sales amounted to US\$1,300.3 million for the year ended 30 April 2022 (2021: US\$1,193.7 million) (see Note 25).



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2022

#### 12. Inventories (cont'd)

Inventories are stated at net realisable value after allowance for inventory obsolescence. Movements in the allowance for inventory obsolescence during the year are as follows:

	Note	Group	
		30 April 2022 US\$'000	30 April 2021 US\$'000
At beginning of the year		13,254	14,868
Allowance for the year	25	4,135	7,043
Write-off against allowance		(10,157)	(7,323)
Currency realignment		(768)	(1,334)
At end of the year		6,464	13,254

#### Source of estimation uncertainty

The Group recognizes 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.

Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made of the amount the inventories expected to be realized. 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 realizable 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

	Note	Group		Company	
		30 April 2022 US\$'000	30 April 2021 US\$'000	30 April 2022 US\$'000	30 April 2021 US\$'000
Trade receivables		189,839	165,370	–	–
Nontrade receivables		34,881	28,903	603	8
Amounts due from subsidiaries (nontrade)	37	–	–	84,229	82,274
Allowance for expected credit loss - trade		(5,850)	(4,801)	–	–
Allowance for expected credit loss - nontrade		(4,317)	(4,423)	–	–
Trade and other receivables		214,553	185,049	84,832	82,282



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2022

#### 13. Trade and other receivables (cont'd)

The amounts due from subsidiaries are unsecured, interest-free and repayable on demand. There is no allowance for allowance for expected credit losses ("ECL") 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.

The aging of trade and nontrade receivables at the reporting date is:

At 30 April 2022	Group			
	Gross		ECL allowance	
	Trade US\$'000	Nontrade US\$'000	Trade US\$'000	Nontrade US\$'000
Not past due	121,769	16,377	–	–
Past due 0 - 60 days	42,343	2,471	–	–
Past due 61 - 90 days	5,565	690	–	–
Past due 91 - 120 days	1,948	1,112	–	–
More than 120 days	18,214	14,231	(5,850)	(4,317)
	<u>189,839</u>	<u>34,881</u>	<u>(5,850)</u>	<u>(4,317)</u>

At 30 April 2021	Group			
	Gross		ECL allowance	
	Trade US\$'000	Nontrade US\$'000	Trade US\$'000	Nontrade US\$'000
Not past due	83,812	14,731	–	–
Past due 0 - 60 days	64,945	2,889	–	–
Past due 61 - 90 days	4,206	623	–	–
Past due 91 - 120 days	2,059	664	–	–
More than 120 days	10,348	9,996	(4,801)	(4,423)
	<u>165,370</u>	<u>28,903</u>	<u>(4,801)</u>	<u>(4,423)</u>

The recorded allowance for ECLs 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 2022 and 2021, the receivables of the Company were neither past due nor impaired.

Nontrade receivables include current portion of lease receivable amounting to US\$0.5 million as at 30 April 2022 (2021: US\$0.5 million) (see Note 23), and current portion of receivable from sale and leaseback amounting to US\$0.1 million as at 30 April 2022 (2021: US\$0.1 million). The noncurrent portion of lease receivable and receivable from sale and leaseback are presented under "Other noncurrent assets" (see Note 10).



**Del Monte Pacific Limited and its Subsidiaries**

**Notes to the financial statements  
For the financial year ended 30 April 2022**

**13. Trade and other receivables (cont'd)**

Movements in allowance for ECLs during the year are as follows:

	Note	Trade US\$'000	Group Nontrade US\$'000	Total US\$'000
At 1 May 2021		4,801	4,423	9,224
Allowance for the year	25	1,134	(54)	1,080
Write-off for the year		(20)	(14)	(34)
Reversal for the year	25	–	(20)	(20)
Currency realignment		(65)	(18)	(83)
At 30 April 2022		5,850	4,317	10,167

	Note	Trade US\$'000	Group Nontrade US\$'000	Total US\$'000
At 1 May 2020		4,975	4,544	9,519
Allowance for the year	25	289	–	289
Write-off for the year		(487)	–	(487)
Reversal for the year	25	(10)	(135)	(145)
Currency realignment		34	14	48
At 30 April 2021		4,801	4,423	9,224

**Source of estimation uncertainty**

The Group maintains an allowance for ECL 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 trade 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 utilized different estimates. An increase in the Group's allowance for impairment would increase the Group's recorded operating expenses and would decrease the Group's current assets.

The recorded allowance for ECL falls within the Group's historical experience in the collection of accounts receivables. The Group managed to continue operating in the middle of the pandemic since its products are essential. There were no significant internal operational interruptions and disruptions caused by external factors such as restrictions to movement of materials were managed so that there will be no major adverse impacts to the overall results of operations for the fiscal years ended 30 April 2022 and 2021.



**Del Monte Pacific Limited and its Subsidiaries**

**Notes to the financial statements  
For the financial year ended 30 April 2022**

**14. Prepaid expenses and other current assets**

	Note	Group		Company	
		30 April 2022 US\$'000	30 April 2021 US\$'000	30 April 2022 US\$'000	30 April 2021 US\$'000
Prepaid expenses		32,622	29,875	48	83
Down payment to suppliers		12,737	4,090	–	–
Derivative assets	19	1,486	1,694	–	–
Short-term placements		1,288	1,327	883	889
Others		919	300	–	26
		<u>49,052</u>	<u>37,286</u>	<u>931</u>	<u>998</u>

Prepaid expenses consist of advance payments for insurance, advertising, rent and taxes, among others.

Down payment to suppliers pertains to advance payments for the purchase of materials and supplies that will be used for operations.

Short-term placements have maturities of 4-6 months (2021: 5-6 months) and earn interest at 0.75%-1.00% per annum (2021: 0.875%-1.00% per annum) in 2022.

**15. Cash and cash equivalents**

	Group		Company	
	30 April 2022 US\$'000	30 April 2021 US\$'000	30 April 2022 US\$'000	30 April 2021 US\$'000
Cash on hand	67	68	–	–
Cash in banks	20,902	28,478	1,245	1,215
Cash equivalents	884	889	884	889
Cash and cash equivalents	<u>21,853</u>	<u>29,435</u>	<u>2,129</u>	<u>2,104</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 2022 (2021: 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 0.75% to 1.00% as of 30 April 2022 (30 April 2021: 0.88% to 2.00%) per annum.



**Del Monte Pacific Limited and its Subsidiaries**

**Notes to the financial statements  
For the financial year ended 30 April 2022**

**16. Share capital**

	30 April 2022		30 April 2021	
	No. of shares ('000)	US\$'000	No. of shares ('000)	US\$'000
<b>Authorized:</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	10,000	10,000	30,000	30,000
	<u>1,954,936</u>	<u>29,449</u>	<u>1,974,936</u>	<u>49,449</u>

*Reconciliation of number of outstanding ordinary shares in issue:*

	Year ended 30 April 2022	Year ended 30 April 2021
	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.

*Reconciliation of number of outstanding preference shares in issue:*

	Year ended 30 April 2022	Year ended 30 April 2021
	No. of shares ('000)	
At beginning of the year	30,000	30,000
Redeemed	(20,000)	–
At end of the year	<u>10,000</u>	<u>30,000</u>



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2022

#### 16. Share capital (cont'd)

The following summarizes 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	Authorized 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. The Company was listed by way of introduction to 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 Securities Regulation Commission ("SRC"). The exemption from registration was confirmed by the SEC in a letter dated 14 January 2015.

##### Preference Shares

Date of SEC Approval	Authorized 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 details of the Company's preference shares are as follows:

Preference Shares	Par Value	30 April 2022			30 April 2021		
		Share Capital US\$'000	Share Premium US\$'000	Contributed Capital US\$'000	Share Capital US\$'000	Share Premium US\$'000	Contributed Capital US\$'000
Series A-1	US\$1.00	—	—	—	20,000	180,000	200,000
Series A-2	US\$1.00	10,000	90,000	100,000	10,000	90,000	100,000
		10,000	90,000	100,000	30,000	270,000	300,000

The Series A-1 and A-2 Preference shares are non-convertible, have no maturity date and are redeemable at the option of the Company on the fifth anniversary from the issue date (the "Step Up Date") or on any dividend payment date thereafter. The preference shares bear a cumulative non-participating cash dividend at an initial dividend rate of 6.625% and 6.50% per annum for Series A-1 and A-2 preference shares, respectively, applicable from the issue date up to the Step Up Date. The dividends are payable semi-annually every 7 April and 7 October of each year, being the last day of each 6-month period following the issue date. If the preference shares have not been redeemed on the Step Up Date, the dividend rate shall be adjusted on the Step Up Date to the sum of the 10-year U.S. Treasury Bond rate (prevailing as of the Step Up Date) plus initial spread plus margin of 2.50% per annum (the "Step Up Rate"). The initial spread shall be 4.605% and 4.44% per annum for Series A-1 and A-2 preference shares, respectively. However, if the initial



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2022

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#### 16. Share capital (cont'd)

##### Preference Shares (cont'd)

dividend rate is higher than the applicable Step Up Rate, there shall be no adjustment to the dividend rate, and the initial dividend rate shall continue to be the dividend rate. The preference shares rank ahead of the ordinary shares in the event of a liquidation.

On 7 April 2022, the Company has redeemed all of the outstanding 20,000,000 Series A-1 Preference Shares at a redemption price equal to the issue price of US\$10 per share, plus the accrued and unpaid cash dividends due on such shares as of that date, after deduction of transfer costs customarily chargeable to stockholders, as applicable to effect the redemption (the "Redemption Price"). The Redemption Price were paid to holders of the Series A-1 Preference Shares as of 30 March 2022, which was the relevant record date, as announced on 11 March 2022.

The redeemed preferred shares shall be cancelled but shall remain part of the Company's authorized capital and shall be available to be reissued by resolution of the directors.

The total number of ordinary shareholders as at 30 April 2022 and 2021 is 7,286 and 7,398, respectively. Additionally, the total number of Series A-1 preference shareholders as at 30 April 2022 and 2021 is nil and 19, respectively. The total number of Series A-2 preference shareholders as at 30 April 2022 and 2021 is 24 and 26, 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.

In April 2014, the Company increased its authorized 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 authorized preference shares are finalized 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 Restricted Share Plan (Del Monte Pacific RSP).





## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2022

#### 16. Share capital (cont'd)

##### *Preference Shares (cont'd)*

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 RSP (see Note 31) in 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.

#### 17. Retained Earnings and Reserves

##### **Retained earnings**

##### *Dividends*

	Group			Company		
	30 April 2022	30 April 2021	30 April 2020	30 April 2022	30 April 2021	30 April 2020
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Declared and paid during the financial year:</b>						
<i>Dividends on ordinary shares</i>						
2022: US\$0.0120 per share (2021:US\$0.0154; 2020: US\$0.0052)	23,310	30,055	10,112	23,310	30,055	10,112
<i>Dividends on preference shares</i>						
A-1 preference shares for 2022, 2021 and 2020: US\$0.6625 per share	13,250	13,250	13,250	13,250	13,250	13,250
A-2 preference shares for 2022 2021 and 2020: US\$0.6500 per share	6,500	6,500	6,500	6,500	6,500	6,500
	<u>19,750</u>	<u>19,750</u>	<u>19,750</u>	<u>19,750</u>	<u>19,750</u>	<u>19,750</u>
	<u>43,060</u>	<u>49,805</u>	<u>29,862</u>	<u>43,060</u>	<u>49,805</u>	<u>29,862</u>



**Del Monte Pacific Limited and its Subsidiaries**

**Notes to the financial statements  
For the financial year ended 30 April 2022**

**17. Retained Earnings and Reserves (cont'd)**

***Retained earnings (cont'd)***

*Dividends (cont'd)*

	Group			Company		
	30 April	30 April	30 April	30 April	30 April	30 April
	2022	2021	2020	2022	2021	2020
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000

**Proposed but not recognized as a liability as at reporting date:**

Dividends on ordinary shares

2022: US\$0.0170 (2021: US\$0.0120;

2019: US\$0.0154)

33,047	23,328	29,937	33,047	23,328	29,937
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**Ordinary shares**

On 23 June 2022, the Company declared dividends of US\$0.0170 per share to ordinary shareholders on record as at 13 July 2022. The special dividend will be paid on 27 July 2022.

On 23 June 2021, the Company declared dividends of US\$0.0120 per share to ordinary shareholders on record as at 13 July 2021. The special dividend was paid on 27 July 2021.

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 was paid on 19 August 2020.

**Preference shares**

On 11 March 2022, 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 2021 to 7 April 2022. 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 2021 to 7 April 2022. The final dividends were paid on 7 April 2022.

On 10 September 2021, 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 2021 to 7 October 2021. The final dividends were paid on 7 October 2021.

On 10 March 2021, 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 2020 to 7 April 2021. 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 2020 to 7 April 2021. The final dividends were paid on 7 April 2021.



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2022

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#### 17. Retained Earnings and Reserves (cont'd)

##### *Retained earnings (cont'd)*

##### *Dividends (cont'd)*

##### Preference shares (cont'd)

On 11 September 2020, 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 2020 to 7 October 2020. The final dividends were paid on 7 October 2020.

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.

The cumulative undeclared dividends on the preference shares amounted to US\$0.4 million and US\$1.3 million as of 30 April 2022 and 2021, respectively.

The retained earnings is restricted for the payment of dividends representing the accumulated equity in net earnings of the subsidiaries amounting to US\$277.2 million as at 30 April 2022 (2021: US\$233.0 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 2022 and 2021, the Group's investment in joint ventures have no undistributed net earnings.

In fiscal year 2021, the Group recorded in retained earnings, a net equity reserve of US\$6.6 million arising from the additional sale of DMPI shares to SEA Diner (see Note 6). 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 issuance 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.

In fiscal year 2022, share premium decreased by US\$180.0 million as a result of redemption of Series A-1 Preference Shares on 7 April 2022 (see Note 16).



**Del Monte Pacific Limited and its Subsidiaries**

**Notes to the financial statements  
For the financial year ended 30 April 2022**

**17. Retained Earnings and Reserves (cont'd)**

*Retained earnings (cont'd)*

*Share premium (cont'd)*

**Reserves**

	Group		Company	
	30 April 2022 US\$'000	30 April 2021 US\$'000	30 April 2022 US\$'000	30 April 2021 US\$'000
Translation reserve	(95,322)	(81,971)	(95,322)	(81,971)
Remeasurement of retirement plan	43,752	35,049	43,752	35,049
Revaluation reserve	14,278	14,278	14,278	14,278
Hedging reserve	(4,963)	1,224	(4,963)	1,224
Share option reserve	–	1,753	–	1,753
Reserve for own shares	(286)	(286)	(286)	(286)
	<u>(42,541)</u>	<u>(29,953)</u>	<u>(42,541)</u>	<u>(29,953)</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 19).

The share option reserve comprises the cumulative value of employee services received for the issue of share options. In fiscal year 2022, the share option were cancelled by means of retirement (see Note 31). The reserve for the Company's own shares comprises the cost of the Company's shares held by the Group. As at 30 April 2022 and 2021, the Group held 975,802 of the Company's shares.

**18. Loans and borrowings**

	Group		Company	
	30 April 2022 US\$'000	30 April 2021 US\$'000	30 April 2022 US\$'000	30 April 2021 US\$'000
<b>Current liabilities</b>				
Unsecured bank loans	327,794	256,125	160,071	62,310
Secured bank loans	151,560	76,328	10,500	7,500
	<u>479,354</u>	<u>332,453</u>	<u>170,571</u>	<u>69,810</u>
<b>Noncurrent liabilities</b>				
Unsecured bank loans	384,524	291,014	233,290	127,390
Secured bank loans	703,488	662,276	201,297	166,171
	<u>1,088,012</u>	<u>953,290</u>	<u>434,587</u>	<u>293,561</u>
	<u>1,567,366</u>	<u>1,285,743</u>	<u>605,158</u>	<u>363,371</u>



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2022

#### 18. Loans and borrowings (cont'd)

##### *Terms and debt repayment schedule*

Terms and conditions of outstanding loans and borrowings are as follows:

Group	Currency	Nominal interest rate % p. a.	Year of maturity	30 April 2022		30 April 2021	
				Face value US\$'000	Carrying amount US\$'000	Face value US\$'000	Carrying amount US\$'000
Secured bank loans	PHP	4.125%	2025	28,662	28,532	31,150	30,950
Unsecured bank loans	PHP	2.125%-3.00%	2022-2025	141,015	140,870	129,164	128,950
Unsecured 3Y bonds	PHP	3.4840%	2023	111,446	110,519	121,185	119,473
Unsecured 5Y bonds	PHP	3.7563%	2025	12,342	12,198	13,346	13,216
Unsecured bank loans	US\$	1.85%-4.20%	2022-2025	360,760	360,755	285,500	285,500
Secured bank loans	US\$	3.52%-4.17%	2023-2025	145,000	144,309	100,000	98,671
Secured bridging loan	US\$	3.0585%	2023	67,500	67,488	75,000	75,000
Unsecured bonds	US\$	3.75%	2024	90,000	87,976	-	-
Secured senior notes	US\$	11.875%	2025	500,000	473,659	500,000	465,155
Secured bank loan under Asset-Based Lending (ABL) Credit Agreement	US\$	Swingline B- 5% ABL Base B- 5% Higher of London Interbank Offered Rate (LIBOR) or 1% +2.75% or total of 3.75%	2022	146,000	141,060	75,100	68,828
				<u>1,602,725</u>	<u>1,567,366</u>	<u>1,330,445</u>	<u>1,285,743</u>

Company	Currency	Nominal interest rate % p. a.	Year of maturity	30 April 2022		30 April 2021	
				Face value US\$'000	Carrying amount US\$'000	Face value US\$'000	Carrying amount US\$'000
Unsecured bank loans	US\$	2.26%-3.50%	2022-2025	305,390	305,385	189,700	189,700
Unsecured bonds	US\$	3.75%	2024	90,000	87,976	-	-
Secured bank loans	US\$	3.52%-4.17%	2023-2025	145,000	144,309	100,000	98,697
Secured bridging loans	US\$	3.0585%	2023	67,500	67,488	75,000	74,974
				<u>607,890</u>	<u>605,158</u>	<u>364,700</u>	<u>363,371</u>



**Del Monte Pacific Limited and its Subsidiaries**

**Notes to the financial statements  
For the financial year ended 30 April 2022**

**18. Loans and borrowings (cont'd)**

<b>Long-term Borrowings</b>	<b>Original Principal (In '000)</b>	<b>Outstanding Balance (In '000)</b>	<b>Interest Rate % p.a.</b>	<b>Year of Maturity</b>	<b>Payment Terms (e.g., annually, quarterly, etc.)</b>	<b>Interest paid 1 May 2020 to 30 Apr 2022 (In '000)</b>
Secured Loan <sup>[2]</sup>	US\$100,000	US\$100,000	3.516%	2023	Semi-annual interest payments and principal on maturity date.	US\$3,555
Bonds Payable <sup>[4]</sup>	PHP 6,478,460	PHP 6,478,460	3Y 3.4840% 5Y 3.7563%	2023/ 2025	Quarterly interest payments; and principal on maturity date	PHP 183,934
Unsecured Loan <sup>[3]</sup>	US\$75,000	US\$72,955	2.5627%	2024	Quarterly interest payments; and principal 15% on eleven equal quarterly installments starting January 2022 and 85% on maturity date.	US\$1,266
Unsecured Loan <sup>[3]</sup>	US\$57,300	US\$54,435	2.75%	2024	Quarterly interest payments; and principal 5%, 10% and 85% in fiscal year 2022, 2023 and 2024, respectively.	US\$1,568
Unsecured Loan <sup>[5]</sup>	PHP 1,500,000	PHP 1,500,000	3.00%	2025	Quarterly interest payments; and principal on eight quarterly installments starting February 2024	PHP 58,968
Secured Loan <sup>[6]</sup>	PHP 1,500,000	PHP 1,500,000	4.125%	2025	Quarterly interest payments; and principal on nine quarterly installments starting August 2023	PHP 76,976
Bonds Payable <sup>[7]</sup>	US\$90,000	US\$90,000	3.75%	2024	Semi-annual interest payments and principal on maturity date.	nil
Secured Loan <sup>[1]</sup>	US\$75,000	US\$67,500	3.0585%	2023	Quarterly interest payments; and principal 10% on August 2021, 10% on August 2022 and 80% on maturity date.	US\$2,707
Secured Loan <sup>[8]</sup>	US\$45,000	US\$45,000	4.17%	2025	Quarterly interest payments; and principal 5% on April 2023, 5% on April 2024 and 90% on maturity date.	nil
Unsecured Loan <sup>[8]</sup>	US\$30,000	US\$30,000	4.20%	2025	Quarterly interest payments; and principal 20% on four equal semi-annual installments starting October 2022 and 80% on maturity date.	nil
Senior Secured Notes	US\$500,000	US\$500,000	11.875%	2025	Semi-annual interest payments and principal on maturity date.	US\$59,375



**18. Loans and borrowings (cont'd)**

- [1] The secured bridging loans of US\$67.5 million as at 30 April 2022 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 bringing the balance to US\$0.5 million. The loans are secured by pledge by CARI of its shares in DMPI. This loan was fully paid in October 2020 via a new long-term loan obtained amounting to US\$75.0 million under the US\$350.0 million facility. The new loan matures in August 2023.

In fiscal year 2022, the Company settled US\$7.5 million bringing the balance to US\$67.5 million. On 5 April 2022, the Company entered into a Sixth Amendment Agreement amending the Total Facility Commitment to US\$67.5 million. The amended agreement also requires the Company to maintain a debt-to-equity ratio of 4.0x and interest coverage of 1.7x. The Company is compliant with these covenants as at 30 April 2022 and 2021.

- [2] On 15 May 2020, the Company obtained long-term loan from Bank of the Philippine Islands (“BPI”) amounting to US\$100.0 million maturing in 15 May 2023, to finance the Company’s subscription of equity shares in DMPL Foods Limited, the proceeds of which were used by DMFI to partially pay its borrowings. The loans are secured by first ranking security interest over DMPI shares.
- [3] In fiscal year 2021, the Company obtained additional long-term loans from Development Bank of the Philippines (“DBP”) amounting to US\$57.3 million maturing in April 2024 (fiscal year 2020: US\$75.0 million maturing in October 2024), to refinance existing debt.
- [4] On 30 October 2020, DMPI issued peso-denominated fixed rate bonds with an aggregate principal amount of US\$103.8 million (Php5.0 billion) with an oversubscription option of up to US\$51.9 million (Php2.5 billion).

The following are the series of the bonds:

- (i) 3.4840% p.a. three-year fixed-rate bonds due 2023 and
- (ii) 3.7563% p.a. five-year fixed-rate bonds due 2025.

The net proceeds of the bonds were used by DMPI to repay its existing short-term and unsecured loans. As of 30 April 2022, US\$111.4 million (Php5.8 billion) three-year fixed-rate and US\$12.3 million (Php645.9 million) five-year fixed-rate bonds were issued.

- [5] On 6 November 2020, DMPI availed of an unsecured long-term credit facility with DBP amounting to US\$31.1 million (Php1.5 billion) at a variable interest rate (2021:3.00% per annum), maturing in 2025, to refinance existing debts. The loan shall be repaid in five years, inclusive of a three-year grace period on the principal, the principal payable in eight equal quarterly installments to commence at the end of the 13th quarter from the initial drawdown date until fully paid.



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2022

#### 18. Loans and borrowings (cont'd)

- [6] On 23 October 2020, DMPI obtained a long-term loan facility with BDO amounting to US\$31.1 million (Php1.5 billion) payable over nine equal quarterly installments with the first repayment date due on 3 August 2023 and last repayment date due on 3 August 2025 at a fixed interest rate of 4.125% per annum. This loan is guaranteed by DMPL as its Surety.
- [7] On 9 December 2022, the Company issued unsecured bonds amounting to US\$90.0 million. The bonds bear fixed interest of 3.75% per annum and mature on 9 December 2024. The proceeds were used to partly finance redemption of series A-1 preference shares.
- [8] On 4 April 2022, the Company obtained long-term loans from BDO and BOC amounting to US\$45.0 million and US\$30.0 million, respectively, to partly finance redemption of series A-1 preference shares. The loans mature in April 2025.

The terms of DMPI's bonds and loans require a debt service coverage ratio of at least 1.2x and debt-to-equity ratio of not exceeding 2.5x based on DMPI's consolidated financial statements. DMPI had been compliant with its debt covenants as at 30 April 2022.

The Company had also entered into an agreement with Development Bank of Singapore Limited (DBS) for uncommitted facilities comprising of a short-term dollar denominated loan (US\$25.0 million) and export financing facility (US\$5.0 million). The Company had drawn a short-term loan of US\$25.0 million as of 30 April 2022 (2021: US\$ 30.0 million)

Loans and borrowings are stated net of unamortized debt issuance cost. The balance of unamortized debt issuance cost follows:

Note	Group		Company	
	Year ended 30 April 2022 US\$'000	Year ended 30 April 2021 US\$'000	Year ended 30 April 2022 US\$'000	Year ended 30 April 2021 US\$'000
Beginning of year	44,702	30	1,329	29
Additions	2,915	56,153	2,383	1,947
Amortization	26 (12,258)	(11,481)	(980)	(647)
End of year	<u>35,359</u>	<u>44,702</u>	<u>2,732</u>	<u>1,329</u>





**18. Loans and borrowings (cont'd)**

**Secured Term Loan Credit Agreements**

Prior to fiscal year 2021, DMFI was 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 as 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. DMFI's assets are held as collateral for the benefit of lenders.

*Interest Rates.* Loans under the First and Second Lien Term Loans bear interest at a rate equal to an applicable margin, plus, at the Group's option, either (i) a LIBOR rate (with a floor of 1.00%) or (ii) a base rate (with a floor of 2.00%) 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 Quoted Rate plus 1.00%. As of 30 April 2020, the interest rate for First Lien Term Loans is 4.86% per annum and the interest rate for Second Lien Term Loans is 7.82% per annum. Loans under the Senior Secured Notes bear interest at a fixed rate of 11.875% per annum.

*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 was 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.

The First Lien Term Loan and the Second Lien Term Loan was settled in full on 15 May 2020.

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.



**18. Loans and borrowings (cont'd)**

**Secured Term Loan Credit Agreements (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. There were no additional purchases made in fiscal year ended 30 April 2022.

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 recognized 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.

On 15 May 2020, DMFHL issued 0.64546 shares of capital stock to DMPLFL and DMPLFL issued 645.46 shares of capital stock to DMPL as full payment of the US\$228.4 million loan to finance purchases of the Second Lien Term Loans (including accumulated interest). Upon the issuance of the capital stock to the Company, DMFHL is unconditionally released of all liabilities for principal and interest through 3 May 2020 relating to the purchase of the Second Lien Term Loans. As of 15 May 2020, the Company recorded US\$229.5 million of additional equity investment related to this transaction (see Note 6). Additionally, on 15 May 2020, DMFHII issued 64.546 shares of capital stock to DMFHL, DMFHL issued 0.64546 shares of capital stock to DMPLFL (see Note 6).

On 15 May 2020, the Group 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 the Group beginning in May 2022. Proceeds of US\$477.5 million from the issuance were used to pay-off the balance of the First Lien Term Loan.

***ABL Credit Agreement***

Prior to fiscal year 2021, 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 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. On 15 May 2020, US\$100.2 million was drawn on this facility. Loans under the ABL Credit Agreement will bear interest based on either the Eurodollar rate or the alternative base rate, plus an applicable margin. Additionally, the Group fully amortized the remaining deferred financing fees related to the previous credit agreement of \$1.0 million for the year ended 30 April 2020.



**18. Loans and borrowings (cont'd)**

***ABL Credit Agreement (cont'd)***

On 29 April 2021, the ABL agreement was extended to five years to the earliest of (a) 29 April 2026 and (b) 91 days prior to the maturity of the Senior Secured Notes or any Refinancing Indebtedness in respect thereof.

*Interest Rates.* Prior to fiscal year 2021, 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 3 May 2020 (and may increase to 2.50% or 2.75% depending on average excess availability) and with respect to base rate borrowings is 1.25% for Tranche B at 3 May 2020 (and may increase to 1.50% or 1.75% depending on average excess availability).

Effective 15 May 2020, borrowings under the ABL Credit Agreement bear interest of 1.75% in the case of the Alternative Base rate (ABR) plus applicable margin (from 2.0% or 1.75% or 1.5% depending on average excess availability). In the case of Eurodollar loans, 2.75% plus applicable margin (from 2.5% or 2.75% or 3.0% depending on average excess availability). Effective 29 April 2021, borrowings under the ABL Credit Agreement bear interest of 1.0% in the case of the Alternative Base rate (ABR) plus applicable margin (from 0.75% or 1.0% or 1.25% depending on average excess availability). In the case of Eurodollar loans, 2.0% plus applicable margin (from 1.75% or 2.0% or 2.25% depending on average excess availability).

*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 unutilized 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.

Effective 15 May 2020, the Group is required to pay a commitment fee of 0.375% or 0.500% depending on the amount of unused commitments under the ABL Credit Agreement for the prior fiscal quarter. Effective 29 April 2021, the Group is required to pay a commitment fee of 0.250% or 0.375% depending on the amount of unused commitments under the ABL Credit Agreement for the prior fiscal quarter.

*Availability under the ABL Credit Agreement.* Prior to fiscal year 2021, 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 DMFI at such time, less customary reserves. The ABL Credit Agreement will terminate, and the commitments thereunder will mature.



**18. Loans and borrowings (cont'd)**

***ABL Credit Agreement (cont'd)***

Effective 15 May 2020 and the amendment thereto, the borrowing base, determined at the time of calculation, is an amount equal to: the sum of (a) (i) 85% of the book value of the parties' non-investment grade eligible accounts at such time and (ii) 90% of the book value of the parties' investment grade eligible accounts, (b) the lesser of (i) the amount equal to 85% multiplied by the net orderly liquidation value of eligible inventory percentage identified in the most recent inventory appraisal ordered by the administrative agent multiplied by the book value of the parties' eligible inventory and (ii) 75% multiplied by the cost of the parties' eligible inventory valued on a first-in-first-out basis, and minus (c) customary reserves.

As of 30 April 2022, there were US\$146.0 million (30 April 2021: US\$75.1 million) of loans outstanding and US\$24.3 million of letters of credit issued (30 April 2021: US\$24.6 million). The Group's net availability under the ABL Credit Agreement was US\$279.7 million as of 30 April 2022 (30 April 2021: US\$350.2 million). The weighted average interest rate on the ABL Credit Agreement was approximately 4.31% per annum on 30 April 2022 (2021: 5.12%). 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 always remain limited 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. DMFI was released from the guarantees after payment of First and Second Lien Term Loans.

***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. The Term Loans were fully paid on 15 May 2020 and the securities were released upon payment.

*Borrowing Base Reserve.* The Group is required to hold US\$45.0 million borrowing base reserve during the term of the loan.



**18. Loans and borrowings (cont'd)**

***Security interests (cont'd)***

*Restrictive and Financial Covenants.* The Term Loan Credit Agreement and 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.

*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 is 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 Term Loan Credit Agreements have been fully settled on 15 May 2020.

The Group is compliant with the ABL Credit Agreement loan covenants as of 30 April 2022 and 2021.

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. Additionally, the Group fully amortized the remaining deferred financing fees related to the previous credit agreement of US\$1.0 million for the year ended 30 April 2020.

**Senior Secured Notes**

The Group, with DMFI as the "Issuer", is a party to a credit agreement (the "Senior Secured Notes") with JP Morgan Chase, as administrative agent, and the other lenders and agents parties thereto, that provides for senior secured financing of up to US\$500.0 million. The Notes will mature on 15 May 2025. Interest of 11.875% per annum will accrue from 15 May 2020, and payable every May 15 and November 15.



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2022

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#### 18. Loans and borrowings (cont'd)

##### Senior Secured Notes (cont'd)

The issuer may redeem some or all of the Senior Secured Notes at any time on or after 15 May 2022. The Issuer may also redeem up to 35% of the Senior Secured Notes using the proceeds of certain equity offerings completed before 15 May 2022. In addition, at any time prior to 15 May 2022, the Issuer may redeem some or all of the Senior Secured Notes at a price equal to 100% of the principal amount, plus a “make-whole” premium, plus accrued and unpaid interest, if any, to the redemption date. Additionally, if the Senior Secured Notes become due and payable prior to their stated maturity, including upon acceleration, the applicable make-whole or redemption price premium, as the case may be, shall be due and payable as if the Notes had been redeemed on that date. If the Group sells certain assets or experience specific kinds of changes in control, the Group must offer to purchase the Senior Secured Notes.

DMFHL and each of its existing and future U.S. subsidiaries, other than the Issuer, that guarantees indebtedness of the Issuer or indebtedness of any guarantor will guarantee the Senior Secured Notes. The Senior Secured Notes will rank equally in right of payment with all of the Issuer’s existing and future senior debt and senior in right of payment to all of the Issuer’s future subordinated debt.

The Senior Secured Notes guarantees will rank equally in right of payment with all of the guarantors’ existing and future senior debt and senior in right of payment to all of the guarantors’ future subordinated debt. In addition, the Senior Secured Notes will be structurally subordinated to the liabilities of all non-guarantor subsidiaries of DMFHL.

The Senior Secured Notes and the note guarantees will be secured by (i) first-priority liens, subject to permitted liens, on the Notes Priority Collateral and (ii) second-priority liens, subject to permitted liens, on the ABL Priority Collateral now owned or acquired in the future by the Issuer and the guarantors. Obligations under the ABL Facility and certain hedging and cash management obligations will be secured by a first-priority lien on the ABL Priority Collateral and a second-priority lien on the Notes Priority Collateral (provided that such obligations will not be secured by liens on any real property that constitutes Notes Priority Collateral).

##### 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	Debtor	Principal In '000	Debt-to equity ratio	Debt Service Coverage Ratio	Fixed Charge Ratio
Unsecured loans	DBP	DMPI	PHP 1,500,000	2.5x	1.2x	–
Unsecured loans	DBP	DMPL	US\$57,300	3.0x	–	–
Unsecured loans	DBP	DMPL	US\$75,000	3.0x	–	–
Unsecured bonds	N/A	DMPL	US\$90,000	–	–	2.25x

The Company and the Group is compliant with its loan covenants as at 30 April 2022 and 2021.



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2022

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#### 18. Loans and borrowings (cont'd)

##### *Ability to Incur Additional Indebtedness*

On 20 December 2021, Coöperatieve Rabobank U.A. ("Rabobank") had restated and amended the original Facility Letter dated 18 March 2021, increasing the facility limit from US\$30 million to US\$50 million. As of 30 April 2022 and 2021, US\$50 million and US\$30 million had been drawn, respectively.

On 5 April 2022, the Company entered into a Sixth Amendment Agreement with BDO that gives the Company the right to borrow an additional aggregate amount of US\$45 Million, subject to the terms of such amendment agreement. As of 30 April 2022, the US\$45 million had been fully drawn.

The Company also has uncommitted facilities with DBS totaling US\$30 million comprising of short term loan of US\$25 million and export financing facility of US\$5 million. As of 30 April 2022 and 2021, US\$25 million and US\$30 million had been drawn, respectively.

#### 19. Other noncurrent liabilities

	Group	
	30 April 2022	30 April 2021
	US\$'000	US\$'000
Workers' compensation	14,639	17,150
Accrued vendors liabilities	488	553
Derivative liabilities	7,896	–
Other payables	–	994
	<u>23,023</u>	<u>18,697</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 2022

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#### 19. Other noncurrent liabilities (cont'd)

##### Derivative liabilities

The Group uses interest rate swaps, interest rate caps, commodity swaps and foreign currency forward contracts to hedge market risks relating to possible adverse changes in interest rates, commodity costs and foreign currency exchange rates. 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 2022 and 2021, the Group designated each of its derivative contracts, as a hedge of a highly probable forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability ("cash flow hedge"). The following fair value of cash flow hedges were outstanding for the Group:

		Group	
	Note	30 April 2022 US\$'000	30 April 2021 US\$'000
Commodity contracts		685	1,694
Foreign currency forward contracts		801	(80)
Interest rate cap		(7,896)	–
Total		<u>(6,410)</u>	<u>1,614</u>
Included in:			
Prepaid expenses and other current assets	14	1,486	1,694
Trade payables and other current liabilities	22	–	(80)
Other noncurrent liabilities		(7,896)	–
		<u>(6,410)</u>	<u>1,614</u>





## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2022

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#### 19. Other noncurrent liabilities (cont'd)

##### Derivative liabilities (cont'd)

###### *Interest Rates*

As of 30 April 2022 and 2021, 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 recognized asset or liability ("cash flow hedge").

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 using interest rate cap and interest rate swaps as hedges of the variability in cash flows attributable to movements in interest rates. The Group applies a hedge ratio in accordance with the risk management objectives.

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. Changes in the fair value of the cap other than intrinsic value is excluded from the assessment of effectiveness and amortized over the hedging period using a straight-line 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 hedged cash flows attributable to the change in interest rates, and differences in repricing dates between the swaps and the borrowings.

Significant terms of the interest rate swap and interest rate cap contracts are as follows:

###### 30 April 2022

<b>Contract Date</b>	<b>Notional amount US\$ '000</b>	<b>Fixed Rate</b>	<b>Strike Rate</b>	<b>SOFR</b>	<b>Effective Date</b>	<b>Maturity Date</b>
8 April 2022	575,000	0.84%	3.00%	3.18%	1 May 2023	1 April 2026

Notional amount of US\$200.0 million, US\$200.0 million and US\$175.0 million will mature on 1 April 2024, 2025 and 2026, respectively. The floating rate is based on secured overnight financing rate (SOFR).

###### 30 April 2021

<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	284,000	3.30%	18 February 2016	18 February 2021



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2022

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#### 19. Other noncurrent liabilities (cont'd)

##### Derivative liabilities (cont'd)

###### *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 purchase process. The Group may use 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 recognized as part of cost of products sold in the appropriate period and the ineffective portion is recognized as cost of products sold.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the commodity forward contracts match the terms of the expected highly probable forecast transactions (i.e. notional amount and expected payment date). The Group established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the commodity forward contracts are identical to the hedged risk components. 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.

To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the change in the fair value of the hedging instruments against the changes in the fair value of the hedged items attributable to the hedged risks.

The notional amounts of the Group's commodity contracts were as follows as of 30 April 2022 and 2021:

	<b>30 April 2022 US\$'000</b>	<b>30 April 2021 US\$'000</b>
Natural gas (MMBTU)	1,329	1,065
Diesel (gallons)	1,029	3,663

###### *Foreign Currency*

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 local currency. These contracts may have a term of up to 24 months. The Group accounted for these contracts as cash flow hedges.

	<b>30 April 2022 US\$'000</b>	<b>30 April 2021 US\$'000</b>
Mexican pesos	221,199	379,628



**Del Monte Pacific Limited and its Subsidiaries**

**Notes to the financial statements  
For the financial year ended 30 April 2022**

**19. 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:

	<b>30 April 2022</b>		
	<b>Change in value used for calculating hedge effectiveness US\$'000</b>	<b>Cash flow hedge reserve US\$'000</b>	<b>Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied US\$'000</b>
<b>Interest rate risk</b>			
Variable rate instruments	7,896	(5,922)	–
<b>Commodity price risk</b>			
Inventory purchases	5,986	116	–
<b>Foreign exchange risk</b>			
Inventory purchases	165	413	–
	<b>30 April 2021</b>		
	<b>Change in value used for calculating hedge effectiveness US\$'000</b>	<b>Cash flow hedge reserve US\$'000</b>	<b>Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied US\$'000</b>
<b>Interest rate risk</b>			
Variable rate instruments	240	–	–
<b>Commodity price risk</b>			
Inventory purchases	(6,363)	1,279	–
<b>Foreign exchange risk</b>			
Inventory purchases	3,552	(61)	–



Del Monte Pacific Limited and its Subsidiaries

Notes to the financial statements  
For the financial year ended 30 April 2021

19. Other noncurrent liabilities (cont'd)

Derivative liabilities (cont'd)

Amounts Relating to Hedging Instruments (cont'd)

The amounts relating to items designated as hedging instruments and hedge ineffectiveness are as follows:

	30 April 2022			Line item in the statement of financial position where the hedged instrument is included	Change in the value of hedge instrument recognized in OCI	During 2022	
	Notional amount	Carrying amount				Amount reclassified from hedging reserve to profit or loss	Line item in profit or loss affected by the reclassification
		Assets	Liabilities				
	US\$'000				US\$'000		
<b>Interest rate risk</b>							
Interest rate swaps	575,000	–	(7,896)	Derivative liabilities – Noncurrent	(7,896)	–	Net finance expense
<b>Commodity price risk</b>							
Commodity contracts							
Natural gas (MMBTU)	1,329	24	–	Prepaid and Other Current Assets	(1,872)	(1,701)	Cost of sales
Diesel (gallons)	1,029	661	–	Prepaid and Other Current Assets	(4,114)	(2,830)	Cost of sales
<b>Foreign exchange risk</b>							
Foreign currency forwards	221,199	801	–	Prepaid and Other Current Assets	(165)	(710)	Cost of sales



Del Monte Pacific Limited and its Subsidiaries

Notes to the financial statements  
For the financial year ended 30 April 2021

19. Other noncurrent liabilities (cont'd)

Derivative liabilities (cont'd)

Amounts Relating to Hedging Instruments (cont'd)

	30 April 2021			During 2021			
	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 recognized 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			US\$'000			
<b>Interest rate risk</b>							
Interest rate caps	–	–	–	Derivative liabilities – Current	(240)	–	Net finance expense
<b>Commodity price risk</b>							
Commodity contracts							
Natural gas (MMBTU)	1,065	194	–	Prepaid and Other Current Assets	123	15	Cost of sales
Diesel (gallons)	3,663	1,500	–	Prepaid and Other Current Assets	6,240	(1,755)	Cost of sales
<b>Foreign exchange risk</b>							
Foreign currency forwards	379,628	–	(80)	Derivative Liabilities – Current Liabilities	(3,552)	3,472	Cost of sales



**Del Monte Pacific Limited and its Subsidiaries**

**Notes to the financial statements  
For the financial year ended 30 April 2022**

**19. 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:

	<b>Group</b>	
	<b>30 April 2022</b>	<b>30 April 2021</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Balance at beginning of year	1,218	(2,016)
Changes in fair value:		
- Commodity risk	(5,986)	6,363
- Foreign exchange risk	(165)	(3,552)
- Interest rate risk	(7,896)	(240)
Amount reclassified to profit or loss		
- Foreign exchange risk	-	3,472
- Commodity risk	-	(1,760)
- Interest rate risk	-	-
Amount included in cost of non-financial items		
- Commodity risk	4,531	-
- Foreign exchange risk	710	-
Tax movements on reserves during the year	2,193	(1,049)
Balance at end of year	<u>(5,395)</u>	<u>1,218</u>

*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:

	<b>10% increase</b>	<b>10% decrease</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>30 April 2021</b>		
Fair value of derivative liabilities – additional RCPS grant	-	-
Fair value of derivative liabilities – call option	-	-



**Del Monte Pacific Limited and its Subsidiaries**

**Notes to the financial statements  
For the financial year ended 30 April 2022**

**20. Employee benefits**

	Group		Company	
	30 April 2022 US\$'000	30 April 2021 US\$'000	30 April 2022 US\$'000	30 April 2021 US\$'000
Pension asset	9,799	7,889	–	–
Total pension asset (noncurrent)	9,799	7,889	–	–
Post-retirement benefit obligation	6,754	9,675	–	–
Executive retirement plan	3,610	3,388	–	–
Cash incentive award	5,051	3,400	–	–
Short-term employee benefits	30,689	29,183	–	–
Other plans	3,756	6,908	–	–
Net defined benefit liability	11,440	17,587	12	376
Total employee benefit liability	61,300	70,141	12	376
Current	36,958	38,275	–	–
Noncurrent	24,342	31,866	12	376
	61,300	70,141	12	376

Included in pension asset is an amount of US\$9.8 million (2021: US\$7.9 million) relating to defined benefit and defined contribution retirement plan in DMPI.

Included in post-retirement benefit obligation is an amount of US\$6.8 million (2021: US\$9.7 million) relating to post-retirement medical benefits plan in DMFI.

Included in net defined benefit liability is an amount of US\$11.4 million and US\$0.01 million (2021: US\$17.2 million and US\$0.4 million) relating to qualified retirement plan in DMFI and ROHQ, respectively.

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 2022. Valuations are obtained on a periodic basis.



**20. Employee benefits (cont'd)**

**The DMPI Plan (cont'd)**

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 2023.

**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 2023.





**20. 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.

In fiscal year 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 recognized immediately in "General and administrative expenses" in the consolidated income statement.

In fiscal year 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 recognized immediately in "General and administrative expenses" in the consolidated income statement.

DMFI does not expect to make contributions to the plan in fiscal year 2023.



**Del Monte Pacific Limited and its Subsidiaries**

**Notes to the financial statements  
For the financial year ended 30 April 2022**

**20. 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:

	Defined benefit obligation		Fair value of plan assets		Effect of Asset Ceiling		Net defined benefit liability (asset)	
	30 April 2022	30 April 2021	30 April 2022	30 April 2021	30 April 2022	30 April 2021	30 April 2022	30 April 2021
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Group</b>								
Beginning balance	332,272	372,484	(313,505)	(302,102)	606	546	19,373	70,928
<b>Included in profit or loss:</b>								
Current service cost	2,794	2,957	-	-	-	-	2,794	2,957
Plan administration cost	-	-	557	1,405	-	-	557	1,405
Interest cost/ (income)	6,860	8,277	(6,666)	(6,937)	22	25	216	1,365
	<u>341,926</u>	<u>383,718</u>	<u>(319,614)</u>	<u>(307,634)</u>	<u>628</u>	<u>571</u>	<u>22,940</u>	<u>76,655</u>
<b>Included in OCI</b>								
Remeasurements								
loss (gain):								
- Actuarial loss (gain) arising from:								
financial assumptions	(40,009)	(7,518)	-	-	-	-	(40,009)	(7,518)
- demographic assumptions	(904)	(4,705)	-	-	-	-	(904)	(4,705)
- experience adjustment	1,353	(1,136)	-	-	-	-	1,353	(1,136)
- Return on plan assets excluding interest income	-	-	25,530	(41,231)	-	-	25,530	(41,231)
- Changes in the effect of the asset ceiling	-	-	-	-	1,104	9	1,104	9
- Effect of movements in exchange rates	(2,810)	1,513	3,478	(1,967)	(59)	26	609	(428)
	<u>(42,370)</u>	<u>(11,846)</u>	<u>29,008</u>	<u>(43,198)</u>	<u>1,045</u>	<u>35</u>	<u>(12,317)</u>	<u>(55,009)</u>
<b>Others</b>								
Contributions	-	-	(2,228)	(216)	-	-	(2,228)	(216)
Benefits paid	(30,462)	(39,600)	30,462	37,543	-	-	-	(2,057)
	<u>(30,462)</u>	<u>(39,600)</u>	<u>28,234</u>	<u>37,327</u>	<u>-</u>	<u>-</u>	<u>(2,228)</u>	<u>(2,273)</u>
<b>Ending balance</b>	<u>269,094</u>	<u>332,272</u>	<u>(262,372)</u>	<u>(313,505)</u>	<u>1,673</u>	<u>606</u>	<u>8,395</u>	<u>19,373</u>



**Del Monte Pacific Limited and its Subsidiaries**

**Notes to the financial statements  
For the financial year ended 30 April 2022**

**20. Employee benefits (cont'd)**

**Movement in net defined benefit liability (asset) (cont'd)**

Remeasurement loss recognized in OCI under executive retirement plan and other plans amounted to US\$0.2 million for fiscal year ended 2022 (2021: nil).

**Represented by:**

	<b>Net defined benefit liability (asset)</b>	
	<b>30 April 2022</b>	<b>30 April 2021</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Net defined benefit asset	(9,799)	(7,889)
Post-retirement benefit obligation	6,754	9,675
Net defined benefit liability	11,440	17,587
	<u>8,395</u>	<u>19,373</u>

**Plan assets**

Plan assets comprise:

	<b>Group</b>	
	<b>30 April 2022</b>	<b>30 April 2021</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Interest-bearing cash/bank deposits	3,553	5,948
Real estate (within Philippines)	14,850	15,713
Common collective trust funds:		
Fixed income	57,809	68,938
Equity fund	77,014	97,607
Mutual funds -		
Equity fund	10,209	13,960
Debt instruments:		
Corporate	42,078	41,597
Government	44,879	43,659
Others	4,822	9,543
Equity securities -		
Quoted	7,109	5,594
Others	49	10,946
Fair value of plan assets	<u>262,372</u>	<u>313,505</u>

The Board 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.



**Del Monte Pacific Limited and its Subsidiaries**

**Notes to the financial statements  
For the financial year ended 30 April 2022**

**20. Employee benefits (cont'd)**

***Plan assets (cont'd)***

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).

***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 2022 wherein the results of these valuations form the basis of the fair value of the funded obligations and plan assets as at 30 April 2022.

The principal actuarial assumptions used for accounting purposes expressed as weighted average were:

	<----- DMFI ----->	
	<b>30 April 2022</b>	<b>30 April 2021</b>
Discount rate (per annum)	1.82%-4.35%	1.82%-3.26%
Current health care cost trend rate (per annum)	6.20%	6.20%
Ultimate health care cost trend rate	4.50%	4.50%
Mortality rate	2012 rates associated with the Pri-2012 table with generational projection of improvements in mortality from 2012 based on MP-2020	2012 rates associated with the Pri-2012 table with generational projection of improvements in mortality from 2012 based on MP-2020

	<----- DMPI ----->	
	<b>30 April 2022</b>	<b>30 April 2021</b>
Discount rate (per annum)	5.41%	3.91%
Future salary increases (per annum)	5.00%	5.00%

	<----- ROHQ ----->	
	<b>30 April 2022</b>	<b>30 April 2021</b>
Discount rate (per annum)	5.29%	3.85%
Future salary increases (per annum)	5.00%	6.00%



**Del Monte Pacific Limited and its Subsidiaries**

**Notes to the financial statements  
For the financial year ended 30 April 2022**

**20. Employee benefits (cont'd)**

***Actuarial valuation (cont'd)***

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 utilized differing bond portfolios to estimate the discount rates for the defined benefits pension plans and for the post-retirement benefits.

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 2022, the weighted average duration of DMPI's and ROHQ's defined benefit retirement obligation is 7.7 years and 5.5 years, respectively (2021: 8.4 years and 6.4 years, respectively).

The projected future benefit payments for the DMPI and ROHQ plans as of 30 April 2022 are as follows:

	<b>DMPI</b>	<b>ROHQ</b>	<b>Total Expected Benefit</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>Payments</b>
			<b>US\$'000</b>
2023	2,939	61	3,000
2024	3,926	67	3,993
2025	3,034	522	3,556
2026	2,878	47	2,925
2027	2,413	60	2,473
2028 to 2032	17,702	754	18,456

The weighted average duration of DMFI's defined benefit retirement obligation are as follows:

	<b>Duration (years)</b>	
	<b>30 April</b>	<b>30 April</b>
	<b>2022</b>	<b>2021</b>
Qualified retirement plan	8.9	10.2
Post-retirement benefits plan	8.9	8.6
Executive retirement plans	N/A	N/A



**Del Monte Pacific Limited and its Subsidiaries**

**Notes to the financial statements  
For the financial year ended 30 April 2022**

**20. Employee benefits (cont'd)**

***Actuarial valuation (cont'd)***

The projected future benefit payments for the DMFI plan as of 30 April 2022 are as follows:

	<b>Normal Retirement</b>	<b>Other than Normal Retirement</b>	<b>Total</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Less than one year	23,478	595	24,073
More than one year to five years	81,583	2,270	83,853
More than five years	79,729	2,390	82,119

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:

	<b>30 April 2022</b>	<b>Target Allocation Range</b>
Equity securities	36%	31-51%
Debt securities	57%	42-64%
Other	7%	2-19%
Total	<u>100%</u>	

	<b>30 April 2021</b>	<b>Target Allocation Range</b>
Equity securities	37%	31-51%
Debt securities	52%	42-64%
Other	11%	2-19%
Total	<u>100%</u>	

The plan exposes the Group to market risk.

The Board 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 Board 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 recognized in the financial statements.



20. Employee benefits (cont'd)

**Sensitivity analysis**

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarizes 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----->			
	2022		2021	
	0.50% increase US\$'000	0.50% decrease US\$'000	0.50% increase US\$'000	0.50% decrease US\$'000
Discount rate (per annum)	(9,247)	10,018	(12,780)	13,915
Future salary increases (per annum)	N/A	N/A	N/A	N/A

**Defined benefit Obligation**

	<-----DMPI----->			
	2022		2021	
	1.0% increase US\$'000	1.0% decrease US\$'000	1.0% increase US\$'000	1.0% decrease US\$'000
Discount rate (per annum)	(2,065)	2,373	(2,688)	3,117
Future salary increases (per annum)	2,359	(2,091)	3,051	(2,686)

**Defined benefit Obligation**

	<-----ROHQ----->			
	2022		2021	
	1.0% increase US\$'000	1.0% decrease US\$'000	1.0% increase US\$'000	1.0% decrease US\$'000
Discount rate (per annum)	(49)	55	(60)	67
Future salary increases (per annum)	55	(50)	65	(59)



**20. Employee benefits (cont'd)**

***Sensitivity analysis (cont'd)***

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 2022 and are applied to adjust the defined benefit obligation at the end of the reporting 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.

**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 recognized 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\$7.9 million, US\$7.7 million and US\$6.4 million during fiscal years 2022, 2021 and 2020, 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.





## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2022

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#### 20. 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 recognized under these plans for the year ended 30 April 2022 was US\$4.2 million (2021: US\$4.5 million; 2020: US\$4.4 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.

#### 21. Environmental remediation liabilities

	Group	
	30 April 2022 US\$'000	30 April 2021 US\$'000
At beginning of the year	7,429	9,587
Provision made during the year	–	486
Provisions used during the year	(7,164)	(375)
Provisions released during the year	(62)	(2,269)
At end of the year	<u>203</u>	<u>7,429</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 payables and other current liabilities" in the consolidated statement of financial position and were significantly settled during the year. 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. The US\$2.3 million provision released in fiscal 2021 was due to US\$1.8 million adjustment of Mendota lagoon cost based on the purchase and sale agreement entered by DMFI with the City of Mendota on 22 March 2021. Remaining balance pertains to US\$0.04 million provision for Crystal City and Gilroy that were already settled.



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2022

#### 22. Trade payables and other current liabilities

	Note	Group		Company	
		30 April 2022 US\$'000	30 April 2021 US\$'000	30 April 2022 US\$'000	30 April 2021 US\$'000
Trade payables		196,833	142,188	131	42
Accrued operating expenses:					
Interest	39	34,122	30,843	3,434	2,341
Advertising		8,825	10,853	–	–
Trade promotions		8,607	8,764	–	–
Taxes and insurance		9,044	8,739	–	–
Professional fees		6,762	8,496	388	375
Freight and warehousing		8,898	7,274	–	–
Salaries, bonuses and other employee benefits		3,042	4,566	–	–
Utilities		3,704	3,584	–	–
Tinplate and consigned stocks		2,569	2,222	–	–
Miscellaneous		5,541	12,170	1,146	1,649
Overdrafts		5,655	7,574	–	–
Accrued payroll expenses		5,304	4,812	4,087	4,210
Withheld from employees (taxes and social security cost)		1,466	1,548	37	32
Contract liabilities	24	2,091	543	–	–
VAT payables		129	259	–	–
Advances from customers		241	214	–	–
Derivative liabilities	19	–	80	–	–
Amounts due to subsidiaries (non-trade)	37	–	–	30,806	35,584
		<u>302,833</u>	<u>254,729</u>	<u>40,029</u>	<u>44,233</u>

Contract liabilities pertains to contract liabilities relating to advances from customers which are generally expected to be recognized as revenue within a period of less than one year. Accordingly, opening contract liabilities are recognized 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.

The amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

Accrued professional fees include the current portion of environmental remediation liabilities amounting to US\$0.1 million and US\$0.3 million as of 30 April 2022 and 2021, respectively (see Note 21).



**Del Monte Pacific Limited and its Subsidiaries**

**Notes to the financial statements  
For the financial year ended 30 April 2022**

**22. Trade payables and other current liabilities (cont'd)**

Accrued miscellaneous include management fees and other outside services, land and other rental, credit card payable 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.

**23. Leases**

**Group as a lessee**

Set out below are the carrying amount of right-of-use assets recognized and the movements during the period:

<b>Cost/Valuation</b>	<b>Buildings, land improvements and leasehold improvements US\$'000</b>	<b>Land US\$'000</b>	<b>Machineries and equipment US\$'000</b>	<b>Total US\$'000</b>
	At 1 May 2021	128,492	50,166	37,384
Additions	16,131	12,174	3,534	31,839
Disposals	(4,249)	(1,258)	–	(5,507)
Currency realignment	(2,897)	(4,006)	–	(6,903)
At 30 April 2022	<u>137,477</u>	<u>57,076</u>	<u>40,918</u>	<u>235,471</u>
At 1 May 2020	116,023	51,277	38,450	205,750
Additions	11,926	8,290	46	20,262
Disposals	–	(735)	(1,112)	(1,847)
Transfers/Adjustments	(591)	(900)	–	(1,491)
Changes in lease term	–	(10,202)	–	(10,202)
Currency realignment	1,134	2,436	–	3,570
At 30 April 2021	<u>128,492</u>	<u>50,166</u>	<u>37,384</u>	<u>216,042</u>



**Del Monte Pacific Limited and its Subsidiaries**

**Notes to the financial statements  
For the financial year ended 30 April 2022**

**23. Leases (cont'd)**

**Group as a lessee (cont'd)**

**Accumulated amortization**

At 1 May 2021	43,632	14,521	22,681	80,834
Amortization	21,452	8,645	9,006	39,103
Disposals	(4,222)	(1,258)	–	(5,480)
Currency realignment	(929)	(1,596)	–	(2,525)
At 30 April 2022	<u>59,933</u>	<u>20,312</u>	<u>31,687</u>	<u>111,932</u>
At 1 May 2020	20,752	6,932	11,981	39,665
Amortization	22,725	7,974	10,700	41,399
Disposals	–	(735)	–	(735)
Transfers/Adjustments	(43)	(90)	–	(133)
Currency realignment	198	440	–	638
At 30 April 2021	<u>43,632</u>	<u>14,521</u>	<u>22,681</u>	<u>80,834</u>

**Carrying amounts**

At 30 April 2022	<u>77,544</u>	<u>36,764</u>	<u>9,231</u>	<u>123,539</u>
At 30 April 2021	<u>84,860</u>	<u>35,645</u>	<u>14,703</u>	<u>135,208</u>

In April 2021, DMPI entered a sale and leaseback of buildings, warehouses and equipment located on foreshore land. The assets were sold to DEARBC and subsequently leased back to DMPI with payment and lease terms of 20 years for both the sale and the lease. Right-of-use assets recognized at commencement date amounted to US\$7.1 million which comprises the proportion of the previous carrying amount of the assets that relates to right of use retained by DMPI and the adjustment for below-market terms on the sale of assets. Lease liability and gain on sale and leaseback at commencement date amounted to US\$4.8 million and US\$0.2 million, respectively.

The following are the amounts recognized in the income statement:

	Note	30 April 2022 US\$'000	30 April 2021 US\$'000
Amortization expense of right-of-use assets	25	39,292	37,205
Interest expense on lease liabilities	26	6,345	7,435
Expenses relating to short-term leases	25	13,710	29,676
Variable lease payments		341	545
<b>Total amount recognized in statement of income</b>		<u>59,688</u>	<u>74,861</u>

Amortization expense is net of amount capitalized to inventory during the year and includes amortization capitalized in prior years to inventory that was sold during the year.



**23. Leases (cont'd)**

***Group as a lessee (cont'd)***

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate such as construction of significant leasehold improvements or significant customization to the leased asset.

The Group included the renewal period for certain lease contract on warehouses as part of the lease term. The Group typically exercises its option to renew for the lease because there will be a significant negative effect on production if a replacement asset is not readily available. The renewable period of land, building and certain warehouse are not included as part of the lease term as these are not reasonably certain to be exercised since it is subject to mutual agreement of both parties and is considered as unenforceable.

The Company also entered into a lease contract with DEARBC, with an initial contract period of 25 years from 11 January 1999 to 10 January 2024. The lease contract was amended by both parties effective 11 January 2019 to extend the lease period to 10 January 2049. Effective January 2019, both parties also approved the amendment granting the Group the sole option to terminate the lease every five years without incurring penalty until the end of the contract period. Since the Group has the sole option to terminate the lease every five years without incurring penalty, the Group has the absolute right to enforce the entire duration of the lease (i.e., lease term).

The Group assessed the lease term to be 5 years from 11 January 2019 since it is not yet reasonably certain to renew beyond the initial 5-year non-cancellable lease period due to the relatively long time horizon to be able to forecast the facts and circumstances that will merit the renewal of the contract. There are also no significant economic penalties other than the standing crops which only have a life cycle of up to 3 years.

In 2021, the Group reassessed the lease terms of certain land leases, to which the Group has rights to pre-terminate at the end of each pineapple life cycle, as a result of the Group's cost-effectiveness programs implemented in 2021. The Group reassessed the lease term to be for a period of 6 years instead of the full contractual term for identified land leases based on the pineapple's life cycle and time for land preparation. The Group is looking for ways to reduce pineapple costs by revisiting fields with low yields and/or high growing costs and expanding its outgrowership programs and the use of big planting materials which will save planting area. Due to the significant change of circumstance arising from the cost effectiveness strategy implemented in 2021 and the pre-termination option which is within the control of the Group, management revisited the lease term and recognized a reduction in right-of-use asset and lease liability amounting to US\$10.2 million 2021.



**Del Monte Pacific Limited and its Subsidiaries**

**Notes to the financial statements  
For the financial year ended 30 April 2022**

**23. Leases (cont'd)**

***Group as a lessee (cont'd)***

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	<b>30 April 2022 US\$'000</b>	<b>30 April 2021 US\$'000</b>
<b>At the beginning of year</b>	128,803	158,525
Additions	28,075	14,174
Accretion of interest	7,534	8,412
Payments	(38,870)	(43,377)
Change in lease term	–	(10,199)
Adjustments	(10)	(1,119)
Terminations	(151)	(122)
Currency realignment	(4,061)	2,509
<b>At the end of year</b>	<b>121,320</b>	<b>128,803</b>
Current	29,549	25,113
Non-current	91,771	103,690
	<b>121,320</b>	<b>128,803</b>

***Group as a lessor***

The Group has sublease agreements which provides for lease rentals based on an agreed fixed monthly rate. Rental income related to these sublease agreements amounted to US\$0.5 million for the fiscal year 2022 (2021: US\$0.6 million)

Lease receivables represents receipts to be received over the remaining lease term. Movement of the lease receivables during the period are as follows:

	<b>Note</b>	<b>30 April 2022 US\$'000</b>	<b>30 April 2021 US\$'000</b>
<b>At the beginning of year</b>		1,241	–
Additions		–	1,678
Adjustments		2	8
Contractual receipts		(487)	(499)
Interest income		37	53
Currency realignment		(102)	1
<b>At the end of year</b>		<b>691</b>	<b>1,241</b>
Current	13	497	491
Non-current	10	194	750
		<b>691</b>	<b>1,241</b>



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2022

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#### 24. Revenue

Revenue of the Group comprises fair value gains arising from changes in fair value of the Group's biological assets recognized upon harvest of agricultural produce; and gross invoiced sales of goods, net of discounts and returns, recognized when goods are delivered. All intra-group transactions have been excluded from the Group revenue.

Revenue for fiscal year ended 30 April 2022 is net of discounts of US\$84.3 million, returns of US\$18.3 million and direct promotions of US\$328.3 million. Revenue for fiscal year ended 30 April 2021 is net of discounts of US\$78.6 million, returns of US\$17.1 million and direct promotions of US\$304.3 million. 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.

Disaggregation of revenue is presented in Note 29.

#### *Contract balances*

The following table provides information about trade receivables and contract liabilities from contracts with customers.

	Note	30 April 2022 US\$'000	Group 30 April 2021 US\$'000	30 April 2020 US\$'000
Receivables, included in Trade and other receivables – Gross of ECL allowance	13	189,839	165,370	175,794
Contract liabilities, included in Trade payables and other current liabilities	22	2,091	543	407

Contract liabilities pertain to advances from customers which are generally expected to be recognized as revenue within a period of less than one year. Accordingly, opening contract liabilities are recognized 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.

The Group recognized 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\$0.7 million and US\$0.4 million in fiscal year 2022 and 2021, respectively.



**Del Monte Pacific Limited and its Subsidiaries**

**Notes to the financial statements  
For the financial year ended 30 April 2022**

**25. Profit (loss) before taxation**

Profit (loss) before taxation is arrived at after charging (crediting):

	Note	<----- Group ----->			<----- Company ----->		
		Year ended 30 April 2022 US\$'000	Year ended 30 April 2021 US\$'000	Year ended 30 April 2020 US\$'000	Year ended 30 April 2022 US\$'000	Year ended 30 April 2021 US\$'000	Year ended 30 April 2020 US\$'000
Inventories recognized as cost of sales	12	1,300,313	1,193,666	1,201,016	–	–	–
Depreciation of property, plant and equipment	5	146,480	139,950	136,674	–	–	–
Amortization of right-of-use assets	23	39,292	37,205	35,179	93	106	–
Short-term leases	23	13,710	29,676	15,365	–	–	–
Changes in fair value of agricultural produce harvested and sold	11	(60,236)	(53,564)	(39,293)	–	–	–
Impairment loss on property, plant and equipment	5	–	–	40,746	–	–	–
Allowance for inventory obsolescence	12	4,135	7,043	9,649	–	–	–
Research and development expenses		9,970	10,157	11,489	–	–	–
Amortization of intangible assets	8	6,650	6,650	6,650	–	–	–
Impairment (reversal of impairment) of trade and nontrade receivables	13	1,060	144	(292)	–	–	–
Audit fees paid to:							
- EY Singapore		95	93	93	60	57	57
- SGV		1,297	1,216	1,002	450	326	296
- affiliates of auditors of the Company		43	298	400	–	–	–
- other auditor		6	6	8	–	–	–
Non-audit fees paid to:							
- SGV		–	–	22	–	–	–
- other auditors		80	39	131	2	2	57
(Gain) loss on disposal of property, plant and equipment		401	(1,333)	2,502	–	–	–
Legal expenses		2,318	2,257	2,566	8	6	3
<b>Staff costs</b>							
Wages and salaries		308,951	263,113	272,006	5,174	4,901	4,761
Social security costs		20,039	19,146	16,255	44	22	6
Pension costs - defined benefit pension plan*		10,426	10,511	8,182	145	97	92
Pension costs – provident fund		4,757	5,093	4,817	4	3	2
Equity-settled share-based payment transactions**	31	(1,753)	–	–	–	–	–

\*Included the effect of post-retirement medical plan amendment and enhanced early retirement program.

\*\*Net of non-controlling interests amounting to US\$0.2 million for 2022, nil for 2021 and nil for 2020.

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 2022

#### 26. Net finance expense

As detailed in Note 18, the Group recognized a gain of nil in 2022 (2021: nil; 2020: US\$1.7 million) on purchase of a portion of the Second Lien term loan.

Note	<----- Group ----->			<----- Company ----->		
	Year ended 30 April 2022 US\$'000	Year ended 30 April 2021 US\$'000	Year ended 30 April 2020 US\$'000	Year ended 30 April 2022 US\$'000	Year ended 30 April 2021 US\$'000	Year ended 30 April 2020 US\$'000
<b>Finance income</b>						
	Realized foreign exchange gain	1,858	6,481	5,169	–	–
	Unrealized foreign exchange gain	2,572	506	–	134	5
	Interest income from:					
	- Bank deposits	43	65	171	1	1
	- Due from a subsidiary	–	–	–	–	833
	- Others	728	482	682	10	12
	Gain on purchase of second lien term loan	–	–	1,716	–	–
18		–	–	1,716	–	–
		5,201	7,534	7,738	145	851
						22,111
<b>Finance expense</b>						
	Interest expenses on bank loans	(91,197)	(97,338)	(83,694)	(12,225)	(12,459)
	Amortization of debt issue cost, discount	(12,258)	(11,481)	(13,737)	(980)	(647)
18		(12,258)	(11,481)	(13,737)	(980)	(647)
	Leases	(6,345)	(7,435)	(8,567)	(3)	–
23		(6,345)	(7,435)	(8,567)	(3)	–
	Interest rate swap settlement	–	5,210	(8,695)	–	–
	Realized foreign exchange loss	(2,186)	(2,571)	(4,505)	(23)	(10)
	Unrealized foreign exchange loss	(721)	(495)	(1,295)	(7)	(18)
		(112,707)	(114,110)	(120,493)	(13,238)	(13,134)
						(16,323)
	Net finance (expense) income	(107,506)	(106,576)	(112,755)	(13,093)	(12,283)
						5,788



Del Monte Pacific Limited and its Subsidiaries

Notes to the financial statements  
For the financial year ended 30 April 2022

27. Tax expense (credit) - net

		Group		
	Note	Year ended 30 April 2022 US\$'000	Year ended 30 April 2021 US\$'000	Year ended 30 April 2020 US\$'000
<b>Current tax expense</b>				
- Current year		20,605	33,059	55,424
<b>Deferred tax credit</b>				
- Origination and reversal of temporary differences	9	18,695	(5,786)	(26,248)
		<u>39,300</u>	<u>27,273</u>	<u>29,176</u>
		Year ended 30 April 2022 US\$'000	Year ended 30 April 2021 US\$'000	Year ended 30 April 2020 US\$'000
<b>Reconciliation of effective tax rate</b>				
Profit (loss) before taxation		154,830	103,743	(64,654)
Taxation on profit at applicable tax rates		31,048	17,829	(25,313)
Final tax on dividend		9,477	7,658	47,246
Non-deductible expenses		2,389	299	2,951
Non-taxable income		(6)	(8)	(2,013)
Change in unrecognized deferred tax asset		(4,356)	(3,346)	4,433
Change in tax rate		1,005	-	-
Effect of CREATE Act		-	4,611	-
Others		(257)	230	1,872
		<u>39,300</u>	<u>27,273</u>	<u>29,176</u>
		Year ended 30 April 2022 US\$'000	Year ended 30 April 2021 US\$'000	Year ended 30 April 2020 US\$'000
<b>Current tax expense</b>				
- Current year		22	51	21
<b>Deferred tax credit</b>				
- Origination and reversal of temporary differences		(18)	(44)	(6)
		<u>4</u>	<u>7</u>	<u>15</u>



**Del Monte Pacific Limited and its Subsidiaries**

**Notes to the financial statements  
For the financial year ended 30 April 2022**

**27. Tax expense (credit) – net (cont'd)**

	Year ended 30 April 2022 US\$'000	Group Year ended 30 April 2021 US\$'000	Year ended 30 April 2020 US\$'000
<b>Applicable tax rates</b>			
- Philippines (non-PEZA)	25.0%	25.0%	30.0%
- Philippines (PEZA)*	5.0%	5.0%	5.0%
- India	31.2%	31.2%	31.2%
- Singapore	17.0%	17.0%	17.0%
- United States of America	25.0%	24.5%	24.5%
- Mexico	30.0%	30.0%	30.0%

*\*based on gross profit for the year*

DMPI's production operations in Cagayan de Oro City, Philippines are undertaken in the Philippine Packing Agricultural Export Processing Zone ("PPAEPZ"). 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% tax on gross profit in lieu of the statutory 25% (2021: 25% and 2020: 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. DMPI received PEZA approval for a second zone, the Bukidnon Agro-Resources Export Zone ("BAREZ"), for agri-development projects. The current tax incentive expired in fiscal year 2018 and was extended for an additional three years ending fiscal year 2021. On 21 December 2021, PEZA issued a Certificate of Board Resolution approving the retention of DMPI's status as an Export Ecozone Enterprise (EEE) beyond 31 December 2021. 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 rationalized by law.

On 7 May 2021, PEZA issued LOA No. 21-EOD-LS/F/EE-1006 that provides for extension of the DMPI's Ecozone Export Enterprise status until the Implementing Rules and Regulation of CREATE Act is issued. The status of DMPI as a PEZA registered export enterprise is expected to be retained being part of the Investment Priority Plan and for meeting the conditions set forth by PEZA to allow a company to continue availing of the incentives despite exceeding local sales.

On 17 August 2021, PEZA issued LOA No. 21-EOD-LS/FP/EE-1916 to renew DMPI's authority to sell to the domestic market a portion of its production of its registered products produced at the PPAEPZ / BAREZ. Said LOA expired December 31, 2021. On 24 January 2022, LOA No. 22-EOD-LS/FP/EE-0166 was issued to cover the period 1 January 2022 to 31 July 2022.

Corporate Recovery and Tax Incentive for Enterprise ("CREATE") Act

On 26 March 2021, President Rodrigo Duterte signed into law the CREATE Act to attract more investments and maintain fiscal prudence and stability in the Philippines. RA No. 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or on 11 April 2021.



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2022

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#### 27. Tax expense (credit) – net (cont'd)

##### Corporate Recovery and Tax Incentive for Enterprise (CREATE) Act (cont'd)

The following were the key changes to the Philippine tax law pursuant to the CREATE Act which has an impact on DMPI:

- Effective 1 July 2020, Regular Corporate Income Tax (“RCIT”) rate was decreased from 30% to 20% for corporations with total assets (excluding the value of land on which the particular business entity’s office, plant and equipment are situated during the taxable year) of Php100 million (US\$2.1 million) or below and taxable income of Php5 million (US\$1.0 million) and below. All other corporations not meeting the criteria are subject to lower RCIT rate of 25% from 30%;
- Effective 1 July 2020 and for a period of 3 years, Minimum Corporate Income Tax (“MCIT”) rate was lowered from 2% to 1% of gross income; and
- Improperly accumulated earnings tax of 10% was repealed.

Applying the provisions of the CREATE Act, DMPI has been subjected to lower RCIT rate of 25% effective 1 July 2020.

- Based on the provisions of Revenue Regulations (“RR”) No. 5-2021 dated 8 April 2021 issued by the BIR, the prorated CIT rate of DMPI for fiscal year 2021 is 25.83%. This resulted in lower provision for current income tax for the fiscal year ended 30 April 2021 amounting to US\$11.0 million; and
- This resulted in a lower provision for deferred tax for the year then ended 30 April 2021 by US\$0.1 million.

#### **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 recognizes 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 recognized, 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 2022

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#### 28. 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\$0.4 million and US\$1.3 million as of 30 April 2022 and 2021, respectively.

	<b>Year ended 30 April 2022 US\$'000</b>	<b>Group Year ended 30 April 2021 US\$'000</b>	<b>Year ended 30 April 2020 US\$'000</b>
Profit (Loss) attributable to owners of the Company	100,031	63,256	(81,394)
Cumulative preference share dividends for the year	(18,903)	(19,750)	(19,750)
	<u>81,128</u>	<u>43,506</u>	<u>(101,144)</u>
Weighted average number of ordinary shares ('000): Outstanding ordinary shares at 1 May, representing weighted average number of ordinary shares during the year	<u>1,943,960</u>	<u>1,943,960</u>	<u>1,943,960</u>
Basic earnings (loss) per share (in US cents)	<u>4.17</u>	<u>2.24</u>	<u>(5.20)</u>



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2022

#### 28. 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 2022 US\$'000	Group Year ended 30 April 2021 US\$'000	Year ended 30 April 2020 US\$'000
Profit (Loss) profit attributable to owners of the Company	100,031	63,256	(81,394)
Cumulative preference share dividends for the year	(18,903)	(19,750)	(19,750)
	<u>81,128</u>	<u>43,506</u>	<u>(101,144)</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	1,943,960
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>1,943,960</u>
Diluted earnings (loss) earnings per share (in US cents)	<u>4.17</u>	<u>2.24</u>	<u>(5.20)</u>

#### 29. 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 USA, Canada and Mexico. Majority of this segment's sales are principally sold under the Del Monte brand but also includes products under the Contadina, S&W, College Inn and other brands. This segment also includes sales of private label food products. Sales in the Americas are distributed across the United States, in all channels serving retail markets, as well as to the US military, certain export markets, the foodservice industry and other food processors.



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2022

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#### 29. Operating segments (cont'd)

##### Geographical segments (cont'd)

###### *Asia Pacific*

Reported under Asia Pacific are sales and profit on sales in the Philippines, comprising of Del Monte branded packaged products, including Del Monte traded goods, and Today's brand; S&W products in Asia and the Middle East 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 this segment are sales of S&W co-branded, buyer's own label and 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, S&W and Today's 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 flavors 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 also include non-branded sales to South America as well as various product innovations such as Mr. Milk, a new fruit yoghurt milk drink introduced in July 2020.

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

29. Operating segments (cont'd)

Information about reportable segments

	<-----Americas----->			<-----Asia Pacific----->			<-----Europe----->			<-----Total----->		
	Year ended 30 April 2022 US\$'000	Year ended 30 April 2021 US\$'000	Year ended 30 April 2020 US\$'000	Year ended 30 April 2022 US\$'000	Year ended 30 April 2021 US\$'000	Year ended 30 April 2020 US\$'000	Year ended 30 April 2022 US\$'000	Year ended 30 April 2021 US\$'000	Year ended 30 April 2020 US\$'000	Year ended 30 April 2022 US\$'000	Year ended 30 April 2021 US\$'000	Year ended 30 April 2020 US\$'000
<b>Revenue</b>												
Packaged/processed fruit and vegetable	1,342,835	1,190,191	1,259,911	139,935	137,384	116,846	24,753	27,885	23,513	1,507,523	1,355,460	1,400,270
Beverage	35,772	18,498	14,393	141,630	150,026	135,009	10,171	10,326	10,485	187,573	178,850	159,887
Culinary	282,946	286,000	262,915	147,496	155,651	129,859	199	373	76	430,641	442,024	392,850
Fresh fruit and others	6,038	2,262	1,824	210,311	184,113	173,512	–	–	–	216,349	186,375	175,336
<b>Total</b>	<b>1,667,591</b>	<b>1,496,951</b>	<b>1,539,043</b>	<b>639,372</b>	<b>627,174</b>	<b>555,226</b>	<b>35,123</b>	<b>38,584</b>	<b>34,074</b>	<b>2,342,086</b>	<b>2,162,709</b>	<b>2,128,343</b>
<b>Gross profit</b>												
Packaged/processed fruit and vegetable	351,722	288,651	233,073	43,184	42,180	30,238	8,936	8,086	1,471	403,842	338,917	264,782
Beverage	5,183	1,760	2,118	40,946	46,875	38,734	2,546	1,842	(550)	48,675	50,477	40,302
Culinary	48,045	52,689	42,783	57,273	63,441	47,705	79	172	26	105,397	116,302	90,514
Fresh fruit and others	(921)	(2,244)	(1,314)	65,664	52,511	57,873	–	–	–	64,743	50,267	56,559
<b>Total</b>	<b>404,029</b>	<b>340,856</b>	<b>276,660</b>	<b>207,067</b>	<b>205,007</b>	<b>174,550</b>	<b>11,561</b>	<b>10,100</b>	<b>947</b>	<b>622,657</b>	<b>555,963</b>	<b>452,157</b>
<b>Share in net loss of joint ventures</b>												
Packaged/processed fruit and vegetable	–	–	–	(1,162)	(737)	(1,451)	–	–	–	(1,162)	(737)	(1,451)
Beverage	–	–	–	(167)	(44)	(136)	–	–	–	(167)	(44)	(136)
Culinary	–	–	–	(2,349)	(622)	(1,365)	–	–	–	(2,349)	(622)	(1,365)
Fresh fruit and others	–	–	–	(1,276)	(128)	(133)	–	–	–	(1,276)	(128)	(133)
<b>Total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(4,954)</b>	<b>(1,531)</b>	<b>(3,085)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(4,954)</b>	<b>(1,531)</b>	<b>(3,085)</b>





Del Monte Pacific Limited and its Subsidiaries

Notes to the financial statements  
For the financial year ended 30 April 2022

29. Operating segments (cont'd)

Information about reportable segments (cont'd)

	<-----Americas----->			<-----Asia Pacific----->			<-----Europe----->			<-----Total----->		
	Year ended 30 April 2022 US\$'000	Year ended 30 April 2021 US\$'000	Year ended 30 April 2020 US\$'000	Year ended 30 April 2022 US\$'000	Year ended 30 April 2021 US\$'000	Year ended 30 April 2020 US\$'000	Year ended 30 April 2022 US\$'000	Year ended 30 April 2021 US\$'000	Year ended 30 April 2020 US\$'000	Year ended 30 April 2022 US\$'000	Year ended 30 April 2021 US\$'000	Year ended 30 April 2020 US\$'000
<b>Profit (loss) before taxation</b>												
Packaged/processed fruit and vegetable	77,624	26,713	(40,430)	26,438	25,531	14,316	5,622	5,084	(510)	109,684	57,328	(26,624)
Beverage	(918)	(1,556)	(2,256)	17,488	24,139	17,174	1,398	913	(1,557)	17,968	23,496	13,361
Culinary	(8,026)	(12,164)	(14,188)	34,976	41,283	25,739	54	130	(1)	27,004	29,249	11,550
Fresh fruit and others	(5,835)	(5,653)	(77,617)	6,009	(677)	14,676	–	–	–	174	(6,330)	(62,941)
<b>Total</b>	<b>62,845</b>	<b>7,340</b>	<b>(134,491)</b>	<b>84,911</b>	<b>90,276</b>	<b>71,905</b>	<b>7,074</b>	<b>6,127</b>	<b>(2,068)</b>	<b>154,830</b>	<b>103,743</b>	<b>(64,654)</b>
<b>Other Material Non-Cash Items</b>												
Depreciation and amortization	57,794	69,055	74,978	135,705	118,265	104,738	–	–	–	193,499	187,320	179,716
Capital expenditure	32,122	25,112	19,495	170,537	138,862	112,958	–	–	–	202,659	163,974	132,453
Segment assets	1,862,472	1,736,089	1,798,832	702,773	659,563	738,672	19,612	22,251	16,849	2,584,857	2,417,903	2,554,353
Segment liabilities	939,961	937,601	1,200,459	1,145,176	832,721	782,481	5,015	5,085	5,516	2,090,152	1,775,407	1,988,456



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2022

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#### 29. Operating segments (cont'd)

##### *Major customer*

Revenues from a major customer of the Americas segment for fiscal year 2022 amounted to approximately US\$561.4 million or 24% (2021: 475.4 million or 22%, 2020: US\$557.4 million or 26%) of the Group's total revenue. The customer accounted for approximately 14% of trade and other receivable as at 30 April 2022 and 2021.

#### 30. 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 in the USA, Mexico, and the Philippines as at 30 April 2022 and 30 April 2021. Fruit plants are located in California and Washington in the U.S. and in the Philippines. Most of its vegetable plants are located in the U.S. Midwest and its tomato plant is 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.

#### 31. 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).

##### **ESOP 2016**

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 at 30 April 2022 and 2021, there is no outstanding ESOP options due to the lapse of its exercise period.



**Del Monte Pacific Limited and its Subsidiaries**

**Notes to the financial statements  
For the financial year ended 30 April 2022**

**31. Share option and incentive plans (cont'd)**

**ESOP 2016 (cont'd)**

**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 options 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 2022 and 2021.

**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%	–	–	–	–	–



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2022

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#### 31. Share option and incentive plans (cont'd)

##### *Fair value of share options/awards and assumptions (cont'd)*

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 authorized shares reserved for grant under the plan was increased from 9,000,000 to 15,000,000. As of 30 April 2021, 14,776,500 share were available for future grant. The plan was already retired in fiscal year 2022.

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:

	<b>3 November 2015</b>
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:

	<b>2022</b>		<b>2021</b>	
	<b>Number of options</b>	<b>Weighted average exercise price</b>	<b>Number of options</b>	<b>Weighted average exercise price</b>
Outstanding at beginning of year	223,500	5	283,500	5
Cancelled	(223,500)	5	(60,000)	5
Outstanding at end of year	—	—	223,500	5
Exercisable at end of year	—	—	223,500	—



**31. Share option and incentive plans (cont'd)**

***Del Monte Foods Holding Equity Compensation Plan (cont'd)***

There was no expense recognized in the consolidated income statement for equity-settled share based compensation for fiscal year 2022 and 2021. The expense recognized 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.

The remaining 223,500 options were cancelled in fiscal year 2022 through a “buy-out” as a means of retiring the plan. Each holder was offered \$1 per share with a total cost of US\$216 million.

**Cash incentives**

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.

The accrued net obligation as of 30 April 2022 is US\$5.1 million (2021: US\$3.7 million). Total expense recognized under “Wages, salaries and other benefits” in the consolidated income statement of the Group amounted to US\$5.0 million, US\$3.5 million and US\$1.6 million in fiscal years 2022, 2021 and 2020, respectively.

**32. 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 analyze 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.



**32. Financial risk management (cont'd)**

***Risk management framework (cont'd)***

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.

***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 Board 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 analyzed 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.



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2022

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#### 32. Financial risk management (cont'd)

##### *Credit risk (cont'd)*

##### *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 2022 US\$'000</b>	<b>30 April 2021 US\$'000</b>
Americas	118,366	108,088
Europe	15,192	15,643
Asia Pacific	111,703	100,678
	245,261	224,409

At 30 April 2022, the Group's most significant customer accounted for 14% of the trade and other receivables carrying amount (2021: 14%).

##### *Impairment losses*

The aging of financial assets excluding cash on hand that were not impaired at the reporting date was:

	<b>30 April 2022 US\$'000</b>	<b>30 April 2021 US\$'000</b>
<b>Group</b>		
Not past due	168,854	137,903
Past due 0 - 60 days	44,814	67,834
Past due 61 - 90 days	6,255	4,829
Past due 91 - 120 days	3,060	2,723
More than 120 days	22,278	11,120
	245,261	224,409

As at 30 April 2022 and 2021, the Company's financial assets are all not past due.



**Del Monte Pacific Limited and its Subsidiaries**

**Notes to the financial statements  
For the financial year ended 30 April 2022**

**32. Financial risk management (cont'd)**

***Financial risk management objectives and policies (cont'd)***

***Credit risk (cont'd)***

The table below shows the credit quality of the Group's financial assets based on their historical experience with the corresponding third parties:

	<b>2022</b>				<b>Total US\$'000</b>
	<b>General approach</b>			<b>Simplified Approach</b>	
	<b>Stage 1 US\$'000</b>	<b>Stage 2 US\$'000</b>	<b>Stage 3 US\$'000</b>	<b>US\$'000</b>	
Cash in banks and cash equivalents	21,786	–	–	–	21,786
Trade and other receivables*	2,818	–	–	224,914	227,732
Short-term placements	1,288	–	–	–	1,288
Note receivables	–	1,000	–	–	1,000
Refundable deposits**	2,136	–	–	–	2,136
	28,028	1,000	–	224,914	253,942
ECL Allowance	–	–	–	(10,167)	(10,167)
	28,028	1,000	–	214,747	243,775

\*includes noncurrent portion of receivables from sale and leaseback and lease receivables

\*\*included under advance rentals and deposits

	<b>2021</b>				<b>Total US\$'000</b>
	<b>General approach</b>			<b>Simplified Approach</b>	
	<b>Stage 1 US\$'000</b>	<b>Stage 2 US\$'000</b>	<b>Stage 3 US\$'000</b>	<b>US\$'000</b>	
Cash in banks and cash equivalents	29,367	–	–	–	29,367
Trade and other receivables*	3,156	–	–	195,023	198,179
Short-term placements	1,327	–	–	–	1,327
Note receivables	–	1,000	–	–	1,000
Refundable deposits**	2,066	–	–	–	2,066
	35,916	1,000	–	195,023	231,939
ECL Allowance	–	–	–	(9,224)	(9,224)
	35,916	1,000	–	185,799	222,715

\*includes noncurrent portion of receivables from sale and leaseback and lease receivables

\*\*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 2022**

**32. Financial risk management (cont'd)**

***Financial risk management objectives and policies (cont'd)***

***Credit risk (cont'd)***

As at 30 April 2022 and 2021, the Company's financial assets were all classified under Stage 1.

	2022				
	General Approach			Simplified Approach	Total
	Stage 1	Stage 2	Stage 3		
US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
Cash in banks and cash equivalents	2,129	–	–	–	2,129
Trade and other receivables	84,832	–	–	–	84,832
Short-term placements	883	–	–	–	883
	<u>87,844</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>87,844</u>
	2021				
	General Approach			Simplified Approach	Total
	Stage 1	Stage 2	Stage 3		
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Cash in banks and cash equivalents	2,104	–	–	–	2,104
Trade and other receivables	82,282	–	–	–	82,282
Short-term placements	889	–	–	–	889
	<u>85,275</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>85,275</u>

Stage 1 financial assets pertain to those cash that are deposited in reputable banks. Stage 2 includes receivables that are collected on their due dates even without an effort from the Group to follow up with them.

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.



32. Financial risk management (cont'd)

*Financial risk management objectives and policies (cont'd)*

*Credit risk (cont'd)*

Set out below is the information about the credit risk exposure on the Group's trade receivables using simplified approach (provision matrix):

	2022					Total US'000s
	Current US'000s	<30 days US'000s	Days past due		Over 120 days US'000s	
			30-60 days US'000s	61-120 days US'000s		
Trade receivables	121,770	23,290	7,137	4,214	33,428	189,839
Expected credit loss rate	0.00%	0.00%	0.00%	0.00%	17.50%	–
Expected credit loss	–	–	–	–	5,850	5,850

	2021					Total US'000s
	Current US'000s	<30 days US'000s	Days past due		Over 120 days US'000s	
			30-60 days US'000s	61-120 days US'000s		
Trade receivables	83,812	64,945	4,206	2,059	10,348	165,370
Expected credit loss rate	0.00%	0.00%	0.00%	0.00%	46.40%	–
Expected credit loss	–	–	–	–	4,801	4,801

The Group assessed that all balances under Stage 1 and Stage 2 have not experienced significant increase in credit risk as of 30 April 2022 and 2021.

The Group applies the simplified approach in measuring ECL 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.

For other financial assets such nontrade receivables and other receivables, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).



32. 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 2022</b>	<b>30 April 2021</b>
	%	%
<b>Group</b>		
United States of America	11	15
Philippines	57	67
Hong Kong	32	19
Singapore	<1	<1
<b>Company</b>		
Philippines	97	98
Hong Kong	1	2
Singapore	1	1

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 requirements. The Group's policy is to obtain the most favorable interest rate available without increasing its foreign currency exposure.



**Del Monte Pacific Limited and its Subsidiaries**

**Notes to the financial statements  
For the financial year ended 30 April 2022**

**32. 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 2022 US\$'000	30 April 2021 US\$'000	30 April 2022 US\$'000	30 April 2021 US\$'000
<b>Fixed rate instruments</b>				
Loans and borrowings	788,372	238,639	163,464	74,974
<b>Variable rate instruments</b>				
Loans and borrowings	778,994	1,047,104	441,694	288,397
Interest rate caps	7,896	-	-	-
	<u>786,890</u>	<u>1,047,104</u>	<u>441,694</u>	<u>288,397</u>
	<u>1,575,262</u>	<u>1,285,743</u>	<u>605,158</u>	<u>363,371</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 before tax in the next 12 months	
	100 bp increase US\$'000	100 bp decrease US\$'000
<b>Group</b>		
<b>30 April 2022</b>		
Variable rate instruments	(5,124)	5,124
Interest rate caps	5,750	(5,750)
	<u>626</u>	<u>(626)</u>
<b>30 April 2021</b>		
Variable rate instruments	(3,536)	3,536

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 2022 and 2021, 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 recognized asset or liability ("cash flow hedge").



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2022

#### 32. Financial risk management (cont'd)

##### *Financial risk management objectives and policies (cont'd)*

##### *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\$1,040.5 million (2021: US\$882.3 million) in credit lines, of which 29% (2021: 30%) 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 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 2022</b>						
<b>Derivative financial assets</b>						
Foreign currency forward and commodity contracts	14, 19, 34	1,486	1,486	1,486	–	–
<b>Non-derivative financial assets</b>						
Cash in banks and cash						
Equivalents	15	21,786	21,786	21,786	–	–
Trade and other receivables*	10, 13	217,565	219,579	214,553	1,192	3,834
Short-term placements	14	1,288	1,288	1,288	–	–
Note receivables	10	1,000	1,000	–	1,000	–
Refundable deposits**	10	2,136	2,136	–	–	2,136
		245,261	247,275	239,113	2,192	5,970

\*includes noncurrent portion of receivables from sale and leaseback and lease receivables

\*\*included under advance rentals and deposits



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**Notes to the financial statements  
For the financial year ended 30 April 2022**

**32. Financial risk management (cont'd)**

***Financial risk management objectives and policies (cont'd)***

***Liquidity risk (cont'd)***

<b>Group</b>	<b>Note</b>	<b>Carrying amount US\$'000</b>	<b>Contractual cash flows US\$'000</b>	<b>Less than 1 year US\$'000</b>	<b>1-5 years US\$'000</b>	<b>More than 5 years US\$'000</b>
<b>30 April 2022</b>						
<b>Derivative financial liabilities</b>						
Interest rate cap used for hedging, net-settled	19	7,896	7,896	7,896	–	–
<b>Non-derivative financial liabilities</b>						
Unsecured bank loans						
- Current	18	327,794	330,353	330,353	–	–
- Noncurrent	18	384,524	418,599	13,656	404,943	–
Secured bank loans						
- Current	18	151,560	155,960	155,960	–	–
- Noncurrent	18	703,488	955,694	67,828	887,866	–
Lease liabilities	23	121,320	180,515	42,203	80,009	58,303
Trade payables and other current liabilities*	22	298,906	298,906	298,906	–	–
		<b>1,987,592</b>	<b>2,340,027</b>	<b>908,906</b>	<b>1,372,818</b>	<b>58,303</b>
Net financial liabilities (assets)		<b>1,750,227</b>	<b>2,100,648</b>	<b>677,689</b>	<b>1,370,626</b>	<b>52,333</b>

\*excludes derivative liabilities, advances from customers, contract liabilities, withheld from employees (taxes and social security cost) and VAT payables

<b>Group</b>	<b>Note</b>	<b>Carrying amount US\$'000</b>	<b>Contractual cash flows US\$'000</b>	<b>Less than 1 year US\$'000</b>	<b>1-5 years US\$'000</b>	<b>More than 5 years US\$'000</b>
<b>30 April 2021</b>						
<b>Derivative financial assets</b>						
Foreign currency forward contracts	14, 19, 34	1,694	1,694	1,694	–	–
<b>Non-derivative financial assets</b>						
Cash in banks and cash equivalents						
	15	29,367	29,367	29,367	–	–
Trade and other receivables*	13	188,955	191,258	185,232	1,821	4,205
Short-term placements		1,327	1,327	1,327	–	–
Note receivables	10,13	1,000	1,087	–	1,087	–
Refundable deposits**	10	2,066	2,066	–	–	2,066
		<b>224,409</b>	<b>226,799</b>	<b>217,620</b>	<b>2,908</b>	<b>6,271</b>

\* includes noncurrent portion of receivables from sale and leaseback and lease receivables

\*\*included under advance rentals and deposits



**Del Monte Pacific Limited and its Subsidiaries**

**Notes to the financial statements  
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**32. Financial risk management (cont'd)**

***Financial risk management objectives and policies (cont'd)***

***Liquidity risk (cont'd)***

<b>Group</b>	<b>Note</b>	<b>Carrying amount US\$'000</b>	<b>Contractual cash flows US\$'000</b>	<b>Less than 1 year US\$'000</b>	<b>1-5 years US\$'000</b>	<b>More than 5 years US\$'000</b>
<b>30 April 2021</b>						
<b>Derivative financial liabilities</b>						
Foreign exchange contracts	19	80	80	80	–	–
<b>Non-derivative financial liabilities</b>						
Unsecured bank loans						
- Current	18	256,125	256,575	256,575	–	–
- Noncurrent	18	291,014	321,984	9,849	312,135	–
Secured bank loans						
- Current	18	76,328	81,208	81,208	–	–
- Noncurrent	18	662,276	954,647	66,357	888,290	–
Lease liabilities	23	128,803	165,045	41,980	87,882	35,183
Trade payables and other current liabilities*	22	252,085	252,085	252,085	–	–
Net financial liabilities (assets)		1,666,631	2,031,544	708,054	1,288,307	35,183
Foreign exchange contracts		1,442,302	1,804,825	490,514	1,285,399	28,912

\*excludes derivative liabilities, advances from customers, contract liabilities, 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 2022

#### 32. Financial risk management (cont'd)

##### *Financial risk management objectives and policies (cont'd)*

##### *Liquidity risk (cont'd)*

Company	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 2022</b>						
<b>Non-derivative financial assets</b>						
Trade and other receivables	13	84,832	84,832	84,832	–	–
Short-term placements	14	883	883	883	–	–
Cash and cash equivalents	15	2,129	2,129	2,129	–	–
		<u>87,844</u>	<u>87,844</u>	<u>87,844</u>	<u>–</u>	<u>–</u>
<b>Non-derivative financial liabilities</b>						
Unsecured bank loans						
- Short-term	18	160,071	162,357	162,357	–	–
- Long-term	18	233,290	256,304	8,377	247,927	–
Secured bank loans						
- Short-term	18	10,500	9,960	9,960	–	–
- Long-term	18	201,297	216,224	7,254	208,970	–
Trade payables and other current liabilities*	22	39,992	39,992	39,992	–	–
		<u>645,150</u>	<u>684,837</u>	<u>227,940</u>	<u>456,897</u>	<u>–</u>
Net financial liabilities (assets)		<u>557,306</u>	<u>596,993</u>	<u>140,096</u>	<u>456,897</u>	<u>–</u>
<i>*excludes withheld from employees (taxes and social security cost) and VAT payables</i>						
<b>30 April 2021</b>						
<b>Non-derivative financial assets</b>						
Trade and other receivables	13	82,282	82,282	82,282	–	–
Short-term placements	14	889	889	889	–	–
Cash and cash equivalents	15	2,104	2,104	2,104	–	–
		<u>85,275</u>	<u>85,275</u>	<u>85,275</u>	<u>–</u>	<u>–</u>
<b>Non-derivative financial liabilities</b>						
Unsecured bank loans						
- Short-term	18	62,310	62,487	62,487	–	–
- Long-term	18	127,390	139,874	4,118	135,756	–
Secured bank loans						
- Short-term		7,500	7,615	7,615	–	–
- Long-term	18	166,171	181,440	5,679	175,761	–
Trade payables and other current liabilities*	22	44,201	44,201	44,201	–	–
		<u>407,572</u>	<u>435,617</u>	<u>124,100</u>	<u>311,517</u>	<u>–</u>
Net financial liabilities (assets)		<u>322,297</u>	<u>350,342</u>	<u>38,825</u>	<u>311,517</u>	<u>–</u>
<i>*excludes withheld from employees (taxes and social security cost) and VAT payables</i>						





## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2022

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#### 32. Financial risk management (cont'd)

##### *Financial risk management objectives and policies (cont'd)*

##### *Liquidity risk (cont'd)*

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.

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 exchange 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:

	<b>Philippine Peso US\$'000</b>	<b>Mexican Peso US\$'000</b>
<b>30 April 2022</b>		
Trade and other receivables	68,940	2,904
Cash and cash equivalents	12,979	797
Other noncurrent assets	28,599	2,366
Loans and borrowings	(223,093)	–
Trade and other payables	(90,901)	(12,450)
	<u>(203,476)</u>	<u>(6,383)</u>
<b>30 April 2021</b>		
Trade and other receivables	56,718	3,700
Cash and cash equivalents	9,433	783
Other noncurrent assets	13,055	1,052
Loans and borrowings	(98,015)	–
Trade and other payables	(100,854)	(10,020)
	<u>(119,663)</u>	<u>(4,485)</u>



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2022

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#### 32. Financial risk management (cont'd)

##### *Financial risk management objectives and policies (cont'd)*

##### *Foreign exchange risk (cont'd)*

The Company has no significant exposure to foreign currencies as at 30 April 2022 and 2021.

##### *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	
	Increase (decrease)		Increase (decrease)	
	Profit Before Taxation	Equity	Profit before taxation	Equity
	US\$'000	US\$'000	US\$'000	US\$'000
<b>30 April 2022</b>				
10% strengthening	20,348	–	(638)	–
10% weakening	(20,348)	–	638	–
<b>30 April 2021</b>				
10% strengthening	11,966	–	449	–
10% weakening	(11,966)	–	(449)	–

##### *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 recognized as part of cost of products sold in the appropriate period and the ineffective portion is recognized as cost of products sold.



**Del Monte Pacific Limited and its Subsidiaries**

**Notes to the financial statements  
For the financial year ended 30 April 2022**

**32. Financial risk management (cont'd)**

***Financial risk management objectives and policies (cont'd)***

***Commodity price risk (cont'd)***

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.

***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 2022		30 April 2021	
	Profit before taxation US\$'000	Equity US\$'000	Profit before taxation US\$'000	Equity US\$'000
10% increase in commodity price	–	538	–	18
10% decrease in commodity price	–	(538)	–	(18)

**33. 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 amortized cost US\$'000	Derivatives US\$'000	Other financial liabilities US\$'000	Total carrying amount US\$'000	Fair value US\$'000
<b>30 April 2022</b>						
Cash and cash equivalents	15	21,853	–	–	21,853	21,853
Trade and other receivables*	10,13	217,565	–	–	217,565	217,565
Short-term placements	14	1,288	–	–	1,288	1,288
Note receivables	10	1,000	–	–	1,000	1,000
Refundable deposits**	10	2,136	–	–	2,136	2,136
Derivative assets	14	–	1,486	–	1,486	1,486
		<u>243,842</u>	<u>1,486</u>	<u>–</u>	<u>245,328</u>	<u>245,328</u>



Del Monte Pacific Limited and its Subsidiaries

Notes to the financial statements  
For the financial year ended 30 April 2022

33. Accounting classification and fair values (cont'd)

*Fair values versus carrying amounts (cont'd)*

	Note	Financial assets at amortized cost US\$'000	Derivatives US\$'000	Other financial liabilities US\$'000	Total carrying amount US\$'000	Fair value US\$'000
Loans and borrowings	18	–	–	1,567,366	1,567,366	1,642,995
Trade and other payables***	22, 32	–	–	298,906	298,906	298,906
Derivative liabilities	19	–	7,896	–	7,896	7,896
		–	7,896	1,866,272	1,874,168	1,949,797

\* includes noncurrent portion of receivables from sale and leaseback and lease receivables

\*\*included under advance rentals and deposits

\*\*\*excludes derivative liabilities, advances from customers, contract liabilities, withheld from employees (taxes and social security cost) and VAT payables

Group	Note	Financial assets at amortized cost US\$'000	Derivatives US\$'000	Other financial liabilities US\$'000	Total carrying amount US\$'000	Fair value US\$'000
<b>30 April 2021</b>						
Cash and cash equivalents	15	29,435	–	–	29,435	29,435
Trade and other receivables*	10, 13	188,955	–	–	188,955	188,955
Short-term placements		1,327	–	–	1,327	1,327
Note receivables	10	1,000	–	–	1,000	1,000
Refundable deposits**	10	2,066	–	–	2,066	2,066
Derivative assets	14	–	1,694	–	1,694	1,694
		222,783	1,694	–	224,477	224,477
Loans and borrowings	18	–	–	1,285,743	1,285,743	1,473,367
Trade and other payables***	22, 32	–	–	252,085	252,085	252,085
Derivative liabilities	19, 22	–	80	–	80	80
		–	80	1,537,828	1,537,908	1,725,532

\* includes noncurrent portion of receivables from sale and leaseback and lease receivables

\*\*included under advance rentals and deposits

\*\*\*excludes derivative liabilities, advances from customers, contract liabilities, 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 2022**

**33. Accounting classification and fair values (cont'd)**

***Fair values versus carrying amounts (cont'd)***

<b>Company</b>	<b>Note</b>	<b>Financial assets at amortized cost US\$'000</b>	<b>Other financial liabilities US\$'000</b>	<b>Total carrying amount US\$'000</b>	<b>Fair value US\$'000</b>
<b>30 April 2022</b>					
Trade and other receivables	13	84,832	–	84,832	84,832
Short-term placements	14	1,288	–	1,288	1,288
Cash and cash equivalents	15	2,129	–	2,129	2,129
		<u>88,249</u>	<u>–</u>	<u>88,249</u>	<u>88,249</u>
Loans and borrowings	18	–	594,658	594,658	594,658
Trade and other payables*	22, 32	–	39,992	39,992	39,992
		<u>–</u>	<u>634,650</u>	<u>634,650</u>	<u>634,650</u>

\*excludes withheld from employees (taxes and social security cost) and VAT payables

	<b>Note</b>	<b>Financial assets at amortized cost US\$'000</b>	<b>Other financial liabilities US\$'000</b>	<b>Total carrying amount US\$'000</b>	<b>Fair value US\$'000</b>
<b>30 April 2021</b>					
Trade and other receivables	13	82,282	–	82,282	82,282
Short-term placements	14	1,327	–	1,327	1,327
Cash and cash equivalents	15	2,104	–	2,104	2,104
		<u>85,713</u>	<u>–</u>	<u>85,713</u>	<u>85,713</u>
Loans and borrowings	18	–	355,871	355,871	355,871
Trade and other payables*	22, 32	–	44,201	44,201	44,201
		<u>–</u>	<u>400,072</u>	<u>400,072</u>	<u>400,072</u>

\*excludes withheld from employees (taxes and social security cost) and VAT payables

**34. 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.



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2022

#### 34. Determination of fair values (cont'd)

##### *Fair value hierarchy (cont'd)*

Level 3: unobservable inputs for the asset or liability.

For assets and liabilities that are recognized 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	30 April 2022				
	Note	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>					
Derivative assets	14, 19	–	1,486	–	1,486
Note receivables	10	–	–	1,000	1,000
<b>Non-financial assets</b>					
Fair value of agricultural produce harvested under inventories	11	–	–	3,375	3,375
Fair value of growing produce	11	–	–	47,346	47,346
Freehold land	5	–	–	53,342	53,342
<b>Financial liabilities</b>					
Derivative liabilities	19	–	7,896	–	7,896
Lease liabilities	23	–	–	131,723	131,723
Loans and borrowings		–	858,253	784,742	1,642,995
<b>30 April 2021</b>					
	Note	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>					
Derivative assets	14, 19	–	1,694	–	1,694
Note receivables	10	–	–	1,000	1,000
<b>Non-financial assets</b>					
Fair value of agricultural produce harvested under inventories	11	–	–	5,389	5,389
Fair value of growing produce	11	–	–	44,913	44,913
Freehold land	5	–	–	54,609	54,609
<b>Financial liabilities</b>					
Derivative liabilities	19, 22	–	80	–	80
Lease liabilities	23	–	–	144,092	144,092
Loans and borrowings		–	880,845	592,522	1,473,367



**34. Determination of fair values (cont'd)**

***Fair value hierarchy (cont'd)***

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 2022 and 2021.

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.

**Financial instruments measured at fair value**

<b>Type</b>	<b>Valuation technique</b>
Interest rate swaps/caps	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.
Call option	The estimated fair value of the additional call option as at 30 April 2022 is based on the CRR binomial tree model. The value of these derivative liabilities is driven primarily by DMPI's forecasted net income which is not based on observable market data.



34. Determination of fair values (cont'd)

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 3.0% to 6.5% (2021: 3.5% to 7%) (Level 3).</p>

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 recognized 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, neighborhood, 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.





34. Determination of fair values (cont'd)

Other non-financial assets (cont'd)

Assets	Valuation technique	Significant unobservable inputs
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.



34. 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 expected selling price and gross margin for harvested produce while 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.  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 2022

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#### 35. Commitments

##### *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:

	Group	
	30 April 2022 US\$'000	30 April 2021 US\$'000
Within one year	512,267	445,390
After one year but within five years	307,077	253,819
After five years	308,712	297,277
	1,128,056	996,486

##### *Future capital expenditure*

	Group	
	30 April 2022 US\$'000	30 April 2021 US\$'000
<b>Capital expenditure not provided for in the financial statements</b>		
- approved by Directors and contracted for	20,356	6,384
- approved by Directors but not contracted for	23,523	50,459
	43,879	56,843

#### 36. Contingencies

##### 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 recognizing and measuring provisions, management takes risk and uncertainties into account.



**36. Contingencies (cont'd)**

**Source of estimation uncertainty (cont'd)**

As at 30 April 2022, the Group is involved in various legal proceedings and regulatory assessments, and management believes that these proceedings will not have a material effect on the consolidated financial statements.

The Group, in consultation with its external and internal legal and tax counsels, believe that its position on these assessments are consistent with relevant laws and believe that these proceedings will not have a material adverse effect on the consolidated financial statements. However, it is possible that future results of operations could be materially affected by changes in the estimates or the effectiveness of management's strategies relating to these proceedings. As at 30 April 2022, management has assessed that the probable cash outflow to settle these assessments is not material.

As of 30 April 2022, provision for probable losses arising from environmental remediation amounted to US\$0.3 million, US\$0.2 million of which is noncurrent (2021: US\$7.7 million, US\$7.4 million of which is noncurrent) (see Note 21).

As of 30 April 2022, provision for retained liabilities arising from workers' compensation claims amounted to US\$17.8 million, US\$14.6 million of which is noncurrent (2021: US\$20.1 million, US\$17.2 million of which is noncurrent) (see Note 19).

**37. 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.



Del Monte Pacific Limited and its Subsidiaries

Notes to the financial statements  
For the financial year ended 30 April 2022

37. Related parties (cont'd)

*Related party transactions (cont'd)*

Group		Amount of the transaction	Outstanding Due from Related Parties*	Balance Due to Related Parties* *	Terms	Conditions
Category/ Transaction Under Common Control	Year	US\$'000	US\$'000	US\$'000		
■ Shared IT services	<b>2022</b>	<b>112</b>	<b>41</b>	–	Due and demandable ; non-interest bearing	Unsecured; no impairment
	2021	185	308	–		
	2020	177	130	–		
■ Sale of raw materials	<b>2022</b>	<b>48</b>	–	<b>(68)</b>	Due and demandable ; non-interest bearing	Unsecured; no impairment
	2021	–	–	–		
	2020	–	–	–		
■ Sale of apple juice concentrate /materials	<b>2022</b>	<b>12</b>	–	–	Due and demandable ; non-interest bearing	Unsecured; no impairment
	2021	28	5	–		
	2020	5	–	–		
■ Purchases	<b>2022</b>	<b>122</b>	<b>5</b>	<b>(11)</b>	Due and demandable ; non-interest bearing	Unsecured
	2021	64	12	(3)		
	2020	83	5	(9)		
■ Tollpack fees	<b>2022</b>	<b>12</b>	<b>58</b>	–	Due and demandable ; non-interest bearing	Unsecured
	2021	–	21	–		
	2020	128	55	–		



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Notes to the financial statements  
For the financial year ended 30 April 2022

37. Related parties (cont'd)

*Related party transactions (cont'd)*

Group			Outstanding balance			
Category/ Transaction Under Common Control	Year	Amount of the transaction US\$'000	Due from Related Parties* US\$'000	Due to Related Parties** US\$'000	Terms	Conditions
- Security deposit	2022	7	-	-	Due and demandable; non-interest bearing	Unsecured
	2021	9	-	-		
	2020	27	-	-		
<b>Other Related Party</b>						
- Management fees from DMPI retirement fund	2022	53	7	2	Due and demandable; non-interest bearing	Unsecured; no impairment
	2021	69	5	(3)		
	2020	4	2	-		
- Rental to DMPI Retirement	2022	1,837	-	(362)	Due and demandable; non-interest bearing	Unsecured
	2021	1,747	-	(7)		
	2020	1,662	-	(478)		
- Rental to NAI Retirement	2022	652	-	(121)	Due and demandable; non-interest bearing	Unsecured
	2021	602	-	-		
	2020	586	-	(160)		
- Rental to DMPI Provident Fund	2022	7	-	-	Due and demandable; non-interest bearing	Unsecured
	2021	-	-	-		
	2020	-	-	-		
- Cash advances NAI	2022	1,261	1,261	-	Short-term; Non interest bearing	Unsecured; no impairment
	2021	703	-	-		
	2020	8,731	14,732	-		
	<b>2022</b>	<b>4,123</b>	<b>1,372</b>	<b>(560)</b>		
	2021	3,407	351	(13)		
	2020	11,403	14,924	(647)		

\*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 2022

37. Related parties (cont'd)

*Related party transactions (cont'd)*

Company			Outstanding balance			
Category/ Transaction Subsidiaries	Year	Amount of the transaction US\$'000	Due from Related Parties*	Due to Related Parties**	Terms	Conditions
- Dividend income	<b>2022</b>	<b>33,519</b>	-	-	Due and demandable; non-interest bearing	Unsecured; no impairment
	2021	242,721	-	-		
	2020	230,473	-	-		
- Long-term loans receivable	<b>2022</b>	-	-	-	Due on 2021; Interest- bearing	Unsecured; no impairment
	2021	-	-	-		
	2020	4,107	228,683	-		
- Reimbursement of expenses	<b>2022</b>	<b>7,317</b>	<b>84,229</b>	-	Due and demandable; non-interest bearing	Unsecured; no impairment
	2021	15,512	82,274	-		
	2020	236,676	92,607	-		
- Cash advance	<b>2022</b>	<b>5,277</b>	-	<b>30,278</b>	Due and demandable; non-interest bearing	Unsecured
	2021	24,090	-	35,555		
	2020	37,380	-	59,645		
- Management fees payable to subsidiaries	<b>2022</b>	<b>577</b>	-	<b>528</b>	Due and demandable; non-interest bearing	Unsecured
	2021	463	-	29		
	2020	445	-	445		
<b>Joint Venture</b>						
- Cash advance	<b>2022</b>	<b>595</b>	<b>2,835</b>	-	Due and demandable; non-interest bearing	Unsecured; no impairment
	2021	840	2,788	-		
	2020	140	2,462	-		
	<b>2022</b>	<b>47,285</b>	<b>87,064</b>	<b>30,806</b>		
	2021	283,626	85,062	35,584		
	2020	509,221	323,752	60,090		

\*included as part of trade and other receivables excluding long-term loans receivable and advances to joint venture

\*\*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 2022

#### 37. Related parties (cont'd)

##### **Related party transactions (cont'd)**

The transactions with related parties are undertaken on an arm's length basis and on normal commercial terms consistent with the Group's usual business practices and policies and 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 best products and/or services on the best terms. In determining whether the price and terms offered by vendors, including related parties, 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.

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 2022 and 2021, the Group has not made any provision for doubtful accounts relating to amounts owed by related parties.

As discussed in Note 18, 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	Year ended	Year ended	Year ended	Year ended	Year ended
	30 April	30 April	30 April	30 April	30 April	30 April
	2022	2021	2020	2022	2021	2020
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Directors:</b>						
Fees and remuneration	5,930	5,416	4,548	5,007	4,546	3,808
<b>Key executive officers (excluding Directors):</b>						
Short-term employee benefits	4,625	3,616	1,892	3,525	2,604	1,013
Post-employment benefits	27	22	14	–	–	–





## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2022

#### 38. Non-controlling interest in subsidiaries

The following table summarizes the information relating to the Group's subsidiaries with shareholder/s 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 2022 US\$'000	30 April 2021 US\$'000	30 April 2020 US\$'000
<b>DMPLFL</b>			
Ownership interests held by non-controlling interests	6.43%	6.43%	10.57%
Revenue	1,654,913	1,483,057	1,529,840
Profit (loss)	45,818	16,117	(116,671)
Other comprehensive income (loss)	5,031	41,578	(21,595)
<b>Total comprehensive income (loss)</b>			
Attributable to non-controlling interests:			
- Profit (loss)	2,946	1,036	(12,329)
- Other comprehensive income (loss)	323	2,673	(2,282)
<b>Total comprehensive income (loss)</b>	3,269	3,709	(14,611)
Noncurrent assets	1,119,963	1,144,894	1,208,461
Current assets	727,810	574,108	577,653
Noncurrent liabilities	(678,406)	(701,766)	(567,731)
Current liabilities	(356,362)	(258,576)	(896,652)
<b>Net assets</b>	813,005	758,660	321,731
<b>Net assets attributable to non-controlling interests</b>	52,271	48,777	33,823
Cash flows provided by operating activities	54,848	112,817	212,019
Cash flows provided by (used in) provided by investing activities	(31,998)	(24,101)	9,511
Cash flows used in financing activities, before dividends to non-controlling interests	(24,471)	(91,939)	(217,072)
Currency realignment	(149)	(15)	32
<b>Net increase (decrease) increase in cash and cash equivalents</b>	(1,770)	(3,238)	4,490

On 15 May 2020, the Company increased its effective stake in DMPLFL after converting its long-term receivable from DMFHL into equity investment (see Note 6).



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2022

#### 38. Non-controlling interest in subsidiaries (cont'd)

	30 April 2022 US\$'000	30 April 2021 US\$'000
<b>DMPI</b>		
Ownership interests held by non-controlling interests	13%	13%
Revenue	728,435	706,032
Profit	97,482	94,616
Other comprehensive income	1,833	3,031
<b>Total comprehensive income</b>		
Attributable to non-controlling interests:		
- Profit	12,673	12,300
- Other comprehensive income	238	394
<b>Total comprehensive income</b>	12,911	12,694
Noncurrent assets	462,811	437,026
Current assets	330,667	310,816
Noncurrent liabilities	(230,099)	(241,279)
Current liabilities	(308,345)	(284,228)
<b>Net assets</b>	255,034	222,335
<b>Net assets attributable to non-controlling interests</b>	33,154	28,904
Cash flows provided by operating activities	181,701	105,765
Cash flows used in investing activities	(175,855)	(137,429)
Cash flows provided by used in financing activities, before dividends to non-controlling interests	(7,090)	28,303
Currency realignment	131	(88)
<b>Net decrease in cash and cash equivalents</b>	(1,113)	(3,449)

In the relation to the sale of 12% stake in DMPI, the Group recognized non-controlling interest amounting to US\$26.4 million, representing 12% of the net asset value of DMPI as at 30 April 2021 (see Note 6).

On 16 December 2020, additional 1% stake was sold to SEA Diner. The increase in ownership interest of SEA Diner in DMPI resulted to an increase in equity reserve amounting to US\$9.3 million (see Note 6).



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2022

#### 39. Supplemental Disclosure of Cash Flow Information

The changes in liabilities arising from financing activities of the Group for the year ended 30 April 2022, 2021 and 2020 are as follows:

	Note	1 May 2021 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 2022 US\$'000
<b>Group</b>								
<b>Fiscal Year 2022</b>								
Current interest-bearing loans and borrowings	18	332,453	2,683,113	(2,547,034)	–	(13,081)	23,903	479,354
Noncurrent interest-bearing loans and borrowings	18	953,290	165,000	–	–	(15,717)	(14,561)	1,088,012
Lease liabilities	23	128,803	–	(38,870)	7,534	(4,061)	27,914	121,320
Accrued interest payable	22	30,843	–	(89,359)	92,690	(52)	–	34,122
Derivative liabilities	19, 22	–	–	–	–	–	7,896	7,896
Total liabilities from financing activities		1,445,389	2,848,113	(2,675,263)	100,224	(32,911)	45,152	1,730,704
<b>Group</b>								
<b>Fiscal Year 2021</b>								
Current interest-bearing loans and borrowings	18	1,298,292	3,447,918	(4,357,916)	–	15,857	(71,698)	332,453
Noncurrent interest-bearing loans and borrowings	18	97,737	851,263	(22,737)	–	–	27,027	953,290
Lease liabilities	23	158,525	–	(43,376)	8,412	2,508	2,734	128,803
Accrued interest payable	22	9,045	–	(71,195)	93,056	20	(83)	30,843
Derivative liabilities	19, 22	5,915	–	(6,155)	–	–	240	–
Total liabilities from financing activities		1,569,514	4,299,181	(4,501,379)	101,468	18,385	(41,780)	1,445,389
<b>Group</b>								
<b>Fiscal Year 2020</b>								
Current interest-bearing loans and borrowings	18	492,740	713,696	(832,321)	–	8,079	916,098	1,298,292
Noncurrent interest-bearing loans and borrowings	18	985,915	75,000	(59,102)	–	–	(904,076)	97,737
Lease liabilities		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	22	3,960	–	(2,867)	–	–	4,822	5,915
Total liabilities from financing activities		1,685,379	788,696	(1,020,498)	92,260	9,658	14,019	1,569,514



Del Monte Pacific Limited and its Subsidiaries

Notes to the financial statements  
For the financial year ended 30 April 2022

39. Supplemental Disclosure of Cash Flow Information (cont'd)

	Note	1 May 2021 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 2022 US\$'000
<b>Company Fiscal Year 2022</b>							
Current interest-bearing loans and borrowings, excluding obligations under finance leases and hire purchase Contracts	18	69,810	168,000	(89,810)	–	22,571	170,571
Noncurrent interest-bearing loans and borrowings, excluding obligations under finance leases and hire purchase contracts	18	293,561	165,000	–	–	(23,974)	434,587
Accrued interest payable	22	2,341	–	(11,004)	12,097	–	3,434
Total liabilities from financing activities		365,712	333,000	(100,814)	12,097	(1,403)	608,592

	Note	1 May 2020 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 2021 US\$'000
<b>Company Fiscal Year 2021</b>							
Current interest-bearing loans and borrowings, excluding obligations under finance leases and hire purchase contracts	18	291,282	2,865	(158,911)	–	(65,426)	69,810
Noncurrent interest-bearing loans and borrowings, excluding obligations under finance leases and hire purchase contracts	18	75,000	154,435	–	–	64,126	293,561
Accrued interest payable	22	1,568	–	(11,686)	12,459	–	2,341
Total liabilities from financing activities		367,850	157,300	(170,597)	12,459	(1,300)	365,712



## Del Monte Pacific Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 30 April 2022

#### 39. Supplemental Disclosure of Cash Flow Information (cont'd)

Company	Note	1 May 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>Fiscal Year 2020</b>							
Current interest-bearing loans and borrowings, excluding obligations under finance leases and hire purchase contracts	18	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	18	241,015	75,000	(55,000)	–	(186,015)	75,000
Accrued interest payable	22	2,159	–	(15,637)	15,046	–	1,568
Total liabilities from financing activities		<u>378,244</u>	<u>105,000</u>	<u>(130,637)</u>	<u>15,046</u>	<u>197</u>	<u>367,850</u>

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.

#### 40. Subsequent events

On 16 May 2022, the DMFHL issued US\$600.0 million Term Loan (TLB) with 1-month SOFR of 0.78165%, spread adjustment of 0.10% and margin of 4.25% with a total of 5.13165% all in rate per annum. Interest is initially payable monthly and can be paid quarterly at the Company's option. The Notes will mature on 16 May 2029. Proceeds of US\$600.0 million from the issuance were used to pay the existing US\$500.0 million Senior Secured Notes and the remainder was used for original issue discount (OID), interest, and fees. As of 26 June 2022, total transaction costs relating to issuance of the loan amounted to US\$13.9 million. In fiscal year 2022, US\$0.6 million of transaction cost was paid and included in "Prepaid and Other Current Assets" in the consolidated statement of financial position. In fiscal year 2023, US\$13.3 million transaction cost was paid. 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.

