

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended January 31, 2021
2. Commission identification number. N/A
3. BIR Tax Identification No. N/A
4. Exact name of issuer as specified in its charter Del Monte Philippines, Incorporated
5. Philippines
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code: (SEC Use Only)
7. Address:
JY Campos Centre, 9th Avenue corner 30th Street, Fort Bonifacio, Taguig City, Philippines
8. (088) 855-4312
Issuer's telephone number, including area code
9. N/A
Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common Shares	2,461,641.60
Preference Shares	335,678.40

11. Are any or all of the securities listed on a Stock Exchange?

Yes [] No [/]

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

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes No

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes No

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Please refer to the Financial Statements (FS) section of this report, FS to FS40

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Please refer to the Management's Discussion and Analysis of Financial Condition and Results of Operations section of this report.

PART II--OTHER INFORMATION

Not Applicable

SIGNATURES

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

Issuer **Del Monte Philippines, Inc.**

Signature and Title



Parag Sachdeva
Chief Financial Officer and Duly Authorized Officer

Date March 17, 2021

Del Monte Philippines, Inc. and its Subsidiaries

Unaudited Interim Condensed Consolidated
Financial Statements
As of 31 January 2021
and for the Periods Ended 31 January 2021 and 2020
(With Comparative Audited Consolidated Statement of
Financial Position as at 30 April 2020)

Unaudited Interim Consolidated Statements of Financial Position

(With Comparative Audited Figures as at 30 April 2020)

	Note	As at 31 January 2021 Php'000 (Unaudited)	As at 30 April 2020 Php'000 (Audited)
Current assets			
Cash and cash equivalents	5	1,226,421	1,170,916
Trade and other receivables	6	6,428,668	7,298,204
Inventories	7	5,033,042	4,645,327
Biological assets	8	2,428,701	3,076,198
Prepaid expenses and other current assets	9	1,111,760	503,790
		16,228,592	16,694,435
Noncurrent assets			
Biological assets	8	125,259	107,265
Financial assets at fair value through other comprehensive income (FVOCI)		13,059	13,058
Investment property		201,550	206,185
Property, plant and equipment	10	15,248,352	14,831,175
Intangible assets	11	2,987,400	-
Receivable - noncurrent		3,337	3,108
Net retirement benefits asset		247,314	336,729
Deferred tax assets - net		54	329
Other noncurrent assets	12	1,140,857	1,345,367
		19,967,182	16,843,216
Total assets		36,195,774	33,537,651
Current liabilities			
Loans and borrowings	13	6,760,337	11,442,750
Trade and other current liabilities	14	5,754,351	5,042,055
Current portion of:			
Long term Debt		-	3,000,000
Lease liabilities	22	235,401	289,191
Current tax liabilities		172,218	226,415
		12,922,307	20,000,411
Noncurrent liabilities			
Loans and borrowings	13	2,978,160	-
Bonds	15	6,382,021	-
Deferred tax liabilities – net		140,221	141,956
Lease liabilities	22	1,827,301	2,347,181
		11,327,703	2,489,137
Total liabilities		24,250,010	22,489,548
Equity			
Share capital	18	2,797,320	2,797,320
Reserves		265,867	265,866
Retained earnings – appropriated		2,796,541	2,796,541
Retained earnings - unappropriated		6,077,958	5,180,226
Equity attributable to owners of the Company		11,937,686	11,039,953
Non-controlling interests		8,078	8,150
Total equity		11,945,764	11,048,103
Total equity and liabilities		36,195,774	33,537,651

Unaudited Interim Consolidated Statements of Income

	Note	For the period ended 31 January		For the quarter ended 31 January	
		2021 Php'000	2020 Php'000	2021	2020
Revenue		25,641,999	24,700,273	9,483,181	8,549,942
Cost of sales		(17,732,255)	(17,880,198)	(6,536,454)	(6,134,955)
Gross profit		7,909,744	6,820,075	2,946,727	2,414,987
Distribution and selling expenses		(2,505,602)	(2,510,600)	(934,315)	(880,166)
General and administrative expenses	17	(608,715)	(621,005)	(205,570)	(197,199)
Foreign exchange gain		54,709	183,329	(9,551)	16,719
Other income (expense) – net		(24,563)	21,863	(11,695)	13,318
Results from operating activities		4,825,573	3,893,662	1,785,596	1,367,659
Finance income		12,553	16,836	3,330	2,248
Finance expense		(575,769)	(533,529)	(173,771)	(180,830)
Net finance expense		(563,216)	(516,693)	(170,441)	(178,582)
Profit before taxation	16	4,262,357	3,376,969	1,615,155	1,189,077
Tax expense – current		(782,832)	(527,184)	(229,050)	(187,418)
Tax benefit – deferred		1,460	23,564	4,678	17,037
		(781,372)	(503,620)	(224,372)	(170,381)
Profit for the period		3,480,985	2,873,349	1,390,783	1,018,696
Profit (loss) attributable to:					
Non-controlling interest		(72)	(29)	(10)	(8)
Owners of the Company		3,481,057	2,873,378	2,861,265	2,082,153
Earnings per share					
Basic earnings per share	24	1.35	1.03	0.57	0.36
Diluted earnings per share	24	1.20	1.03	0.48	0.36

Unaudited Interim Consolidated Statements of Comprehensive Income

	For the year ended 31 January		For the quarter ended 31 January	
	2021 Php'000	2020 Php'000	2021 Php'000	2020 Php'000
Profit for the period	3,480,985	2,873,349	1,390,783	1,018,696
Items that may be reclassified subsequently to profit or loss				
Unrealized gain (loss) on change in fair value of financial assets at FVOCI	1	1,489	1,000	(5)
Tax Impact		(225)		
Unrealized gain (loss) on change in fair value of Land	-	152,477	-	-
Tax impact	-	(45,743)	15	-
Other comprehensive income (loss) for the period, net of tax	1	107,998	1,015	(5)
Total comprehensive income for the period	3,480,986	2,981,347	1,391,798	1,018,691
Total comprehensive income (loss) attributable to:				
Owners of the Company	3,481,058	2,981,376	1,391,808	1,018,699
Non-controlling interests	(72)	(29)	(10)	(8)
	3,480,986	2,981,347	1,391,798	1,018,691

The accompanying notes form an integral part of these unaudited interim condensed consolidated financial statements.

Unaudited Interim Consolidated Statements of Changes in Equity
Nine months ended 31 January 2021 and 2020

	Preferred Php'000 (Note 18)	Convertible Common Php'000 (Note 18)	Land Revalua- tion surplus Php'000	Remeasure- ment of retirement Plans Php'000	Fair value reserves on financial assets at FVOCI Php'000	Appropri- ated Php'000	Unappro- priated Php'000	Total Php'000	Non- controlling interests Php'000	Total equity Php'000
Fiscal Year 2021										
At 1 May 2020	–	2,797,320	427,092	(171,943)	10,717	2,796,541	5,180,226	11,039,953	8,150	11,048,103
Effect of adoption of IFRS 16	–	–	–	–	–	–	–	–	–	–
At 1 May 2020, as restated	–	2,797,320	427,092	(171,943)	10,717	2,796,541	5,180,226	11,039,953	8,150	11,048,103
Total comprehensive income for the period										
Income for the period (Note 16)	–	–	–	–	–	–	3,481,057	3,481,057	(72)	3,480,985
Other comprehensive income										
Currency translation differences	–	–	–	–	–	–	–	–	–	–
Revaluation of Land	–	–	–	–	–	–	–	–	–	–
Changes in fair value of financial assets at FVOCI	–	–	–	–	1	–	–	1	–	1
Total other comprehensive income for the period	–	–	–	–	1	–	–	1	–	1
Transactions with owners of the Company recognised directly in equity										
Contributions by and distributions to owners of the Company										
Conversion of Capital Stock	335,678	(335,678)	–	–	–	–	–	–	–	–
Payment of dividends	–	–	–	–	–	–	(2,583,325)	(2,583,325)	–	(2,583,325)
Total contributions by and distributions to owners	335,678	(335,678)	–	–	–	–	(2,583,325)	(2,583,325)	–	(2,583,325)
At 31 January 2021	335,678	2,461,642	427,092	(171,943)	10,718	2,796,541	6,077,958	11,937,686	8,078	11,945,764

The accompanying notes form an integral part of these unaudited condensed consolidated interim financial statements.

Unaudited Interim Consolidated Statements of Changes in Equity
Nine months ended 31 January 2021 and 2020

	Preferred Php'000 (Note 18)	Convertible Common Php'000 (Note 18)	Land Revalua- tion surplus Php'000	Remeasure- ment of retirement plans Php'000	Fair value reserves on financial assets at FVOCI Php'000	Appropria- ted Php'000	Unappro- priated Php'000	Total Php'000	Non- controlling interests Php'000	Total equity Php'000
Fiscal Year 2020										
At 1 May 2019	–	2,797,320	320,358	(145,666)	9,878	15,698,000	2,705,162	21,385,052	8,203	21,393,255
Effect of adoption of IFRS 16	–	–	–	–	–	–	(164,229)	(164,229)	–	(164,229)
At 1 May 2019, as restated	–	2,797,320	320,358	(145,666)	9,878	15,698,000	2,540,933	2,540,933	8,203	21,229,026
Total comprehensive income for the period										
Income for the period (Note 16)	–	–	–	–	–	–	2,873,378	2,873,378	(29)	2,873,349
Other comprehensive income										
Currency translation differences	–	–	–	–	–	–	–	–	–	–
Revaluation of Land	–	–	106,734	–	–	–	–	106,734	–	106,734
Changes in fair value of financial assets at FVOCI	–	–	–	–	1,264	–	–	1,264	–	1,264
Total other comprehensive income for the period	–	–	106,734	–	1,264	–	–	107,998	–	107,998
Transactions with owners of the Company recognised directly in equity										
Contributions by and distributions to owners of the Company										
Conversion of Capital Stock	–	–	–	–	–	–	–	–	–	–
Payment of dividends	–	–	–	–	–	–	(13,796,097)	(13,796,097)	–	(13,796,097)
Appropriations	–	–	–	–	–	(15,695,000)	15,695,000	–	–	–
Total contributions by and distributions to owners	–	–	–	–	–	(15,695,000)	1,898,903	(13,796,097)	–	(13,796,097)
At 31 January 2020	–	2,797,320	427,092	(145,666)	11,142	3,000	7,313,214	10,406,102	8,174	10,414,276

The accompanying notes form an integral part of these unaudited condensed consolidated interim financial statements.

Unaudited Interim Consolidated Statements of Cash Flows

	Nine months ended	
	31 January	
Note	2021	2020
	PHP'000	PHP'000
Cash flows from operating activities		
Profit (loss) before taxation	4,262,357	3,376,969
Adjustments for:		
Depreciation of property, plant and equipment	3,626,670	3,904,956
Finance cost	556,766	476,765
Net retirement benefit expense	93,758	60,657
Unrealized foreign exchange gains (loss) - net	56,140	35,328
Interest income	(12,553)	(16,836)
Gain (loss) on disposal of property, plant and equipment	(1,125)	(1,724)
	8,582,013	7,824,001
Changes in:		
Trade and other receivables	(1,107,724)	(2,553,746)
Inventories	(387,715)	924,987
Biological assets	629,502	(440,569)
Prepaid and other current assets	(607,969)	(39,561)
Trade and other payables	392,645	(878,062)
Other noncurrent liabilities	(434,430)	(40,582)
Operating cash flows	7,066,324	4,808,583
Interest received	12,553	16,836
Taxes paid	(837,029)	(435,472)
Net cash flows generated from operating activities	6,241,848	4,389,947
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,039,746)	(3,840,740)
Acquisitions of Trademark	(2,987,400)	-
Other noncurrent assets	193,482	(1,058,498)
Proceeds from disposal of property, plant and equipment	1,659	3,465
Net cash flows used in investing activities	(6,832,005)	(4,895,773)

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Unaudited Interim Consolidated Statements of Cash Flows (Continued)

	Note	Nine months ended	
		31 January	
		2021	2020
		Php'000	Php'000
Cash flows from financing activities			
Proceeds from borrowings		118,563,130	110,606,043
Repayment of borrowings		(123,270,232)	(109,603,361)
Proceeds from bonds		6,382,021	-
Interest paid		(563,912)	(436,392)
Payments of lease liability		(199,625)	(96,621)
Dividends paid		(263,499)	-
Net cash flows provided by financing activities		647,883	469,669
Net increase (decrease) in cash and cash equivalents		55,505	(30,194)
Cash and cash equivalents at beginning of period		1,170,916	563,934
Effect of exchange rate changes on balances held in foreign currency		(2,221)	5,963
Cash and cash equivalents at end of period		1,226,421	533,740

Selected Notes to the Unaudited Interim Condensed Consolidated Financial Statements

1. Reporting Entity

Del Monte Philippines, Inc. (“DMPI” or the “Parent Company”), was incorporated in the Philippines on January 11, 1926. On September 13, 1963, the Board of Directors (the “Board”) amended the Parent Company’s Articles of Incorporation to extend its life by 50 years from January 11, 1976.

On February 23, 1966, the Philippine Securities and Exchange Commission (“SEC”) approved the extension of the Parent Company’s corporate life. On March 1, 2021, the SEC approved the Parent Company’s perpetual corporate term. The Parent Company’s principal activities are the growing, processing and distribution of food products mainly under the brand names “Del Monte”, “Today’s” and “S&W”.

The Parent Company is a subsidiary of Central American Resources, Inc. (CARI), a company incorporated in Panama. The intermediate parent company is Del Monte Pacific Ltd. (“DMPL”), a company incorporated in the British Virgin Islands and a listed entity in the Singapore Exchange Securities Trading Limited and the Philippine Stock Exchange. The Parent Company’s ultimate shareholders are NutriAsia Inc. (“NAI”) and Well Grounded Limited.

The Parent Company’s cannery operation is registered with the Philippine Economic Zone Authority at the Philippine Packing Agricultural Export Processing Zone as an Ecozone Export Enterprise under Certificate of Registration No. 05-34F which was approved on December 3, 2007. On October 12, 2015, Certificate of Registration No. 07-68 was approved for the registration of its additional activity, particularly the Fresh Fruit Processing Project at the Bukidnon Agro-Resource Export Zone (BAREZ) in Manolo Fortich, Bukidnon.

On August 18, 2017, a supplemental agreement was signed to include a new project. Production of peeled, cut fresh frozen pineapples was added to its registered activities at the BAREZ.

The Parent Company’s registered address is JY Campos Centre (JYCC), 9th Avenue corner 30th Street, Bonifacio Global City, Taguig City.

The Parent Company and its subsidiaries (collectively referred to as the “Company”) are all incorporated in the Philippines. The principal activities of the Parent Company’s subsidiaries are as follows:

Name of subsidiary	Principal Place of Business	Principal Activities	Effective equity held by DMPI	
			April 30, 2020	April 30, 2019
Philippines Packing Management Services Corporation (PPMSC)	Philippines	Administer intellectual property assets, management, logistics and support services	100%	100%
Del Monte Txanton Distribution Inc. (DMTDI)	Philippines	Trading, selling and distributing food, beverages and other related products	40%	40%

On April 22, 2019, at a joint special meeting, the Board and stockholders of DMTDI authorized the dissolution and liquidation of the Corporation by shortening its corporate term. As at

January 31, 2021, the application for the dissolution and liquidation is yet to be submitted with the SEC due to certain regulatory and documentary requirements.

The SEC approved the amendment of the Parent Company's articles of incorporation last March 23, 2018. The amendments include change of principal office to JYCC, 9th Avenue corner 30th Street, Bonifacio Global City, Taguig City and increase of number of directors to 7. Included also is the decrease of par value of its common shares from ₱100 per share to ₱1 per share, and the conversion of preferred shares of the Parent Company into common shares, while retaining the authorized capital stock in the amount of three billion pesos (₱ 3,000,000,000).

On December 9, 2019, in a joint special meeting of the Board and stockholders of the Parent Company, the following amendments to the articles of incorporation were unanimously approved:

1. Conversion of the authorized common shares amounting to ₱3,000,000,000 to common shares convertible to voting, participating, redeemable and convertible preferred shares (RCPS). The RCPS shall be convertible to common shares.
2. The RCPS may be issued from time to time as the Board may determine the amount and the issue price, cash dividend rate, and period and manner of redemption of the RCPS. To the extent not set forth in this amended articles of incorporation, the specific terms and restrictions of each issuance of the RCPS shall be specified through Enabling Resolutions as may be adopted by the Board prior to the issuance thereof, which Enabling Resolutions shall be filed with the SEC and thereupon be deemed a part of the amended articles of incorporation.

The SEC approved these amendments to the articles of incorporation on February 11, 2020.

On January 24, 2020, DMPL, CARI, the Parent Company and SEA Diner Holdings (S) Pte. Ltd. (SEA Diner), a company incorporated in Singapore, entered into a Share Purchase Agreement whereby CARI will sell 335,678,400 shares equivalent to 12% ownership interest in the Parent Company to SEA Diner for a consideration of US\$120,000,000. SEA Diner may require the Parent Company, DMPL or CARI to redeem all of the shares sold by CARI at such price that will allow SEA Diner to meet certain internal rate of return in case of default events, including but not limited to, any of DMPL, CARI or the Parent Company is in breach of the agreed transaction documents, the Parent Company fails to comply with its obligation to effect the conversion of the ordinary shares sold to SEA Diner to RCPS, enter the name of SEA Diner as the registered holder of the RCPS, and issue to SEA Diner the RCPS certificates within the agreed long-stop date, and any of NutriAsia Pacific Ltd. or NutriAsia, Inc. ceasing to be the direct or indirect controlling shareholder of DMPL or the Parent Company.

In the case of any other redemption events, including but not limited to, an exit not completed within five years from the closing date, breach of any financial covenant by DMPL, CARI and the Parent Company or a relevant DMPL Company is in default on any of its indebtedness which is not cured within 30 business days from written notice thereof, and any relevant DMPL Company or Del Monte Foods Holdings Limited or its subsidiaries suffers insolvency, the Parent Company shall redeem the RCPS subject to the mutual consent of the Parent Company and the holder of the RCPS.

The Board and the stockholders approved the share purchase transaction above and other transaction documents on March 3, 2020, including the conversion of the convertible common shares to RCPS. As at April 30, 2020, the Parent Company has substantially complied with the terms and conditions of the Share Purchase and Shareholder Agreements.

On 1 May 2020, Dewey Sdn. Bhd., assigned to PPMSC, various trademark which includes the “Del Monte” and “Today’s” trademarks for use in connection with processed foods in the Philippines. The trademarks has a carrying value of Php 2.99 billion.

On June 29, 2020, PPMSC amended its articles of incorporations to reflect the primary purpose of the Corporation to acquire, own, hold, administer and manage various intellectual property assets such as patents and trademarks. The Company's amended secondary purpose is to provide management, logistical and support services to owners, lessees, locators or occupants of properties.

On August 03, 2020, the Parent Company has amended its Articles of Incorporation to reflect the conversion of common shares per Share Purchase Agreement to RCPS.

On October 30, 2020, the Parent Company issued peso-denominated fixed-rate bonds with an aggregate principal amount of Php 5,000,000,000 with an oversubscription option of up to Php 2,500,000,000, with the following 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.

On December 16, 2020, CARI sold additional 27,973,200 common shares of the Company to Sea Diner Holdings Pte. Ltd. in consideration of \$10 Million Dollars.

On February 5, 2021, the Board approved the amendment to the articles of incorporation for which the Company shall be on perpetual corporate term. The authorized capital stock in the amount of three billion pesos (₱3,000,000,000) and par value of its common shares at ₱1 per share shall be retained. The SEC approved this amendment to the articles of incorporation on March 1, 2021.

2. Basis of preparation

2.1 Statement of compliance

The consolidated financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRSs also includes Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Financial Reporting Standards Council (FRSC).

2.2 Basis of measurement

The consolidated financial statements of the Company have been prepared on a historical cost basis, except for the following items which are measured on the following basis at each reporting date:

- Financial instruments at fair value through other comprehensive income (FVOCI) are measured at fair value;
- Land under “Property, plant and equipment” account is measured at revalued amount;
- Biological assets are measured at fair value less point-of-sale costs, except for those whose fair value cannot be measured reliably, have no active markets or no similar assets are available in the relevant market. In such cases, these biological assets are stated at cost; and
- Retirement benefits asset/liability is measured at the net total of the fair value of the plan assets less the present value of the defined benefit obligation.

2.3 Functional and presentation currency

The consolidated financial statements are presented in Philippine peso, which is also the Company's functional currency. All amounts have been rounded off to the nearest thousand (₱ 000), unless otherwise indicated.

2.4 Basis of consolidation

Subsidiaries are entities controlled by the Parent Company. The Parent Company controls an investee if and only if the Parent 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 Parent Company has less than majority of the voting rights or similar rights to an investee, the Parent 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 Parent Company's voting rights and potential voting rights.

The Parent Company re-assesses 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 obtained by the Parent Company and cease to be consolidated from the date the Parent Company loses control over the subsidiaries. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent 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 in line with the Parent Company's accounting policies. All significant intra-Company assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Company are eliminated in full on consolidation.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Parent Company and are presented separately from equity attributable to equity holders of the Parent Company in the consolidated financial statements. This includes non-controlling equity interests in DMTDI.

2.5 Loss of control

If the Parent loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any noncontrolling interest
- Derecognizes the cumulative translation differences recorded in equity

- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate

2.6 Transaction eliminated during consolidation

Intra-company balances and transactions, and any unrealized income or expenses arising from intra-company transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with joint ventures are eliminated against the investment to the extent of the Parent Company'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.

2.7 Events after reporting period

Post year-end events up to the date when the financial statements are authorized for issue that provide additional information about the Company's position at each reporting date (adjusting events) are reflected in the financial statements. Significant post year-end events that are not adjusting events are disclosed in the notes to the financial statements, when material

3. Significant accounting policies

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's 2020 annual consolidated financial statements, except for the adoption of the following amendments effective beginning 1 May 2020, which did not have any significant impact on the Company's financial position or performance, unless otherwise indicated:

- *Amendments to References to Conceptual Framework in IFRS Standards* sets out amendments to IFRS Standards, their accompanying documents and IFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes:
 - a new chapter on measurement;
 - guidance on reporting financial performance;
 - improved definitions of an asset and a liability, and guidance supporting these definitions; and
 - clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Some Standards, their accompanying documents and IFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee ("IASB")'s Framework for the Preparation and Presentation of Financial Statements adopted by the International Accounting Standards Board ("IASB") in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework, and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

- *Amendments to IFRS 3, Definition of a Business*

The amendments to IFRS 3 clarifies the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

These amendments will apply on future business combinations of the Company.

- *Amendments to IAS 1, Presentation of Financial Statements, and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments refines the definition of material in IAS 1 and align the definitions used across IFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

An entity applies those amendments prospectively for annual reporting periods beginning on or after 1 May 2020, with earlier application permitted. The Company is currently assessing the impact of adopting this standard.

- Amendments to IFRS 7, Financial Instruments: Disclosures and IFRS 9, Financial Instruments, Interest Rate Benchmark Reform.

The amendments to IFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument

- Amendments to IFRS 16, COVID-19-related Rent Concessions

The amendments provides relief to lessees from applying the IFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- There is no substantive change to other terms and conditions of the lease.

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

The amendments are effective for annual reporting periods beginning on or after 1 June 2020. Early adoption is permitted.

The Company is currently assessing the impact of adopting this standard.

4. Seasonality of Operations

The Company's business is subject to seasonal fluctuations as a result of increased demand during the end of year festive season. The Company's sales are usually highest during the three months from October to December. This seasonal production primarily relates to the majority of processed fruits and toll pack goods.

5. Cash and cash equivalents

	31 January 2021 Php'000	30 April 2020 Php'000
Cash on hand	3,742	2,899
Cash in banks	1,222,679	1,152,017
Cash equivalents	-	16,000
Cash and cash equivalents	<u>1,226,421</u>	<u>1,170,916</u>

Certain cash in bank accounts earn interest at floating rates based on daily bank deposit rates ranging from 0.01% to 0.50% as of 31 January 2021 (30 April 2020: 0.01% to 0.50% per annum). 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 Company and earn interest rate of 1.00% to 1.25% per annum (30 April 2020: 1.19% to 4.20%) as of 31 January 2021.

6. Trade and other receivables

	31 January 2021 Php'000	30 April 2020 Php'000
Trade receivables	2,437,381	2,141,753
Non trade receivables	4,039,574	5,211,125
Allowance for doubtful accounts – trade	(37,182)	(37,834)
Allowance for doubtful accounts – nontrade	(11,105)	(16,840)
Trade and other receivables	<u>6,428,668</u>	<u>7,298,204</u>

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

	Gross		Impairment losses	
	Trade Php'000	Non trade Php'000	Trade PHP'000	Non trade PHP'000
At 31 January 2021				
Not past due	1,663,461	1,535,683	-	-
Past due 0 - 60 days	639,715	533,272	-	-
Past due 61 - 90 days	27,685	220,818	-	-
Past due 91 - 120 days	6,838	1,212,014	-	-
More than 120 days	99,682	537,787	(37,182)	(11,105)
	<u>2,437,381</u>	<u>4,039,574</u>	<u>(37,182)</u>	<u>(11,105)</u>

	Gross		Impairment losses	
	Trade PHP'000	Non trade PHP'000	Trade PHP'000	Non trade PHP'000
At 30 April 2020				
Not past due	1,511,407	845,161	-	-
Past due 0 - 60 days	426,616	934,695	-	-
Past due 61 - 90 days	22,027	471,675	-	-
Past due 91 - 120 days	16,488	374,764	-	-
More than 120 days	165,215	2,584,830	(37,834)	(16,840)
	<u>2,141,753</u>	<u>5,211,125</u>	<u>(37,834)</u>	<u>(16,840)</u>

Source of estimation uncertainty

The Company maintains an allowance for impairment of accounts receivables at a level considered adequate to provide for potential uncollectible receivables based on the applicable ECL methodology. The level of this allowance is evaluated by the Company on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Company's relationship with debtors, their payment behaviour and known market factors. The Company reviews the age and status of receivables, and identifies accounts that are to be provided with allowance on a continuous basis. Additionally, allowance is also determined, through a provision matrix based on the Company'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 Company made different judgement or utilised different estimates. An increase in the Company's allowance for impairment would increase the Company's recorded operating expenses and decrease current assets.

7. Inventories

	31 January 2021 Php'000	30 April 2020 Php'000
Cased goods and other merchandise		
- at cost	1,361,562	1,528,761
- at net realisable value	1,045,108	676,175
Production materials and supplies		
- at cost	—	—
- at net realisable value	2,080,959	1,925,766
Storeroom supplies		
- at cost	—	—
- at net realisable value	545,413	514,625
	5,033,042	4,645,327

Inventories are stated after allowance for inventory obsolescence. Movements in the allowance for inventory obsolescence during the period/year are as follows:

	Note	31 January 2021 Php'000	30 April 2020 PHP'000
At beginning of the period/year		352,516	395,296
Allowance for the period/year	7	81,890	98,534
Write-off against allowance		(67,846)	(141,314)
At end of the period/year		366,560	352,516

Source of estimation uncertainty

The Company recognises allowance on inventory obsolescence when inventory items are identified as obsolete. Obsolescence is based on the physical and internal condition of inventory items. Obsolescence is also established when inventory items are no longer marketable. Obsolete goods when identified are charged to income statement and are written off. In addition to an allowance for specifically identified obsolete inventory, estimation is made on a group basis based on the age of the inventory items. The Company believes such

estimates represent a fair charge of the level of inventory obsolescence in a given year. The Company 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 realisable value are based on the most reliable evidence available at the time the estimates are made of the amount the inventories expected to be realised. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after reporting date to the extent that such events confirm conditions existing at the reporting date.

The Company reviews on a continuous basis the product movement, changes in customer demands and introductions of new products to identify inventories which are to be written down to the net realisable values. The write-down of inventories is reviewed periodically to reflect the accurate valuation in the financial records. An increase in write-down of inventories would increase the recorded cost of sales and decrease current assets.

8. Biological assets

	31 January 2021 Php'000	30 April 2020 Php'000
Livestock		
At beginning of the period/year	107,265	87,608
Purchases of livestock	40,153	58,617
Sales of livestock	(22,159)	(38,960)
At end of the period/year	125,259	107,265
	31 January 2021 Php'000	30 April 2020 Php'000
Agricultural produce		
At beginning of the period/year	1,300,529	1,368,032
Additions	505,371	494,604
Harvested	(1,026,710)	(562,107)
At end of the period/year	779,190	1,300,529
Fair value gain on produce prior to harvest	1,649,511	1,775,669
At end of the period/year	2,428,701	3,076,198
	31 January 2021 Php'000	30 April 2020 Php'000
Current	2,428,701	3,076,198
Noncurrent	125,259	107,265
Totals	2,553,960	3,183,463

9. Prepaid expenses and other current assets

	31 January 2021 Php'000	30 April 2020 PHP'000
Advances to suppliers	765,832	179,702
Input VAT – net	110,225	26,327
Prepaid taxes	76,803	49,700
Deferred transportation cost	56,900	37,411
Employee benefits	27,698	35,388
Short-term deposit	21,000	–
Land development costs	18,953	97,800
Others	32,891	77,137
	<u>1,111,760</u>	<u>503,790</u>

Advances to suppliers are down payments incurred by the Company for the purchase of materials and supplies that will be used for operations.

Input VAT pertain to prepayments made to regulatory authorities for the purchase of materials and supplies that will be used for manufacturing goods.

Prepaid taxes pertain to real property, local business, and excise taxes are paid in advance to regulatory authorities and are usually amortized within the next reporting period.

Deferred transportation cost pertains to advanced payment on delivery and transportation services and is normally incurred within the next financial period.

Employee benefits pertain to signing bonus, allowances and other fringe benefits granted to employees.

Short-term deposits pertain to commercial papers with a term of more than three months.

Land development costs pertains to prepayments on land development expenses that should be incurred within the financial year.

Other current assets consist of prepaid insurance, subscriptions, financial charges and membership dues.

10. Property, plant and equipment

Company	<----- At cost ----->					At appraised value		Total Php'000
	Buildings, land improvements and leasehold improvements Php'000	Machineries and equipment Php'000	Construction -in-progress Php'000	Bearer Plants Php'000	Right of use assets Php'000	Freehold land Php'000		
Cost/Valuation								
At 1 May 2020	2,599,815	11,310,024	597,724	18,207,559	3,762,302	610,232		37,087,656
Additions	4,822	61,579	257,763	3,901,137	126,014	-		4,351,315
Disposals	-	-	-	-	-	-		-
Write off – closed fields	-	(10,413)	-	(2,937,458)	-	-		(2,947,871)
Transfers/Adjustment	72,209	145,450	(217,659)	-	(311,570)	-		(311,570)
At 31 January 2021	<u>2,676,846</u>	<u>11,506,640</u>	<u>637,828</u>	<u>19,171,238</u>	<u>3,576,746</u>	<u>610,232</u>		<u>38,179,530</u>
At 1 May 2019	2,495,353	1,660,187	17,140,997	18,660,980	3,611,048	36,134,402		34,958,718
Additions	45,221	204,949	337,152	4,950,674	151,254	-		5,689,250
Disposals	(38,916)	(703,515)	-	-	-	-		(742,431)
Write off – closed fields	-	-	-	(2,968,731)	-	-		(2,968,731)
Revaluation	-	-	-	-	-	152,477		152,477
Transfers/Adjustment	98,157	555,025	(654,809)	-	-	-		(1,627)
At 30 April 2020	<u>2,599,815</u>	<u>1,716,646</u>	<u>16,823,340</u>	<u>20,642,923</u>	<u>3,762,302</u>	<u>36,286,879</u>		<u>37,087,656</u>
Accumulated depreciation and impairment losses								
At 1 May 2020	1,266,087	8,363,620	-	12,150,623	476,151	-		22,256,481
Charge for the year	102,020	473,194	-	2,674,602	340,069	-		3,589,885
Write off – closed fields	-	-	-	(2,937,458)	-	-		(2,937,458)
Disposals	-	(9,880)	-	-	-	-		(9,880)
Transfers/Adjustment	(175)	(1,980)	-	-	34,305	-		32,150
At 31 January 2021	<u>1,367,932</u>	<u>8,824,954</u>	<u>-</u>	<u>11,887,767</u>	<u>850,525</u>	<u>-</u>		<u>22,931,178</u>
At 1 May 2019	1,188,664	8,405,795	-	11,103,038	-	-		20,697,497
Charge for the year	115,357	654,106	-	4,016,316	476,151	-		5,261,930
Write off – closed fields	-	-	-	(2,968,731)	-	-		(2,968,731)
Disposals	(37,934)	(696,281)	-	-	-	-		(734,215)
At 30 April 2020	<u>1,266,087</u>	<u>8,363,620</u>	<u>-</u>	<u>12,150,623</u>	<u>476,151</u>	<u>-</u>		<u>22,256,481</u>
Carrying amounts								
At 31 January 2021	<u>1,308,914</u>	<u>2,681,686</u>	<u>637,828</u>	<u>7,283,471</u>	<u>2,726,221</u>	<u>610,232</u>		<u>15,248,352</u>
At 30 April 2020	<u>1,333,728</u>	<u>(6,646,974)</u>	<u>16,823,340</u>	<u>8,492,300</u>	<u>3,286,151</u>	<u>36,286,879</u>		<u>14,831,175</u>

11. Intangible asset

On 1 May 2020, Dewey Sdn. Bhd., assigned to PPMSC, various trademark which includes the “Del Monte” and “Today’s” trademarks for use in connection with processed foods in the Philippines.

Management has assessed the trademark as having indefinite useful lives as the Company has exclusive access to the use of these trademarks. The trademark is expected to be used indefinitely by the Company as they relate to continuing businesses that have a proven track record with stable cash flows.

12. Other noncurrent assets

	31 January 2021 Php'000	30 April 2020 Php'000
Deferred land development costs	552,651	441,709
Advance rent	366,634	361,133
Refundable deposits	99,869	95,824
Security deposits	-	312,966
Advances to suppliers	54,205	87,292
Deferred input VAT	30,539	37,571
Others	36,959	8,872
	<u>1,140,857</u>	<u>1,345,367</u>

Deferred land development costs are advanced payments for the preparation, maintenance and continuance of the life cycle of pineapple or papaya crops.

Advance rent pertains to payments related to lease contracts which will commence beyond one year from the reporting period.

Refundable rental deposits are deposits made under lease contracts entered by the Parent Company.

Security deposits pertain to payments made by NAI in connection with the Parent Company's intention to avail of the additional production capacity under the toll manufacturing agreement. The security deposit related to the tolling agreement for the additional capacity is finalized or in the event that the additional capacity does not materialize. On August 2020, the security deposit has been returned by NAI.

Advances to supplier represent advance payments made to cover capital expenditures of the Parent Company.

Deferred input VAT on capital goods represents input VAT on property and equipment that are to be amortized over its useful life or 5 years, whichever is shorter.

Other noncurrent assets pertain to deferred expenses expected to be amortized beyond one year from the next reporting period.

13. Loans and borrowings

	31 January 2021 Php'000	30 April 2020 Php'000
Current liabilities		
Unsecured bank loans	6,760,337	14,442,750
Secured bank loans	-	-
	<u>6,760,337</u>	<u>14,442,750</u>
Non-current liabilities		
Unsecured bank loans	-	-
Secured bank loans	2,978,160	-
	<u>2,978,160</u>	<u>-</u>
	<u>9,738,497</u>	<u>14,442,750</u>

Terms and debt repayment schedule

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

Company	Currency	Nominal interest rate % p. a.	Year of maturity	31 January 2021		30 April 2020	
				Face value Php'000	Carrying amount PHP'000	Face value PHP'000	Carrying amount PHP'000
Secured bank loans	PHP	4.42%	2023-2025	1,500,000	1,489,188	3,000,000	3,000,000
Secured bank loans	PHP	3.00%	2025	1,500,000	1,488,972	-	-
Unsecured bank loans	PHP	3.90%-4.13%	2020	4,270,000	4,270,000	7,580,000	7,580,000
Unsecured bank loans	USD	2.60%-3.00%	2020	2,490,337	2,490,337	3,862,750	3,862,750
				<u>9,760,337</u>	<u>9,738,497</u>	<u>14,442,750</u>	<u>14,442,750</u>

On August 3, 2020, the Company repaid Php 1,500,000 of the long-term loan through its existing short-term credit facility. On October 23, 2020 the Company has refinanced its Php1,500,000 loan payable over 9 equal quarterly installments with the first repayment date on August 3, 2023 and last repayment date on August 3, 2025.

The Company is compliant with its loan covenants as at 31 January 2021 and 30 April 2020.

Long Term Borrowings

Long-term Borrowings	Original Principal (In '000)	Outstanding Balance (In '000)	Interest Rate % p.a.	Year of Maturity	Payment Terms (e.g., annually, quarterly, etc.)	Interest paid 1 May 2020 to 31 January 2021 (In '000)
BDO Long-term Loan	1,500,000	1,500,000	Higher of Libor or 4.125%	2023-2025	Quarterly interest payment and principal on maturity dates	Php 56,812
DBP Long-term Loan	1,500,000	1,500,000	Higher of Libor or 3.00%	2025	Interest payment and principal on maturity dates	Php 10,750

14. Trade and other current liabilities

	31 January 2021 Php'000	30 April 2020 Php'000
Accounts payable:		
Trade	4,034,661	3,369,598
Royalties	-	113,456
Nontrade	96,833	90,305
Due to related parties:	97,394	81,300
Accrued operating expenses:	-	-
Advertising, promotions and discounts	469,111	233,201
Salaries, bonuses and other employee benefits	208,267	139,576
Freight and warehousing	158,538	106,724
Payable to government agencies	117,667	145,367
Rental	109,728	173,727
Professional and outside services	121,918	161,049

Tinplate and consigned stocks	90,112	190,469
Capital expenditures	1,737	68,566
Others	248,385	168,717
	<u>5,754,351</u>	<u>5,042,055</u>

Trade payables are noninterest-bearing and are normally settled on 30 to 120-day terms.

Royalties payable are from the royalty agreement with ALCOR Hungary Szogaltato Kft. Capita International Financial Services (“ALCOR”). Royalties payable are noninterest-bearing and are paid and remitted within thirty (30) days after each calendar quarter, except the last quarter, which is made within fifteen (15) days after the issuance of the external auditor’s certificate verifying the amount of the Parent Company’s net sales for the period. On May 2020, the royalty agreement with ALCOR has been terminated completely.

With the assignment by Dewey Sdn. Bhd., to PPMSC of various trademarks including the “Del Monte” and “Today’s” trademarks, the Parent Company now pays royalties to PPMSC at 1% of net sales. The balance of royalty payable due to PPMSC is eliminated due to consolidation process.

Due to related parties are unsecured and noninterest-bearing purchases of services, rentals, toll pack and management services from related parties which are expected to be paid within the next fiscal year.

Accrued expenses are payable within the next fiscal year.

15. Bonds Payable

	31 January 2021 Php’000	30 April 2020 Php’000
Outstanding as of May 1, 2020	–	–
Additions	6,478,460	–
Amortisations	–	–
Outstanding as of January 31, 2021	<u>6,478,460</u>	<u>–</u>

The balance of unamortised debt issuance cost follows:

Outstanding as of May 1, 2020	–	–
Additions	104,466	–
Amortisations	8,027	–
Outstanding as of January 31, 2021	<u>96,439</u>	<u>–</u>

On October 30, 2020, the Parent Company issued peso-denominated fixed-rate bonds with an aggregate principal amount of Php 5,000,000,000 with an oversubscription option of up to Php 2,500,000,000, with the following 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.

16. Profit for the period

The following items have been included in arriving at profit for the period:

	Note	Nine months ended 31 January	
		2021 Php'000	2020 Php'000
Provision (Reversal) for inventory obsolescence	7	81,890	141,129
Provision (Reversal) of allowance for doubtful receivables (trade)	6	(6,387)	(620)
Amortisation of right-of-use assets	22	340,069	328,592
Depreciation of property, plant and equipment	10	<u>2,755,957</u>	<u>2,909,627</u>

17. General and administrative expenses

This account consists of the following:

	Nine months ended 31 January	
	2021 Php'000	2020 Php'000
Personnel costs	320,446	290,475
Depreciation and amortization	99,755	90,774
Professional fees	44,793	41,864
Technology cost	42,122	40,360
Training and employee activities	26,216	62,386
Travel and transportation	18,287	33,453
Rent	13,195	11,469
Utilities	10,575	12,198
Supplies	9,027	6,336
Outside services	8,752	10,241
Taxes and insurance	3,399	3,439
Others	12,148	18,010
	<u>608,715</u>	<u>621,005</u>

18. Share capital

		31 January 2021		30 April 2020	
		No. of shares (‘000)	Php'000	No. of shares (‘000)	PHP'000
Authorised:					
Ordinary shares of	Php1.00 each	3,000,000	3,000,000	3,000,000	3,000,000
Preference shares of	Php1.00 each	-	-	-	-
		<u>3,600,000</u>	<u>3,600,000</u>	<u>3,600,000</u>	<u>3,600,000</u>
Issued and fully paid:					
Ordinary shares of	Php1.00 each	2,461,642	2,461,642	2,797,320	2,797,320
Preference shares of	Php1.00 each	335,678	335,678	-	-
		<u>2,797,320</u>	<u>2,797,320</u>	<u>2,797,320</u>	<u>2,797,320</u>

On March 23, 2018, the SEC approved the amendment of the Parent Company's articles of incorporation, which includes the conversion of preferred shares of the Parent Company into common shares, while retaining the authorized capital stock in the amount of three billion pesos (₱3,000,000,000)

On December 9, 2019, in a joint special meeting of the Board and stockholders of the Parent Company, the conversion of the authorized common shares amounting to ₱3,000,000,000 to common shares convertible to voting, participating RCPS was approved. The RCPS shall be convertible to common shares. The SEC approved the amendment of the Parent Company's articles of incorporation on February 11, 2020

The Parent Company declared stock dividends to preferred shareholders on January 22, 2018 and subsequently issued on February 6, 2018 amounting to ₱322,920 (3,229,200 shares at par value of ₱100 per share), which is 5% of the total par value for calendar year 2005 and for the period from calendar year 2008 up to fiscal year 2017.

On June 14, 2019, the Parent Company declared cash dividend of ₱4.93 per share to the holders of common shares of the Corporation as of close of business of June 21, 2019 amounting to ₱13,796,097. The payment was set off against the Parent Company's receivables from GTL Limited, DMPL and S&W Fine Foods International Ltd. on July 31, 2019 through a restructuring agreement.

On June 29, 2020, the Parent Company declared cash dividend of **0.9235** per share to the holders of common shares of the Corporation as of close of business of June 29, 2020 amounting to 2,583,325. The payment was partly remitted and the balance was set off against the Parent Company's receivables from S&W Fine Foods International Ltd, DMPL, DMS on July 31, 2020 through a restructuring agreement.

On August 03, 2020, the Company has amended its Articles of Incorporation to reflect the conversion of common shares per Share Purchase Agreement to RCPS.

On September 30, 2020, PPMSC declared cash dividend of ₱360 per share to the holders of common shares of the Corporation as of close of business of October 7, 2020 and was paid on March 2, 2021.

On December 16, 2020, CARI sold additional 27,973,200 common shares of the Company to Sea Diner Holdings Pte. Ltd. in consideration of \$10 Million Dollars.

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 Company'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 Company 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 Company 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 Company's approach to capital management during the fiscal year.

19. Related parties

Related party transactions

For the purposes of these financial statements, parties are considered to be related to the Company if the Company 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 Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Other than disclosed elsewhere in the financial statements, transactions with related parties are as follows:

Category/ Transaction	Period	Amount of the transaction Php'000	Outstanding balance – receivables/ (payables) Php'000	Terms	Conditions
Ultimate Parent					
▪ Sales	January 2021	792	580	Due and demandable; non-interest bearing	Unsecured; no impairment
	April 2020	226	23		
▪ Purchases	January 2021	(2,205)	3,119	Due and demandable; non-interest bearing	Unsecured; no impairment
	April 2020	(10,287)	2,120		
▪ Advances and security deposits	January 2021	–	–	Due and demandable; non-interest bearing	Unsecured; no impairment
	April 2020	–	282,749		
▪ Services and other reimbursements	January 2021	10,416	12,721	non-interest bearing	Unsecured; no impairment
	April 2020	6,789	6,819		
Under Common Control					
▪ Sales	January 2021	3,058,333	2,069,307	Due and demandable; non-interest bearing	Unsecured; no impairment
	April 2020	3,317,114	2,879,403		
▪ Purchases and royalties	January 2021	(14,310)	(1,505)	Due and demandable; non-interest bearing	Unsecured no impairment
	April 2020	(135,852)	(121,848)		
▪ Advances	January 2021	9,099,109	1,540,547	Due and demandable; non-interest bearing	Unsecured no impairment
	April 2020	732,774	1,821,331		
▪ Services and other reimbursements	January 2021	(67,620)	(22,946)	Due and demandable; non-interest bearing	Unsecured no impairment
	April 2020	(1,204,765)	(27,647)		
Other Related Party					
▪ Sales	January 2021	151,109	114,712	Due and demandable; non-interest bearing	Unsecured; no impairment
	April 2020	114,712	127,123		
▪ Purchases	January 2021	(31,105)	(58,822)	Due and demandable; non-interest bearing	Unsecured no impairment
	April 2020	(5,751)	(27,717)		
▪ Rendering of services	January 2021	154	136	Due and demandable; non-interest bearing	Unsecured no impairment
	April 2020	107	77		
▪ Lease receivables	January 2021	145	3,337	Due and demandable; non-interest bearing	Unsecured no impairment
	April 2020	3,271	3,192		
▪ Rental of office space and common use area	January 2021	(89,960)	(14,120)	Due and demandable; non-interest bearing	Unsecured no impairment
	April 2020	(86,903)	(32,157)		
	January 2021	12,114,858	3,647,065		
	April 2020	2,731,436	4,913,513		

The transactions with related parties are carried out based on terms agreed between the parties. Pricing for the sales of products are market driven, less certain allowances. For purchases, the Company's policy is to solicit competitive quotations. Purchases are normally awarded based on the lowest price.

Except for transactions identified in the previous section as interest-bearing, outstanding balances at financial reporting date are unsecured, interest-free and settlement occurs in cash and are collectible or payable on demand. As at 31 January 2021 and 30 April 2020, the Company has not made any provision for doubtful accounts relating to amounts owed by related parties.

20. 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:

	Note	Financial assets at amortised cost Php'000	Derivatives Php'000	Other financial liabilities Php'000	Total carrying amount Php'000	Fair value Php'000
31 January 2021						
Cash and cash equivalents		1,226,421	–	–	1,226,421	1,226,421
Trade and other receivables		6,428,668	–	–	6,428,668	6,428,668
Notes receivables		–	–	–	–	–
Refundable deposits**		99,869	–	–	99,869	99,869
Short-term deposits		21,000	–	–	21,000	21,000
Derivative assets		–	–	–	–	–
		<u>7,775,958</u>	–	–	<u>7,775,958</u>	<u>7,775,958</u>
Loans and borrowings		–	–	9,738,497	9,738,497	9,738,497
Trade and other current liabilities*		–	–	5,754,351	5,754,351	5,754,351
Derivative liabilities		–	–	–	–	–
Bonds		–	–	6,382,021	6,382,021	6,382,021
		–	–	<u>21,874,869</u>	<u>21,874,869</u>	<u>21,874,869</u>
30 April 2020						
Cash and cash equivalents		1,170,916	–	–	1,170,916	1,170,916
Trade and other receivables		7,298,204	–	–	7,298,204	7,298,204
Notes receivables		–	–	–	–	–
Refundable deposits**		95,824	–	–	95,824	95,824
Derivative asset		–	–	–	–	–
		<u>8,564,944</u>	–	–	<u>8,564,944</u>	<u>8,564,944</u>

	Financial assets at amortised cost	Derivatives	Other financial liabilities	Total carrying amount	Fair value
Loans and borrowings	–	–	14,422,750	14,422,750	14,422,750
Trade and other current liabilities*	–	–	4,896,688	4,896,688	4,896,688
Bonds	–	–	–	–	–
	–	–	19,319,438	19,319,438	19,319,438

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

** included under advance rentals and deposits

21. Determination of fair values

Fair value hierarchy

The table below analyses recurring non-financial assets carried at fair value. The different levels are defined as follows:

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

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

For purposes of the fair value disclosure, the Company 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.

	Note	31 January 2021			
		Level 1	Level 2	Level 3	Totals
Financial assets					
Derivative assets		–	–	–	–
Notes receivable		–	–	–	–
Non-financial assets					
Fair value of agricultural produce harvested under inventories		–	–	1,318,307	1,318,307
Fair value of growing produce		–	–	2,428,701	2,428,701
Freehold land		–	–	610,232	610,232
Financial liabilities					
Derivative liabilities		–	–	–	–
Lease liabilities		–	–	2,062,702	2,062,702
Loans and borrowings		–	–	9,738,497	9,738,497
Bonds		6,382,021	–	–	6,382,021

	Note	30 April 2020			Totals
		Level 1	Level 2	Level 3	
Financial assets					
Derivative assets		–	–	–	–
Notes receivable		–	–	–	–
Non-financial assets					
Fair value of agricultural produce					
harvested under inventories		–	–	1,367,856	1,367,856
Fair value of growing produce		–	–	3,076,198	3,076,198
Freehold land		–	–	610,232	610,232
Financial liabilities					
Derivative liabilities		–	–	–	–
Lease liabilities		–	–	2,636,372	2,636,372
Loans and borrowings		–	–	14,442,750	14,442,750

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.

Fair values of harvested and unharvested agricultural produce have been determined for measurement and/or disclosure purposes based on the following methods.

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 market prices, in both local and international markets at the point of harvest. The market price is based on the selling price of fresh fruits as sold in the local and international markets (Level 3).	The unobservable input is the estimated selling price of pineapple 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 (concentrates, pineapple beverages, sliced pineapples, etc.) adjusted for margin and associated costs related to production (Level 3).	The unobservable input is the estimated selling price of pineapple and gross margin per ton specific for processed products.
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 estimated gross margin at point of harvest less future fruiting costs to be incurred until harvest as the basis of fair value.	The unobservable inputs are estimated selling price of pineapple and gross margin per ton for fresh and processed products, respectively, estimated volume of harvest and future growing costs.

Significant increase (decrease) in the significant unobservable inputs of harvested crops sold as fresh fruit and harvested crop used in processed products would result in higher (lower) fair values. Significant increase (decrease) in the estimated future selling price of pineapple, gross

The following are the amounts recognised in income statement for nine months ended 31 January:

	Php'000
Amortisation expense of right-of-use assets	340,069
Interest expense on lease liabilities	60,386
Expenses relating to short-term leases	456,646
Total amount recognised in statement of income	857,101

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

	31 January 2021 Php'000	30 April 2020 Php'000
At the beginning of period/year	2,636,372	2,601,012
Additions	(7,873)	120,347
Adjustments/Transitions	(426,558)	
Accretion of interest	60,386	125,234
Payments	(199,625)	(210,221)
At the end of period/year	2,062,702	2,636,372
Current	235,401	289,191
Non-current	1,827,301	2,347,181

23. Commitments and contingencies

a. Royalty agreement with ALCOR Hungary Szogaltato Kft. Capita International Financial Services (“ALCOR”) provides for the payment of a royalty computed at 3% of net sales as defined in Section 8 of the License and Technical Assistance Agreement between the Parent Company and ALCOR. For the year 2021, starting May 1, 2020, Dewey Sdn. Bhd., assigned to PPMSC the various trademarks which includes the “Del Monte” and “Today’s” trademarks for use in connection with processed foods in the Philippines. With the assignment, the Parent Company now pays royalties to PPMSC. For the period ended January 31, 2021, royalty fees amounted to P142,102, which has been eliminated during consolidation process.

b. Royalty agreement with S&W Fine Foods International Limited and the Parent Company provides for the payment of royalty computed at 3% of list sales, effective May 1, 2019 and 0.5% of list sales, effective May 1, 2020 for 10 years. Royalty expense recognized under “Cost of Sales” account amounted to P12,987 and P127,643 as of Jan 2021 and Apr 2020.

c. Future capital expenditures based on approved budgets and executable contracts are as follows:

Amounts approved by the board	130,691
Commitments in respect of contracts made	624,808
Total capex commitments	755,499

d. There are lawsuits, tax assessments and certain claims arising out of the normal course of business. Management, in consultation with legal counsel, believes that the resolution of these

contingencies, other than those already with provision, will not have a material effect on the consolidated financial statements.

e. With regard to Final Tax Assessments for calendar years 2011-2013 that has been paid on February 1, 2017, an enquiry in aid of legislation was initiated by the House of Representatives in July 2017 on the alleged substantial disparity between the amount of deficiency tax liabilities assessed by the BIR and the final payment made by the Parent Company.

The Company has a pending case for decision of the Court of Tax En Banc (CTA EB) pertaining to deficiency tax assessment covering taxable year 2013 amounting ₱6,796. As at January 31, 2021, the Company continues to cooperate with the Court of Tax Appeals by submitting all the requested documents and information explaining how the Preliminary Assessment Notices for 2013 were rebutted. As at the same date, the case is pending resolution.

24. Earnings (loss) per share

Basic and diluted earnings per share are calculated by dividing the net profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Nine months ended	
	31 January	
	2021	2020
Basic profit/loss per share is based on:		
Profit (loss) attributable to owners of the Company	3,480,057	2,873,378
Cumulative preference share dividends	–	–
	<u>3,480,058</u>	<u>2,873,378</u>
Basic weighted average number of ordinary shares ('000):		
Weighted average ordinary shares	2,573,534	2,797,320
Effect of shares awards granted	–	–
Weighted average number of ordinary shares at end of period (basic)	<u>2,573,534</u>	<u>2,797,320</u>
Basic profit per share	<u>1.35</u>	<u>1.03</u>

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.

	Nine months ended	
	31 January	
	2021	2020
Diluted profit per share is based on:		
Profit (loss) attributable to owners of the Company	3,480,057	2,873,378
Cumulative preference share dividends	–	–
	<u>3,480,985</u>	<u>2,873,378</u>
Diluted weighted average number of shares ('000):		
Weighted average number of ordinary shares (basic)	2,573,534	2,797,320
Convertible preference shares	335,678	–
Weighted average number of ordinary issued (diluted)	<u>2,909,212</u>	<u>2,797,320</u>
Diluted profit per share	<u>1.20</u>	<u>1.03</u>

25. Operating segments

For management purposes, the Company is organized into segment based on its products and geographical location as follows:

Geographical segment

- Americas. Reported under Americas segment are sales and profit in North and South America and Canada. Majority of this segment's sales are principally sold under the Del Monte brand.
- Europe. Reported under Europe segment are sales and profit mainly in France, Germany and Netherlands. Included in Europe segment are sales of unbranded products.
- Asia Pacific. Reported under Asia Pacific are sales and profit mainly in China, Singapore, Japan and South Korea. Majority of this segment's sales are principally sold under the S&W and Del Monte branded products.
- Philippines. Included in Philippine segment are sales comprising primarily of Del Monte branded products, Today's, S&W products.

Product segment

- Packaged fruit. The packaged fruit segment includes sales and profit of processed fruit products under the Del Monte and S&W brands, as well as buyer's labels, that are packaged in different formats such as can, plastic cup, pouch and aseptic bag.
- Beverage. Beverage includes sales and profit of 100% pineapple juice in can, juice drinks in various flavours in can, tetra and PET packaging, and pineapple juice concentrate.
- Culinary. Culinary includes sales and profit of packaged tomato-based products such as ketchup, tomato sauce, pasta sauce, recipe sauce, pizza sauce, pasta, broth and condiments under Del Monte and S&W.
- 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.

The BOD (Chief Operating Decision Maker) monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. The amounts of segment assets and liabilities, and segment profit or loss are based on measurement principles that are similar to those used in measuring the assets, liabilities and profit or loss in the consolidated financial statements, which is in accordance with PFRS.

Del Monte Philippines, Inc. and its Subsidiaries
Unaudited Interim Condensed Consolidated Financial Statements
As of 31 January 2021 and for the periods ended 31 January 2021 and 2020

Information about reportable segments

	Nine months ended 31 January 2021			Nine months ended 31 January 2020		
	Php'000	Php'000	Php'000	Php'000	Php'000	Php'000
	Combined	Elimination	Consolidated	Combined	Elimination	Consolidated
Revenues						
Beverage	5,727,292	-	5,727,292	5,858,700	-	5,858,700
Packaged fruit	7,124,680	-	7,124,680	6,609,978	-	6,609,978
Culinary	6,188,169	-	6,188,169	5,250,041	-	5,250,041
Fresh fruit and others	5,095,254	(336,486)	4,758,767	4,901,047	(121,961)	4,779,086
Changes in fair value – PAS 41	1,843,091	-	1,843,091	2,202,466	-	2,202,466
Total	25,798,486	(336,486)	25,641,999	24,822,232	(121,961)	24,700,271
Gross income						-
Beverage	1,649,492	-	1,649,492	1,248,098	-	1,248,098
Packaged fruit	1,787,641	-	1,787,641	1,422,396	-	1,422,396
Culinary	2,558,111	-	2,558,111	1,819,912	-	1,819,912
Fresh fruit and others	1,974,486	-	1,974,486	2,112,963	-	2,112,502
Changes in fair value - PAS 41	(59,986)	-	(59,986)	216,706	-	216,706
Total	7,909,744	-	7,909,744	6,820,075	-	6,820,075
Income before income tax						
Beverage	707,136	-	707,136	311,351	-	311,351
Packaged fruit	950,887	-	950,887	609,031	-	609,031
Culinary	1,610,878	-	1,610,878	926,256	-	926,256
Fresh fruit and others	1,053,442	-	1,053,442	1,313,625	-	1,839,857
Changes in fair value - PAS 41	(59,986)	-	(59,986)	216,706	-	216,706
Total	4,262,357	-	4,262,357	3,376,969	-	3,376,969

26. Share Purchase Agreement and Shareholder's Agreement with Sea Diner Holdings (S) Pte. Ltd.

On 24 January 2020, the DMPL, Central American Resources, Inc (“CARI”), the Parent Company and SEA Diner, a company incorporated in Singapore, entered into a Share Purchase Agreement and Shareholders’ Agreement whereby CARI will sell 335,678,400 existing common shares equivalent to 12% ownership interest in the Parent Company to SEA Diner, subject to fulfilment of certain conditions precedent. These common shares are convertible to voting, convertible, participating and redeemable preference shares (“RCPS”) of the Parent Company.

The Board and the stockholders of the Parent Company 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 the Parent Company had fulfilled the conditions precedent under the Share Purchase Agreement. The closing date of the agreement is on 20 May 2020.

Terms of the RCPS

The terms of the RCPS are as follow:

- The RCPS holders participate in the dividends on an as-converted basis, that is, if common shareholders are entitled to dividends, then the RCPS holders will correspondingly be entitled to dividends on an as-converted basis.
- The investor as an RCPS holder will have proportional shareholder voting rights in the Parent Company 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 the Parent Company 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 the Parent Company.
- Upon the occurrence of any of certain agreed “RCPS Default Events”, SEA Diner may require the Company, CARI or the Parent Company 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 the Parent Company 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.

Call Option Agreement

On 24 January 2020, DMPL, CARI, the Parent Company and SEA Diner entered into a call option agreement wherein SEA Diner is entitled to a call option which gives SEA Diner the

right to buy from CARI additional shares of the Parent Company (“Option Shares”). The exercise price for each Option Share is Php 0.357 (computed based on the Parent Company’s equity valuation of PHP1 billion / existing total issued share capital of the Parent Company’s shares of 2,797,320,003 as at the date of the Agreement). The call option is consummated on or before 30 April 2022 and ending on the earliest of 10 years after the closing date, the date falling 5 years after the date which an IPO of the Parent Company was consummated and the date when SEA Diner receives an amount respect of a redemption of its shares.

On December 16, 2020, CARI sold additional 27,973,200 common shares of the Company to Sea Diner Holdings Pte. Ltd. in consideration of \$10 Million Dollars.

27. Events after the Reporting Period

On March 3, 2021, the BOD has approved the interim cash dividend of P0.9013 per share to holders of shares of the Parent Company as of close business of March 15, 2021. Total cash dividend payment amounting to P2,521,225 was paid on March 16, 2021.

28. Other Matters

- a. There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Company’s liquidity.
- b. There were no known trends, events or uncertainties that have had or that are reasonably expected to have a favourable or unfavourable impact on net sales or revenues or income from continuing operations.
- c. There were no known events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation and there were no changes in contingent liabilities and contingent assets since the last annual statements of financial position date.
- d. There were no material off-statements of financial position transactions, arrangements, obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons created during the reporting period.
- e. The effects of seasonality or cyclicity on the interim operations of the Company’s businesses are explained in Note 4, Seasonality of operations.
- f. The Company’s material commitments for capital expenditure projects have been approved but are still ongoing and not yet completed as of end of 31 January 2021. These consist of construction, acquisition, upgrade or repair of fixed assets needed for normal operations of the business. The said projects will be carried forward to the next quarter until its completion. The fund to be used for these projects will come from available cash, short and long-term loans.
- g. The Company is the subject of, or a party to, various suits and pending or threatened litigations. While it is not feasible to predict or determine the ultimate outcome of these matters, the Company believes that none of these legal proceedings will have a material adverse effect on its financial position.

- h. The retained earnings is restricted for the payment of dividends to the extent representing the accumulated equity in net earnings of the subsidiaries and unrealised asset revaluation reserve. The accumulated equity in net earnings of the subsidiaries is not available for dividend distribution until such time that the Company receives the dividends from the subsidiaries.

Annex A

Key Performance Indicators

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

A. Current Ratio

	31-Jan-21	31-Jan-20	30-Apr-20	Benchmark
Current Ratio	1.26	0.99	0.84	Minimum of 1.20

Higher compared to April 2020 due to payments of current liabilities.

B. Debt to Equity

	31-Jan-21	31-Jan-20	30-Apr-20	Benchmark
Debt to Equity	2.03	2.24	2.04	Maximum of 2.50

Higher compared to April 2020 due to increase in long-term liabilities arising from issuance of bonds payable.

C. Net Profit Margin

	31-Jan-21	31-Jan-20	30-Apr-20	Benchmark
Net Profit Margin attributable to owners of the company	13.58%	11.63%	10.88%	Minimum of 3%

Higher gross margin due to decrease of cost of sales.

D. Return on Asset

	31-Jan-21	31-Jan-20	30-Apr-20	Benchmark
Return on Asset	12.82%	11.35%	10.35%	Minimum of 1.21

Higher margin resulting from higher net income compared to prior year.

E. Return on Equity

	31-Jan-21	31-Jan-20	30-Apr-20	Benchmark
Return on Equity	38.85%	36.79%	31.44%	Minimum of 8%

Higher margin resulting from higher net income compared to prior year.

Material Changes in Accounts

- A. Trade and other receivables**
Decrease due to collection of various intercompany receivables

- B. Intangible assets**
Increase due to reclassification of trademark

- C. Loans and borrowings**
Increase due to additional long-term loans

- D. Bonds payable**
Increase due to issuance of bonds payable

Liquidity and Covenant Compliance

Certain unsecured bank loan agreements contain various 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.

The Company monitors its liquidity risk to ensure that it has sufficient resources to meet its liabilities as they become due, under both normal and stressed circumstances without incurring unacceptable losses or risk to the Company's reputation. The Company 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 and constantly maintains good relations with its banks, such that additional facilities, whether for short or long term requirements, may be made available.

As at 31 January 2021 and 30 April 2020, the Company is in compliance with the covenants stipulated in its loan agreements.

Annex B

DEL MONTE PHILIPPINES, INC.

SUPPLEMENTARY SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

Ratio	Formula	For the nine months ended January 31, 2021	January 31, 2020
(i) Liquidity Analysis Ratios:			
Current Ratio or Working Capital Ratio	Current Assets / Current Liabilities	1.26	0.99
Quick Ratio	(Current Assets - Inventory - Prepaid expense - Biological - Assets held for sale) / Current Liabilities	0.60	0.42
(ii) Solvency Ratio	Total Assets / Total Debt*	1.51	1.45
Financial Leverage Ratios:			
Debt Ratio	Total Debt*/Total Assets	0.66	0.69
Debt-to-Equity Ratio	Total Debt*/Total Stockholders' Equity	2.03	2.24
(iii) Asset to Equity Ratio	Total Assets / Total Stockholders' Equity	3.03	3.24
(iv) Interest Coverage	Earnings Before Interest and Taxes (EBIT)** / Interest Charges	9.81	8.79
(v) Profitability Ratios			
Gross Profit Margin	Sales - Cost of Goods Sold or Cost of Service / Sales	30.85%	27.61%
Net Profit Margin attributable to owners of the company	Net Profit attributable to owners / Sales	13.58%	11.63%
Net Profit Margin	Net Profit / Sales	13.58%	11.63%
Return on Assets	Net Income / Total Assets	12.82%	11.35%
Return on Equity	Net Income / Total Stockholders' Equity	38.85%	36.79%

* Total Debt refers to total liabilities which composed of financial liabilities, trade payables, accrued expenses, and other liabilities.

EBIT = Profit before interest plus finance expenses excluding foreign exchange gain/loss