



North Star Meat Merchants Inc <northstar.nsmmi@gmail.com>

SEC CiFSS-OST Initial Acceptance

noreply-cifssost@sec.gov.ph <noreply-cifssost@sec.gov.ph>

Fri, Mar 11, 2022 at 10:48 AM

Greetings!

SEC Registration No: CS200825089

Company Name: NORTH STAR MEAT MERCHANTS INC.

Document Code: AFS

This serves as temporary receipt of your submission.

Subject to verification of form and quality of files of the submitted report.

Another email will be sent as proof of review and acceptance.

Thank you.

SECURITIES AND EXCHANGE COMMISSION

Secretariat Building, PICC Complex,
Roxas Boulevard, Pasay City,
1307, Metro Manila, Philippines

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS


The Management of North Star Meat Merchants, Inc. (a subsidiary of Pietra Angolare Holdings Inc.) (the Parent Company) and subsidiary (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements for the year ended **December 31, 2021**, and the Parent Company's financial statements for the year ended **December 31, 2020**, including the schedules attached therein, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of 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.

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

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

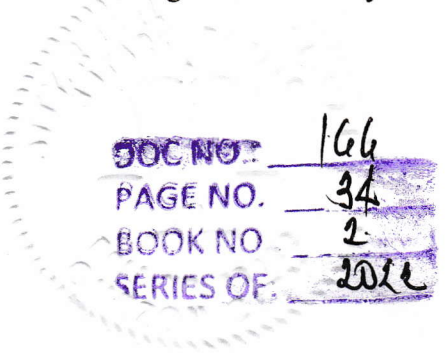
Reyes Tacandong & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such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



Mr. Anthony Mark O. Ng
Chairman of the Board


Mr. Anthony Mark O. Ng
President/Chief Executive Officer


Mr. Miguel Jerrald L. Tan Jr.
Chief Financial Officer

Signed this 24th day of February 2022


DOC NO. 166
PAGE NO. 34
BOOK NO. 2
SERIES OF 2021


ATTY. ROGELIO J. BOLIVAR
NOTARY PUBLIC IN QUEZON CITY
AM Adm. Matter no. 204 June 24, 2021 to Dec. 31, 2022
IBP O. R. No. 132134 MD 2021 & IBP O. R. No. 133076 MD 2022
PTR O. R. No. 244726 D 1/3/22 Roll No. 33632 / TIN# 129-871-009
MCLE No. VI-0029593 valid from 12/19/19 valid until 04/14/22 Quezon City
Address: 31-F Harvard St. Cubao, Q. C.

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C S 2 0 0 8 2 5 0 8 9

COMPANY NAME

N O R T H S T A R M E A T M E R C H A N T S , I N C . A N D S U B
S I D I A R Y (A S u b s i d i a r y o f P i e t r a A n g o l a r
e H o l d i n g s , I n c .)

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

R M . # 3 2 n d F l r . F l o r e t e B l d g . I I , M a g s a y
s a y R o a d , L u n a S t . , L a P a z , I l o i l o C i t y

Form Type

A A C F S

Department requiring the report

C R M D

Secondary License Type, If Applicable

N / A

COMPANY INFORMATION

Company's Email Address

northstar.nsmmi@gmail.com

Company's Telephone Number/s

(033)329-06-30

Mobile Number

0917 524 0624

No. of Stockholders

7

Annual Meeting (Month / Day)

20th day of November

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

Mr. Miguel Jerrald I. Tan Jr.

Email Address

miguel.jerrald.tan@gmail.com

Telephone Number/s

(033)329-06-30

Mobile Number

-

CONTACT PERSON'S ADDRESS

13 Judge Juan Luna St., Brgy. Paltok, Quezon City

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

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



INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
North Star Meat Merchants, Inc. and Subsidiary
RM.#3 2nd Flr. Florete Bldg. II
Magsaysay Road, Luna St.
La Paz, Iloilo City

Opinion

We have audited the accompanying financial statements of North Star Meat Merchants, Inc. (a subsidiary of Pietra Angolare Holdings, Inc.) (the Parent Company) and subsidiary (the Group), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the Parent Company's statements of financial position as at December 31, 2020 and statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended and the Parent Company's financial position as at December 31, 2020 and its financial performance and cash flows for the years ended December 31, 2020 and 2019 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' 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 the 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.

Other Matter

As discussed in Note 1, the Parent Company prepared consolidated financial statements starting November 3, 2021, as it obtained control of its subsidiary only on the same date. The Parent Company's statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2020 and 2019 are presented in compliance with the requirements of the Revised Securities Regulations Code Rule 68, in connection with the Parent Company's planned initial public offering.



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 PFRS, 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.

Auditors' 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 auditors' 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 PSA 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, these 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 PSA, 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 auditors' 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 auditors' 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 evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements as at and for the year ended December 31, 2021. 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 audits.

REYES TACANDONG & Co.

BELINDA B. FERNANDO

Partner

CPA Certificate No. 81207

Tax Identification No. 102-086-538-000

BOA Accreditation No. 4782; Valid until April 13, 2024

SEC Accreditation No. 81207-SEC Group A

Issued January 30, 2020

Valid for Financial Periods 2019 to 2023

BIR Accreditation No. 08-005144-004-2019

Valid until October 16, 2022

PTR No. 8851706

Issued January 3, 2022, Makati City

February 24, 2022

Makati City, Metro Manila

NORTH STAR MEAT MERCHANTS, INC. AND SUBSIDIARY
(A Subsidiary of Pietra Angolare Holdings, Inc.)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at December 31, 2021 and
PARENT COMPANY STATEMENT OF FINANCIAL POSITION as at December 31, 2020

		December 31	
	Note	2021*	2020
ASSETS			
Current Assets			
Cash	5	P490,296,109	P170,741,901
Trade receivables	6	912,596,397	770,218,459
Inventories	7	1,468,781,581	493,013,384
Other current assets	8	53,514,236	112,735,688
Total Current Assets		2,925,188,323	1,546,709,432
Noncurrent Assets			
Property, plant and equipment	9	1,874,959,554	903,063,286
Advances to related parties	16	284,343,380	1,326,663,167
Goodwill	4	77,079,178	—
Computer software	9	11,981,334	11,302,733
Right-of-use (ROU) assets	17	1,115,090	1,917,527
Net deferred tax assets	19	37,707,701	9,672,668
Total Noncurrent Assets		2,287,186,237	2,252,619,381
		P5,212,374,560	P3,799,328,813
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	10	P2,144,475,601	P1,762,236,519
Current portion of:			
Loans payable	11	1,842,420,482	1,479,288,518
Lease liabilities	17	633,166	945,572
Income tax payable		151,182,176	71,284,355
Total Current Liabilities		4,138,711,425	3,313,754,964
Noncurrent Liabilities			
Noncurrent portion of:			
Loans payable	11	7,692,308	30,769,231
Lease liabilities	17	907,636	1,540,802
Retirement liability	18	17,506,599	17,535,424
Total Noncurrent Liabilities		26,106,543	49,845,457
Total Liabilities		4,164,817,968	3,363,600,421
Equity			
Capital stock	12	120,000,000	60,000,000
Retained earnings:	12		
Appropriated		540,000,000	320,000,000
Unappropriated		390,157,458	59,684,222
Other comprehensive loss	18	(2,600,866)	(3,955,830)
Total Equity		1,047,556,592	435,728,392
		P5,212,374,560	P3,799,328,813

See accompanying Notes to Financial Statements.

*As discussed in Note 1, the Parent Company obtained control of its subsidiary on November 3, 2021. Consolidation started only as at the same date.

NORTH STAR MEAT MERCHANTS, INC. AND SUBSIDIARY
(A Subsidiary of Pietra Angolare Holdings, Inc.)

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the Year Ended
December 31, 2021 and PARENT COMPANY STATEMENTS OF
COMPREHENSIVE INCOME for the Years Ended December 31, 2020 and 2019**

		Years Ended December 31		
	Note	2021*	2020	2019
SALE OF GOODS	13	₱9,281,527,083	₱6,085,074,422	₱4,753,219,565
COST OF GOOD SOLD	13	7,210,236,210	5,076,679,653	4,057,557,624
GROSS PROFIT		2,071,290,873	1,008,394,769	695,661,941
OPERATING EXPENSES	14	1,090,862,704	699,063,100	506,846,506
OPERATING INCOME		980,428,169	309,331,669	188,815,435
OTHER INCOME (CHARGES)				
Foreign exchange gain (loss) - net		(104,321,114)	107,287,824	58,435,306
Interest expense	11	(102,622,447)	(84,497,126)	(90,182,334)
Storage handling income		16,718,143	22,390,779	15,765,449
Interest income	5	418,140	259,455	276,849
Others - net		11,344,191	3,949,479	24,601,051
		(178,463,087)	49,390,411	8,896,321
INCOME BEFORE INCOME TAX		801,965,082	358,722,080	197,711,756
INCOME TAX EXPENSE (BENEFIT)	19			
Current		220,355,279	127,639,046	82,865,765
Deferred		(28,863,433)	(7,747,678)	(1,349,597)
		191,491,846	119,891,368	81,516,168
NET INCOME		610,473,236	238,830,712	116,195,588
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Not to be reclassified to profit or loss in subsequent period -</i>				
Remeasurement gain (loss) on retirement liability, net of deferred tax	18	1,354,964	(1,006,663)	(2,949,167)
TOTAL COMPREHENSIVE INCOME		₱611,828,200	₱237,824,049	₱113,246,421
EARNINGS PER SHARE - BASIC AND DILUTED	15	₱7,631	₱6,824	₱3,873

See accompanying Notes to Financial Statements.

*As discussed in Note 1, the Parent Company obtained control of its subsidiary on November 3, 2021. Consolidation started only as at the same date.

NORTH STAR MEAT MERCHANTS, INC. AND SUBSIDIARY
(A Subsidiary of Pietra Angolare Holdings, Inc.)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the Year Ended
December 31, 2021 and PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY
for the Years Ended December 31, 2020 and 2019**

		Years Ended December 31		
	Note	2021*	2020	2019
CAPITAL STOCK	12			
Common Stock - ₱1,000 par value				
<i>Subscribed:</i>				
Balance at beginning of year		₱120,000,000	₱70,000,000	₱20,000,000
Subscriptions		–	50,000,000	–
Conversion of preferred shares to common shares		–	–	50,000,000
Balance at end of year		120,000,000	120,000,000	70,000,000
<i>Less subscriptions receivable:</i>				
Balance at beginning of year		60,000,000	40,000,000	5,000,000
Collections		(60,000,000)	(30,000,000)	–
Subscriptions		–	50,000,000	–
Conversion of preferred shares to common shares		–	–	35,000,000
Balance at end of year		–	60,000,000	40,000,000
		120,000,000	60,000,000	30,000,000
Preferred Stock - ₱1,000 par value				
<i>Subscribed:</i>				
Balance at beginning of year		–	–	50,000,000
Conversion of preferred shares to common shares		–	–	(50,000,000)
Balance at end of year		–	–	–
<i>Less subscriptions receivable:</i>				
Balance at beginning of year		–	–	35,000,000
Conversion of preferred shares to common shares		–	–	(35,000,000)
Balance at end of year		–	–	–
		120,000,000	60,000,000	30,000,000
RETAINED EARNINGS	12			
<i>Appropriated:</i>				
Balance at beginning of year		320,000,000	315,000,000	214,794,816
Reversal of appropriation for completed projects		(320,000,000)	(115,000,000)	(99,794,816)
<i>Appropriations for:</i>				
Future business expansion and capital expenditures		300,000,000	120,000,000	200,000,000
Declaration of stock dividends		240,000,000	–	–
Balance at end of year		540,000,000	320,000,000	315,000,000

(Forward)

Years Ended December 31				
	Note	2021*	2020	2019
<i>Unappropriated:</i>				
Balance at beginning of year		₱59,684,222	(₱174,146,490)	(₱190,136,894)
Net income		610,473,236	238,830,712	116,195,588
Reversal of appropriation for completed projects		320,000,000	115,000,000	99,794,816
Cash dividends		(60,000,000)	—	—
Appropriations for:				
Future business expansion and capital expenditures		(300,000,000)	(120,000,000)	(200,000,000)
Declaration of stock dividends		(240,000,000)	—	—
Balance at end of year		390,157,458	59,684,222	(174,146,490)
		930,157,458	379,684,222	140,853,510
OTHER COMPREHENSIVE LOSS				
	18			
Balance at beginning of year		(3,955,830)	(2,949,167)	—
Remeasurement gain (loss)		1,637,523	(1,006,663)	(2,949,167)
Effect of change in tax rate		(282,559)	—	—
Balance at end of year		(2,600,866)	(3,955,830)	(2,949,167)
		₱1,047,556,592	₱435,728,392	₱167,904,343

See accompanying Notes to Financial Statements.

*As discussed in Note 1, the Parent Company obtained control of its subsidiary on November 3, 2021. Consolidation started only as at the same date.

NORTH STAR MEAT MERCHANTS, INC. AND SUBSIDIARY
(A Subsidiary of Pietra Angolare Holdings, Inc.)

CONSOLIDATED STATEMENT OF CASH FLOWS for the Year Ended December 31, 2021
and PARENT COMPANY STATEMENTS OF CASH FLOWS
for the Years Ended December 31, 2020 and 2019

		Years Ended December 31		
	Note	2021*	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		₱801,965,082	₱358,722,080	₱197,711,756
Adjustments for:				
Interest expense	11	102,622,447	84,497,126	90,182,334
Depreciation and amortization	9	99,521,103	81,259,395	55,067,480
Unrealized foreign exchange loss (gain)		45,387,969	(9,622,557)	(16,735,407)
Interest income	5	(418,140)	(259,455)	(276,849)
Operating income before working capital changes		1,049,078,461	514,596,589	325,949,314
Decrease (increase) in:				
Trade receivables		(119,836,722)	(300,926,191)	(11,318,878)
Inventories		(959,535,930)	308,562,350	105,574,499
Other current assets		60,201,258	(79,422,879)	33,866,030
Increase (decrease) in:				
Trade and other payables		320,640,471	214,200,382	(345,294,798)
Retirement liability		1,326,139	2,334,890	1,789,207
Net cash generated from operations		351,873,677	659,345,141	110,565,374
Income tax paid		(139,629,058)	(57,587,961)	(82,063,922)
Interest received	5	418,140	259,455	276,849
Net cash provided by operating activities		212,662,759	602,016,635	28,778,301
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Property, plant and equipment	9	(657,367,028)	(311,642,051)	(147,275,733)
Computer software	9	(2,697,396)	(1,071,594)	(117,500)
Decrease (increase) in advances to related parties		524,940,189	(228,255,564)	(262,860,249)
Net cash used in investing activities		(135,124,235)	(540,969,209)	(410,253,482)

(Forward)

Years Ended December 31				
	Note	2021*	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Availments of loans	11	₱2,727,975,000	₱3,146,367,453	₱3,808,013,847
Collection of subscription receivable		60,000,000	30,000,000	—
Payments of:				
Loan	11	(2,387,919,959)	(3,008,537,220)	(3,371,039,087)
Interest	11	(102,517,405)	(84,345,774)	(89,998,080)
Cash dividends	12	(60,000,000)	—	—
Lease liabilities	17	(1,050,614)	(1,038,614)	(890,719)
Net cash provided by financing activities		236,487,022	82,445,845	346,085,961
NET INCREASE (DECREASE) IN CASH		314,025,546	143,493,271	(35,389,220)
NET EFFECT OF EXCHANGE RATE CHANGES ON CASH		271,848	(179,951)	(501,236)
EFFECT OF BUSINESS COMBINATION	4	5,256,814	—	—
CASH AT BEGINNING OF YEAR		170,741,901	27,428,581	63,319,037
CASH AT END OF YEAR		₱490,296,109	₱170,741,901	₱27,428,581
NONCASH FINANCIAL INFORMATION				
Transfer of property from a related party	16	₱181,404,098	₱—	₱—
Conversion of preferred shares to common shares	12	—	—	15,000,000
Recognition of ROU assets and lease liabilities	17	—	—	712,092

See accompanying Notes to Financial Statements.

*As discussed in Note 1, the Parent Company obtained control of its subsidiary on November 3, 2021. Consolidation started only as at the same date.

NORTH STAR MEAT MERCHANTS, INC. AND SUBSIDIARY
(A Subsidiary of Pietra Angolare Holdings, Inc.)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS as at and for the Year Ended
December 31, 2021 and PARENT COMPANY FINANCIAL STATEMENTS
as at and for the Years Ended DECEMBER 31, 2020 and 2019**

1. Reporting Entity

General Information

North Star Meat Merchants, Inc. (the Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on January 24, 2008, primarily to engage in, conduct and carry on the business of buying, selling, distributing, marketing at wholesale and retail insofar as maybe permitted by law, all kinds of goods, commodities and merchandise of every kind and description and; to enter into all kinds of contracts for the export, import purchase, acquisition, sale at wholesale or retail and other disposition for its own account as principal or representative capacity as manufacturer's representative, merchandise broker, indenter, commission merchant, factors or agents, upon consignment of all kinds of goods, merchandise or products whether natural or artificial.

The Parent Company is a 56% owned subsidiary of Pietra Angolare Holdings, Inc. (the Ultimate Parent Company), a holding company incorporated and domiciled in the Philippines.

On November 3, 2021, the Parent Company acquired 100% ownership over Metapros Corp. (formerly Costco Food Service, Inc.) (Metapros) by way of donation of shares from existing stockholders of Metapros (see Note 4). On November 10, 2021, the Parent Company assigned its advances to Metapros amounting to ₱316.1 million as additional capital contribution (see Note 16). Metapros is incorporated and domiciled in the Philippines and is engaged in conducting and carrying on the business of food processing, manufacturing and repacking of meat products.

The registered office address of the Group is RM.#3 2nd Flr. Florete Bldg. II, Magsaysay Road, Luna St., La Paz, Iloilo City.

Approval of the Financial Statements

The consolidated financial statements of the Group as at and for the year ended December 31, 2021 and the Parent Company's statements of financial position, comprehensive income, changes in equity and cash flows as at and for the years ended December 31, 2020 and 2019 were approved and authorized for issue by its Board of Directors (BOD) on February 24, 2022.

2. Summary of Significant Accounting Policies

Basis of Preparation and Statement of Compliance

The financial statements have been prepared in compliance with the Philippine Financial Reporting Standards (PFRS). This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) issued by the Philippine Financial Reporting Standards Council and adopted by the SEC, including SEC pronouncements.

The consolidated financial statements as at and for the year ended December 31, 2021 provide information about the economic activities of the Group. The financial statements of the subsidiary

are prepared for the same reporting year as the Parent Company. The Group is using uniform accounting policies for like transactions and other events in similar circumstances.

The audited financial statements of the Parent Company for the years ended December 31, 2020 and 2019 were also presented. The Parent Company does not have a subsidiary until 2021. The financial information for 2021, 2020 and 2019 will be generally referred to as “financial statements” of the Group; 2021 will be referred to as “consolidated”, while 2020 and 2019 will be referred to as that of the Parent Company individually.

Measurement Bases

The financial statements are presented in Philippine Peso (Peso), which is the functional currency of the Group. All values are rounded to the nearest Peso, unless otherwise indicated.

The financial statements have been prepared on a historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for an asset and fair value of consideration received in exchange for incurring a liability. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the transaction date.

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 (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

Fair values of financial assets and liabilities are disclosed in Note 21, *Fair Value of Financial Instruments*.

Adoption of Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS.

- Amendment to PFRS 16, *Leases - COVID-19-Related Rent Concessions beyond June 30, 2021* – In 2020, PFRS 16 was amended to provide practical expedient to lessees from applying the requirements on lease modifications for eligible rent concessions that is a direct consequence of COVID-19 pandemic. A lessee may elect not to assess whether eligible rent concessions from a lessor is a lease modification. A lessee that makes this election account for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for a change that is not a lease modification, e.g., as a variable lease payment. This amendment is effective for annual reporting periods beginning on or after June 1, 2020, with earlier application permitted, and covers eligible rent concessions until June 30, 2021. The Group applied the practical expedient in its financial statements for the year ended December 31, 2020.

Due to the continuing impact of the pandemic, another amendment to PFRS 16 was issued in 2021, which allows lessees to extend the application of the practical expedient regarding COVID-19-related rent concessions to reduction in lease payments that are due on or before June 30, 2022. The 2021 amendment is mandatory for entities that elected to apply the previous amendment.

Under prevailing circumstances, the adoption of the foregoing amended PFRS did not have any material effect on the Group's financial statements. Additional disclosures have been included in the notes to financial statements, as applicable.

Amended PFRS Issued But Not Yet Effective

Relevant amended PFRS, which are not yet effective and have not been applied in preparing the financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2022:

- Amendments to PFRS 3, *Reference to Conceptual Framework* – The amendments will replace the reference of PFRS 3 from the 1989 Framework to the current 2018 Conceptual Framework. The amendments include an exception that specifies that, for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should refer to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, or IFRIC 21, *Levies*, instead of the Conceptual Framework. The requirement will ensure that the liabilities recognized in a business combination will remain the same as those recognized applying the current requirements in PFRS 3. The amendments also clarified that an acquirer shall not recognize contingent assets acquired in a business combination. The amendments should be applied prospectively.
- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds Before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. The amendments 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 an entity first applied the amendments.

- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling a contract comprises both the incremental costs of fulfilling that contract and an allocation of costs directly related to contract activities. The amendments apply to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as applicable. Accordingly, the comparatives are not restated. Earlier application is permitted.
- Annual Improvements to PFRS 2018 to 2020 Cycle:
 - Amendment to PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity shall include when it applies the '10 per cent' test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is 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 the lender on the other's behalf. The amendment applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applied the amendments. Earlier application is permitted.
 - Amendment to PFRS 16, *Leases - Lease Incentives* – The amendment removes from the Illustrative Example 13 the illustration of the reimbursement of leasehold improvements by the lessor. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.

Effective for annual periods beginning on or after January 1, 2023:

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier application is permitted.
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure Initiative – Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure

material accounting policy information. In addition, PFRS Practice Statement 2, *Making Materiality Judgements*, is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information. The amendments should be applied prospectively. Earlier application is permitted.

- Amendments to PAS 8, *Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods. Earlier application is permitted.
- Amendments to PAS 12, *Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. Earlier application is permitted.

Under prevailing circumstances, the adoption of the foregoing amended PFRS is not expected to have any material effect on the financial statements of the Group. Additional disclosures will be included in the notes to financial statements, as applicable.

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and its subsidiary. The Parent Company has control when it is exposed, or has right, to variable returns from its investment with the investee and it has the ability to affect those returns through its powers over the investee.

A subsidiary is an entity controlled by the Parent Company. A subsidiary is consolidated from the date of acquisition or incorporation, being the date on which the Parent Company obtains control, and continue to be consolidated until the date such control ceases. 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 Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiary are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Changes in the controlling equity ownership [i.e., acquisition of non-controlling interest (NCI) or partial disposal of interest over a subsidiary] that do not result in a loss of control are accounted for as equity transactions.

When the Parent Company has less than a majority of the voting or similar rights of an investee it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The size of the Parent Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; or
- 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 elements evidencing control.

NCI represents the portion of net results and net assets not held by the Parent Company. These are presented in the consolidated statements of financial position within equity, apart from equity attributable to equity holders of the parent and are separately disclosed in the consolidated statements of comprehensive income. Losses within a subsidiary are attributed proportionately to the NCI even if that results in a deficit balance.

If the Parent Company loses control over a subsidiary, it:

- Derecognizes the assets and liabilities of the former subsidiary from the consolidated statements of financial position;
- Recognizes any investment retained in the former subsidiary when control is lost and subsequently accounts for it and for any amounts owed by or to the former subsidiary in accordance with relevant PFRS. That retained interest is remeasured and the remeasured value is regarded as the fair value on initial recognition of a financial asset in accordance with PFRS 9 or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture; and
- Recognizes the gain or loss associated with the loss of control attributable to the former controlling interest.

Business Combinations and Goodwill. Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree pertaining to instruments that represent present ownership interests and entitle the holders to a proportionate share of the net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by PFRS. Acquisition-related costs incurred are expensed and included in general and administrative expenses.

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

If the business combination is achieved in stages, any previously held interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in the consolidated statements of comprehensive income. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PFRS 9 either in consolidated statements of income or as a change to other comprehensive income. If the contingent consideration is not within the scope of PFRS 9, it is measured in accordance with appropriate PFRS. Contingent consideration that is classified as equity is not remeasured until it is finally settled and accounted for within equity.

If necessary information, such as fair value of assets and liabilities acquired, is not available by the end of the reporting period in which the business combination occurs, provisional amounts are used for a period not exceeding one year from the date of acquisition or the measurement period. During this period, provisional amounts recognized for a business combination may be retrospectively adjusted if relevant information has been obtained or becomes available.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest, and any previous interest held, over the net fair value of the identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedure used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then gain is recognized in consolidated statements of comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

Financial Assets and Liabilities

Date of Recognition. The Group recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition and Measurement. Financial assets and liabilities are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit or loss (FVPL), includes transaction cost.

“Day 1” Difference. Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a “Day 1” difference) in profit or loss. In cases where there is no observable data on inception, the Group deems the transaction price as the best estimate of fair value and recognizes “Day 1” difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the “Day 1” difference.

Classification. The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at amortized cost, (b) financial assets at fair value through other comprehensive income (FVOCI), and (c) financial assets at FVPL. The classification of a financial instrument largely depends on the business model of the Group and its contractual cash flow characteristics. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Group’s business model and its contractual cash flow characteristics.

As at December 31, 2021 and 2020, the Group does not have financial assets and liabilities at FVPL and financial assets at FVOCI.

Financial Assets at Amortized Cost. A financial asset shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

The Group’s cash in banks, trade receivables and advances to related parties are classified under this category.

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

The Group's trade and other payables (excluding advances from customer and statutory payables), loans payable and lease liabilities are classified under this category.

Derecognition of Financial Assets and Liabilities

Financial Assets. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired;
- the Group retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its right to receive cash flows from the financial asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the continuing involvement of the Group in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the profit or loss.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Group could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the profit or loss.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Reclassification

The Group reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

Impairment of Financial Assets

The Group recognizes an allowance for expected credit losses (ECL) for its financial assets at amortized cost. ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

At each reporting date, the Group assesses whether the 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 include observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the restructuring of a financial asset by the Group on terms that the Group would not consider otherwise
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties;

The Group considers a financial asset to be in default when a counterparty fails to pay its contractual obligations, or there is a breach of other contractual terms, such as covenants.

The Group directly reduces the gross carrying amount of a financial asset when there is no reasonable expectation of recovering the contractual cash flows on a financial asset, either partially or in full. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the procedures for recovery of amounts due.

The ECL on financial assets at amortized cost are recognized as allowance for impairment losses against the gross carrying amount of the financial asset, with the resulting impairment losses (or reversals) recognized in profit or loss.

Trade Receivables. For trade receivables without significant financing component, the Group has applied the simplified approach in measuring ECL.

Simplified approach requires that ECL should always be based on the lifetime ECL. The Group has established a provision matrix that is based on the historical credit loss experience of the Group, adjusted for forward-looking factors specific to the debtors and the economic environment and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Other Financial Asset at Amortized Cost. For other financial assets, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the

lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

Offsetting of Financial Assets and Liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statements of financial position.

Classification of Financial Instrument between Liability and Equity

A financial instrument is classified as liability 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.

Inventories

Inventories are initially measured at cost. Subsequently, inventories are valued at the lower of cost or net realizable value (NRV). NRV represents the estimated selling price less all estimated costs to be incurred in selling the goods. Cost is determined using the weighted average method.

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

When inventories are sold, the carrying amount of those inventories is recognized to profit or loss in the year in which the related revenue is recognized.

Other Current Assets

This account mainly consists of advances to suppliers and prepayments.

Advances to Suppliers. Advances to suppliers represent advance payments for the purchases of inventories by the Group. These are capitalized to inventories in the statements of financial position, upon actual receipt of goods. These are considered as nonfinancial asset as these will be applied against future billings from suppliers normally within one year.

Prepayments. Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to expense as these are consumed in operations or expire with the passage of time.

Prepayments that are expected to be realized for no more than 12 months after the reporting date are classified as other current assets. Otherwise, these are classified as other noncurrent assets.

Property, Plant and Equipment

Property, plant and equipment except for land, are stated at cost less accumulated depreciation and amortization and any impairment in value. Land is stated at cost less any impairment in value.

The initial cost of property, plant and equipment comprises its purchase price, including import duties, non-refundable purchase taxes after deducting trade discounts and rebates and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs, maintenance and overhaul costs, are normally charged to operations in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property, plant and equipment. The cost of replacing a component of an item of property, plant and equipment is recognized 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.

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.

Construction in progress, is stated at cost. This cost includes cost of construction and other direct costs. Construction in progress is not depreciated until such time as the relevant asset are completed and put into operational use.

Projects under construction are transferred to the related property, plant and equipment account when the construction or installation and related activities necessary to prepare the property, plant and equipment for their intended use are completed and are for use.

Depreciation and amortization are calculated using the straight-line method over the following estimated useful lives of the property, plant and equipment:

	Number of Years
Building	15-20
Cold storage	15-20
Motorpool	15
Store machineries and equipment	6-10
Transportation equipment	5-10
Warehouse and production equipment	3-10
Office furniture and equipment	5
Leasehold improvements	8 years or lease term, whichever is shorter

The remaining useful lives and depreciation and amortization method are reviewed regularly to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Fully depreciated and amortized property, plant and equipment are retained in the accounts until they are no longer in use and no further depreciation and amortization are credited or charged to current operations.

An item of property, plant and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising from the retirement or disposal of an item of property, plant and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the profit or loss in the period of retirement or disposal.

Computer Software

Computer software is stated at cost less accumulated amortization and any impairment in value. The Group capitalizes computer software licensing costs which are being amortized using the straight-line method over ten years, the estimated finite useful life of the software. The amortization of the computer software is included under "Depreciation and amortization" account.

The remaining useful life and amortization method are reviewed regularly to ensure that the periods and method of amortization are consistent with the expected pattern of economic benefits from the computer software.

An item of computer software is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the profit or loss in the year the asset is derecognized.

Impairment of Nonfinancial Assets

Nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss

been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Goodwill. The Group assesses whether there are any indicators that goodwill is impaired at each financial reporting date. Goodwill is tested for impairment annually and when circumstances indicate that the carrying amount may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the CGU, to which the goodwill relates.

Where the recoverable amount of the CGU is less than their carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Equity

Capital Stock. Capital stock represents the par value of all issued common shares.

Retained Earnings. Retained earnings represent the cumulative balance of net income or losses and other capital adjustments. Appropriated retained earnings represent portion which has been restricted and are not available for any dividend declaration. Unappropriated retained earnings represent portion which can be declared as dividends to stockholders.

Other Comprehensive Loss. Other comprehensive loss (OCL) comprises items of income and expenses (including items previously presented under the statements of changes in equity) that are not recognized in profit or loss for the year in accordance with PFRS. The other comprehensive loss of the Group represents the cumulative balance of remeasurement gain or loss on retirement liability.

Revenue from Contracts with Customers

Revenue from contracts with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Group perform its obligations; (b) the performance of the Group creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the performance of the Group does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Group also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Group has assessed that it acts as a principal in all of its revenue sources.

Sale of Goods. Performance obligation is satisfied upon the delivery of goods, which corresponds to the point of time when the significant risks and rewards of ownership of the goods have passed to the buyer. Revenue is measured at the fair value of the consideration received, excluding discounts, returns, and output VAT.

Other Sources of Revenue

The following specific recognition criteria must be met before revenue is recognized:

Interest Income. Interest income is recognized as it accrues using the effective interest method.

Storage Handling. Storage handling income is recognized when the related handling services has been rendered.

Other Income. Other income is recognized when there is an incidental economic benefit that will flow to the Group through an increase in asset or reduction in liability and that can be measured reliably.

Cost and Expense Recognition

Costs and expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase of a liability, other than those relating to distributions to equity participants, has arisen that can be measured reliably.

Cost of Good Sold. Cost of good sold is recognized as expense when the related goods are sold.

Operating Expenses. Operating expenses constitute costs of administering the business and costs incurred to sell and market goods. These are charged to profit and loss as incurred.

Interest Expense. Interest expense represents interest on loans payable and are recognized as the interest accrues using the effective interest rate method.

Leases

The Group assesses whether the contracts is, or contains, a lease. To assess whether a contract conveys the right to control the use of an identified assets for a period of time, the Group assesses whether, throughout the period of use, it has both of the following:

- i. the right to obtain substantially all of the economic benefits from the use of the identified asset; and
- ii. the right to direct the use of the identified asset

If the Group has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term.

The Group also assesses whether a contract contains a lease for each potential separate lease component.

The Group as a Lessee. At the commencement date, the Group recognizes right-of-use (ROU) assets and lease liabilities for all leases, except for leases with lease terms of 12 months or less (short-term leases) and leases for which the underlying asset is of low value in which case the lease payments associated with those leases are recognized as an expense on a straight-line basis.

ROU Assets. At commencement date, the Group measures ROU assets at cost. The cost comprises:

- i. the amount of the initial measurement of lease liabilities;
- ii. any lease payments made at or before the commencement date less any lease incentives received;
- iii. any initial direct costs; and
- iv. an estimation of costs to be incurred by the group in dismantling and removing the underlying asset, when applicable.

The ROU assets are recognized at the present value of the liability at the commencement date of the lease, adding any directly attributable costs. After the commencement date, the ROU assets are carried at cost less any accumulated amortization and any impairment in value, and adjusted for any remeasurement of the related lease liabilities. The ROU assets are amortized over the shorter of the lease terms or the useful lives of the underlying assets. The estimated useful life of ROU asset is five years.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercises of a purchase option, amortization is calculated using the estimated useful life of the asset.

Lease Liabilities. At commencement date, the Group measures a lease liability at the present value of future lease payments using the interest rate implicit in the lease, if that rate can be readily determined. Otherwise, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of a lease liability comprise the following:

- i. fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- ii. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- iii. amounts expected to be payable by the lessee under residual value guarantees;
- iv. the exercise price under a purchase option that the Group is reasonably certain to exercise; lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and
- v. penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

A lease liability is subsequently measured at amortized cost. Interest on the lease liability and any variable lease payments not included in the measurement of lease liability are recognized in profit or loss unless these are capitalized as costs of another asset. Variable lease payments not included in the measurement of the lease liability are recognized in profit or loss when the event or condition that triggers those payments occurs.

If there is a change in the lease term or if there is a change in the assessment of an option to purchase the underlying asset, the lease liability is remeasured using a revised discount rate considering the revised lease payments on the basis of the revised lease term or reflecting the change in amounts payable under the purchase option. The lease liability is also remeasured using the revised lease payments if there is a change in the amounts expected to be payable under a residual value guarantee or a change in future lease payments resulting from a change in an index or a rate used to determine those payments.

Employee Benefits

Short-Term Benefits. Short-term benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid 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.

Retirement Benefits. The Group accrues the estimated cost of retirement benefit required by the provision of Republic Act No. 7641 (The Philippine Retirement Pay Law). Retirement liability is measured and presented at present value determined by discounting the estimated future cash outflows using the interest rates of long-term government treasury bond determined in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation.

Retirement expense includes current service cost and interest cost which reflects services rendered by employees to the date of valuation and incorporates assumptions (*discount rate and salary increase rate*) concerning the employees' projected salaries. Remeasurement gain and loss arising from changes in assumptions are recognized in other comprehensive income in the period when they arise and are not reclassified to profit or loss in subsequent periods.

Remeasurement valuations are made with sufficient regularity so that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

Foreign Currency Denominated Transactions

Transactions denominated in foreign currencies are recorded using the exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the closing rate of exchange at the end of the reporting date. Foreign exchange differences are recognized in profit or loss.

For income tax reporting purposes, foreign exchange gains or losses are treated as taxable income or deductible expenses in the period such are realized.

Income Tax

Current Tax. Current tax is the expected tax payable on the taxable income or loss for the year, using tax rate enacted or substantively enacted as of the reporting date, and any adjustment to tax payable in the previous years.

Deferred Tax. Deferred tax assets are recognized for all deductible temporary differences. Deferred tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time the transaction, affects neither the accounting income nor taxable income or loss. Deferred tax liabilities are recognized for all temporary differences that are expected to increase taxable income in the future.

The carrying amount of deferred tax assets is reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rate and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in relation to the underlying transaction either in other comprehensive income or directly in equity.

Earnings Per Share (EPS)

Basic EPS is computed by dividing net income attributable to the stockholders of the Parent Company by the weighted average number of shares of stock outstanding during the year, with retroactive adjustments for any stock dividends declared and stock split.

Diluted EPS is calculated by adjusting the weighted average number of shares of stock outstanding to assume conversion of dilutive potential ordinary shares of stock.

Where the effect of potential dilutive capital stock would be anti-dilutive, basic and diluted EPS are stated at the same amount.

The Parent Company does not have dilutive potential shares of stock.

Segment Reporting

An operating segment is a component of the Group (a) that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to the transactions with any of the Group's other components; (b) whose operating results are regularly reviewed by the Group's senior management, its chief operating decision maker, to make decision about resources to be allocated to the segment and assess its performance; and (c) for which discrete financial information is available.

For purposes of management reporting, the Group's operating businesses are organized and managed separately based on the nature of the business segment, with each business representing a strategic business segment.

VAT

Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

The net amount of VAT payable to the taxation authority is included in "Trade and other payables" account in the statements of financial position.

Related Party Relationships and Transactions

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprises and their key management personnel, directors, or its stockholders. Related parties may be individuals or corporate entities. An entity is also related to the Group when it directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with the Group.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. Transactions with related parties are accounted for at arm's length prices or terms similar to those offered to non-related entities in an economically comparable market.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Contingencies

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

Events After the Reporting Date

Post year-end events that provide additional information about the financial position of the Group at reporting date (adjusting events) are reflected in the financial statements when material. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

3. Significant Judgment, Accounting Estimates and Assumptions

The preparation of the Group's financial statements in accordance with PFRS requires management to exercise judgment, make accounting estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the financial statements at the reporting date. The judgment, accounting estimates and assumptions used in the financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates. Such estimates will be adjusted accordingly when the results become determinable.

Judgment, accounting estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgment

In the process of applying the Group's accounting policies, management has made the following judgment, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements. The judgments are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements.

Acquisition Accounting. The Group accounts for acquired businesses using the acquisition method of accounting which requires that the assets acquired and the liabilities assumed be recognized at the date of acquisition at their respective fair values.

The application of the acquisition method requires certain estimates and assumptions especially concerning the determination of the fair values of acquired intangible assets and property and equipment as well as liabilities assumed at the date of the acquisition. Moreover, the useful lives of the acquired intangible assets and property and equipment have to be determined. Accordingly, for significant acquisitions, the Group obtains assistance from valuation specialists. The valuations are based on information available at the acquisition date.

Classifying Lease - The Group as a Lessee. The Group has entered into a lease agreement with a lessor for its offices. For the Group's noncancellable leases, the Group recognized ROU assets and lease liabilities measured at the present value of lease payments to be made over the lease term using the Group's implicit rate. The Group availed of the recognition exemption for short-term leases and the related lease payments are recognized as expense on a straight-line basis over the lease term.

The carrying amount of lease liabilities amounted to ₱1.5 million and ₱2.5 million as at December 31, 2021 and 2020, respectively. Rental expense incurred on short-term leases amounted to ₱19.3 million, ₱15.4 million and ₱13.9 million in 2021, 2020 and 2019, respectively (see Note 17).

Evaluating the Adequacy of Tax Liabilities. 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 interpretation of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgment about future events. New information may become available that causes the Group to change its judgment 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.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial reporting date that have a risk of causing a material adjustment to the carrying amount of assets and liabilities within the next reporting year are discussed below.

Assessing the ECL of Trade Receivables and Other Financial Assets at Amortized Cost. The allowance for ECL of trade receivables and other financial assets at amortized cost are based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history and existing market conditions, as well as forward looking estimates at the end of each reporting period.

ECL of Trade Receivables

The Group applies the PFRS 9 simplified approach in measuring ECL of trade receivables which uses a lifetime expected loss allowance for all trade receivables. The Group estimates ECL on receivables using a provision matrix that is based on days past due for groupings of various customer segments that have similar loss patterns. Depending on the diversity of its debtor base, the Group uses its historical credit loss experience adjusted for forward-looking factors, as appropriate.

ECL of Other Financial Assets at Amortized Cost

The Group determines the allowance for ECL of other financial assets at amortized cost using general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets. The provision for ECL recognized during the period is limited to 12 months ECL because the credit risk of the Group's other financial assets at amortized cost has not increased significantly.

The Group's allowance for ECL on trade receivables amounted to ₱87.8 million and, ₱23.8 million as at December 31, 2021 and 2020, respectively (see Note 6). The amount of provision for ECL recognized in 2021, 2020 and 2019 amounted to ₱63.8 million, ₱16.9 million and ₱5.4 million, respectively (see Note 14).

The carrying amounts of the Group's financial assets as at December 31 are as follows:

	Note	2021	2020
Cash in banks	5	₱474,544,902	₱167,400,346
Trade receivables	6	912,596,397	770,218,459
Advances to related parties	16	284,343,380	1,326,663,167

Estimating the Allowance for Inventory Obsolescence. The NRV of inventories represents the estimated selling price for inventories less all estimated costs necessary to make the sale. The Group determines the estimated selling price based on the recent sale transactions of similar goods with adjustments to reflect any changes in economic conditions since the date the transactions occurred. The Group records provision for excess of cost over NRV of inventories. While the Group believes that the estimates are reasonable and appropriate, significant differences in the actual experience or significant changes in estimates may materially affect the recognized provision for inventory obsolescence.

No provision for inventory obsolescence was recognized in 2021, 2020 and 2019. The carrying amount of inventories carried at cost amounted to ₱1,468.8 million and ₱493.0 million as at December 31, 2021 and 2020, respectively (see Note 7).

Estimating the Useful Lives of Depreciable Property, Plant and Equipment Computer Software and ROU assets. The Group estimates the useful lives of its depreciable property, plant and equipment, computer software and ROU asset based on the period over which the assets are expected to be available for use. The Group reviews annually the estimated useful lives of the depreciable property, plant and equipment, computer software and ROU assets based on the factors that include utilization, internal evaluation, technological change, environmental change and anticipated use of the assets.

In 2021 and 2020, the estimated useful lives of the depreciable property, plant and equipment, computer software and ROU assets are as follows:

	Number of Years
Building	15-20
Cold storage	15-20
Warehouse and production equipment	3-10
Store machineries and equipment	6-10
Transportation equipment	5-10
Office equipment	5
Computer software	10
ROU assets	5

There are no changes in the estimated useful lives of depreciable property, plant and equipment, computer software and ROU assets in 2021 and 2019.

Changes in the useful lives of store machineries and equipment resulted to increase in depreciation and amortization expense by ₱30.8 million in 2020.

There are no changes in the estimated useful lives of computer software and ROU assets in 2020.

The carrying amounts of depreciable property, plant and equipment, computer software and ROU assets are presented as follows:

	Note	2021	2020
Property, plant and equipment	9	₱806,377,106	₱587,222,158
Computer software	9	11,981,334	11,302,733
ROU assets	17	1,115,090	1,917,527

Assessing the Impairment of Nonfinancial Assets. The Group assesses impairment on its nonfinancial assets whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- significant underperformance of a business in relation to expectations;
- significant negative industry or economic trends; and
- significant changes or planned changes in the use of the assets.

Management has assessed that there are no indications of impairment on the Group's nonfinancial assets as at December 31, 2021 and 2020, hence no impairment loss was recognized.

The carrying amounts of these nonfinancial assets are as follows:

	Note	2021	2020
Property, plant and equipment	9	₱1,874,959,554	₱903,063,286
Other current assets	8	53,514,236	112,735,688
Computer software	9	11,981,334	11,302,733
ROU Assets	17	1,115,090	1,917,527

Assessing Impairment of Goodwill. The Group tests annually whether any impairment in goodwill is to be recognized, in accordance with the related accounting policy in Note 2. The recoverable amounts of CGUs have been determined based on the higher of fair value less costs of disposal and value in use calculations which require the use of estimates. Based on the impairment testing conducted, the recoverable amounts of the CGUs as at December 31, 2021 calculated based on value in use are greater than the corresponding carrying amounts (including goodwill) of the CGUs as at the same date. The carrying amount of goodwill amounted to ₱77.1 million as at December 31, 2021.

Estimating the ROU Assets and Lease Liabilities. The Group's ROU assets and lease liabilities are initially measured at the present value of lease payments. In determining the appropriate discount rate, the Group considered readily available interest rate implicit in the lease agreements, interest rate on its borrowings and the term of each lease commitment. The Group determined that the implicit rate in the lease agreements is readily available and presents the appropriate financing cost

in leasing the underlying assets. The rate implicit in the lease is the rate that would cause the present value of the lease payments and unguaranteed residual to equal the sum of the fair value of the underlying assets and initial direct costs incurred.

The carrying amount of ROU assets amounted to ₱1.1 million and ₱1.9 million, as at December 31, 2021 and 2020, respectively. Lease liabilities amounted to ₱1.5 million and ₱2.5 million as at December 31, 2021 and 2020, respectively (see Note 17).

Estimating the Retirement Liability. The determination of the obligation and cost for retirement benefits is dependent on the selection of certain assumptions used by the Group. Those assumptions, which include among others, discount rates and expected rates of salary increase, are indicated in Note 18. Actual results that differ from the assumptions are accumulated and are recognized as part of equity. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement liability.

Retirement expense amounted to ₱2.2 million, ₱1.9 million and ₱1.8 million in 2021, 2020, and 2019, respectively. Retirement liability amounted to ₱17.5 million as at December 31, 2021 and 2020 (see Note 18).

Assessing the Realizability of Deferred Tax Assets. The Group reviews the carrying amounts of deferred tax assets at the end of each reporting period and reduces the amounts to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The amount of recognized deferred tax assets is based upon the likely timing and level of future taxable profits together with future planning strategies to which the deferred tax assets can be utilized.

The Group recognized deferred tax assets amounting to ₱37.7 million and ₱12.6 million as at December 31, 2021 and 2020, respectively (see Note 19).

4. Business Combination

As discussed in Note 1, on November 3, 2021, the Parent Company acquired 100% of the outstanding and issued capital stock of Metapros by way of donation of shares from existing stockholders of Metapros. On November 10, 2021, the Parent Company then assigned its advances to Metapros amounting to ₱316.1 million as additional capital contribution.

The following is a summary of the provisional fair value of the identifiable net assets acquired and liabilities assumed as at the acquisition date.

	Fair Value Recognized on Acquisition
Assets:	
Cash	₱5,256,814
Inventories	16,232,267
Other current assets	6,428,007
Property and equipment	229,825,013
	257,742,101
Liabilities:	
Trade and other payables	15,989,494
Total identifiable net assets acquired at fair value	241,752,607
Fair value of consideration	318,831,785
Provisional Goodwill arising from acquisition	₱77,079,178

The purchase price allocation has been prepared on a preliminary basis. The Parent Company is still in the process of completing its accounting of the transaction and reasonable changes are expected as additional information becomes available. This will be finalized in 2022 as allowed by PFRS.

5. Cash

This account consists of:

	2021	2020
Cash on hand	₱15,751,207	₱3,341,555
Cash in banks	474,544,902	167,400,346
	₱490,296,109	₱170,741,901

Cash on hand pertains to the cash funds used for the Group's daily logistics requirements..

Cash in banks earn interest at prevailing bank deposit rates. Interest income recognized in profit or loss amounted to ₱0.4 million, ₱0.3 million and ₱0.3 million in 2021, 2020 and 2019, respectively.

6. Trade Receivables

This account consists of:

	2021	2020
Trade receivables	₱1,000,388,626	₱793,978,970
Less allowance for ECL	(87,792,229)	(23,760,511)
	₱912,596,397	₱770,218,459

Trade receivables are noninterest-bearing and are normally collected within 30 - 60 days.

Movements in the allowance for ECL are as follows:

	Note	2021	2020
Balance at beginning of year		₱23,760,511	₱6,866,407
Provision for ECL	14	63,750,009	16,894,104
Effect of business combination		281,709	—
Balance at end of year		₱87,792,229	₱23,760,511

7. Inventories

Movements in this account are as follows:

	Note	2021	2020
Balance at beginning of year		₱493,013,384	₱801,575,734
Purchases		7,596,866,293	4,210,979,798
Effect of business combination	4	16,232,267	–
Total goods available for sale		8,106,111,944	5,012,555,532
Less cost of inventories sold	13	(6,637,330,363)	(4,519,542,148)
Balance at end of year		₱1,468,781,581	₱493,013,384

Inventories consist mainly of imported and local pork, beef, chicken and seafood. Inventories are valued at cost as at December 31, 2021 and 2020. No provision for inventory obsolescence was recognized in 2021, 2020 and 2019.

8. Other Current Assets

This account consists of:

	Note	2021	2020
Advances to suppliers		₱31,530,102	₱97,547,528
Prepaid:			
Supplies		13,812,243	7,854,489
Toll fees		3,171,680	–
Rent	17	2,526,145	361,000
Insurance		2,399,066	2,796,471
Advances to employees		75,000	4,176,200
		₱53,514,236	₱112,735,688

Advances to suppliers represent advance payments for the acquisition of raw meat. These are noninterest-bearing and are to be applied to future billings within the next reporting year.

Advances to employees are unsecured, noninterest-bearing and are subject to liquidation within a month.

9. Property, Plant and Equipment and Computer Software

Property, Plant and Equipment

Movements in this account are as follows:

	2021										Total
	Land	Cold Storage	Motorpool	Store Machineries and Equipment	Transportation Equipment	Warehouse and Production Equipment	Leasehold Improvements	Office, Furniture and Equipment	Building	Construction in Progress	
Cost											
Balance at beginning of year	₱204,970,534	₱366,949,516	₱63,252,369	₱248,675,537	₱153,444,190	₱61,368,728	₱32,888,167	₱6,319,504	₱—	₱110,870,594	₱1,248,739,139
Additions	243,898,639	2,513,545	9,704	30,444,112	51,288,331	20,977,785	3,134,586	4,280,315	2,093,928	298,726,083	657,367,028
Effect of business combination	28,712,500	—	—	290,549	—	31,170,921	—	472,588	190,475,598	—	251,122,156
Transfer of property from related party	181,404,098	—	—	—	—	—	—	—	—	—	181,404,098
Balance at end of year	658,985,771	369,463,061	63,262,073	279,410,198	204,732,521	113,517,434	36,022,753	11,072,407	192,569,526	409,596,677	2,338,632,421
Accumulated Depreciation and Amortization											
Balance at beginning of year	—	46,198,105	1,054,206	197,097,115	73,070,839	13,802,450	11,232,710	3,220,428	—	—	345,675,853
Depreciation and amortization	—	25,772,176	4,217,213	22,204,871	28,164,689	5,970,952	6,678,944	1,710,166	1,980,860	—	96,699,871
Effect of business combination	—	—	—	290,549	—	5,067,863	—	415,858	15,522,873	—	21,297,143
Balance at end of year	—	71,970,281	5,271,419	219,592,535	101,235,528	24,841,265	17,911,654	5,346,452	17,503,733	—	463,672,867
Carrying Amount	₱658,985,771	₱297,492,780	₱57,990,654	₱59,817,663	₱103,496,993	₱88,676,169	₱18,111,099	₱5,725,955	₱175,065,793	₱409,596,677	₱1,874,959,554

	2020										Total
	Land	Cold Storage	Motorpool	Store Machineries and Equipment	Transportation Equipment	Warehouse Equipment	Leasehold Improvements	Office Equipment	Construction in Progress		
Cost											
Balance at beginning of year	₱82,470,534	₱262,231,879	₱—	₱238,821,911	₱125,549,484	₱61,026,368	₱30,857,672	₱5,287,691	₱133,451,549		₱939,697,088
Additions	122,500,000	—	—	9,853,626	30,494,706	342,360	2,030,495	1,031,813	145,389,051		311,642,051
Reclassification	—	104,717,637	63,252,369	—	—	—	—	—	(167,970,006)		—
Disposal	—	—	—	—	(2,600,000)	—	—	—	—		(2,600,000)
Balance at end of year	204,970,534	366,949,516	63,252,369	248,675,537	153,444,190	61,368,728	32,888,167	6,319,504	110,870,594		1,248,739,139
Accumulated Depreciation and Amortization											
Balance at beginning of year	—	27,175,696	—	175,174,467	51,377,684	7,965,038	4,959,269	2,245,472	—		268,897,626
Depreciation and amortization	—	19,022,409	1,054,206	21,922,648	24,293,155	5,837,412	6,273,441	974,956	—		79,378,227
Disposal	—	—	—	—	(2,600,000)	—	—	—	—		(2,600,000)
Balance at end of year	—	46,198,105	1,054,206	197,097,115	73,070,839	13,802,450	11,232,710	3,220,428	—		345,675,853
Carrying Amount	₱204,970,534	₱320,751,411	₱62,198,163	₱51,578,422	₱80,373,351	₱47,566,278	₱21,655,457	₱3,099,076	₱110,870,594		₱903,063,286

The cost of fully-depreciated property, plant and equipment amounting to ₱157.2 million and ₱107.8 million as at December 31, 2021 and 2020, respectively, are retained in the accounts and are still being used by the Group.

In 2020, the Group disposed of fully depreciated transportation equipment with cost of ₱2.6 million. The Group's parcel of land with aggregate cost of ₱28.7 million are used as collateral to a loan and transportation equipment with aggregate carrying amount of ₱7.5 million (see Note 11).

In 2021, properties amounting to ₱181.4 million was received as settlement of the advances to a related party (see Note 16).

The construction in progress of the Group pertains to the ongoing construction of cold storage in Cebu and Bulacan Annex. These are expected to be completed and fully operational in March 2022.

Computer Software

The Group acquired computer software for processing of day-to-day transactions of the Group.

Movements in this account are as follows:

	2021	2020
Cost		
Balance at beginning of year	₱15,265,232	₱14,193,638
Additions	2,697,396	1,071,594
Balance at end of year	17,962,628	15,265,232
Accumulated Amortization		
Balance at beginning of year	3,962,499	2,883,768
Amortization	2,018,795	1,078,731
Balance at end of year	5,981,294	3,962,499
Carrying Amount	₱11,981,334	₱11,302,733

Depreciation and amortization charged to operating expenses were as follows (see Note 14):

	Note	2021	2020	2019
Property, plant and equipment		₱96,699,871	₱79,378,227	₱52,868,012
Computer software		2,018,795	1,078,731	1,476,152
ROU assets	17	802,437	802,437	723,316
		₱99,521,103	₱81,259,395	₱55,067,480

10. Trade and Other Payables

This account consists of:

	2021	2020
Trade	₱2,069,380,231	₱1,502,205,477
Accruals for:		
Outside services	21,130,528	225,590,342
Salaries and wages	19,326,751	9,434,547
Importation cost	102,722	1,257,836
Others	1,800,206	1,461,676
Advances from customer	17,400,554	13,346,821
Statutory payables	15,334,609	8,939,820
	₱2,144,475,601	₱1,762,236,519

Trade payables are noninterest-bearing and are normally settled within one year.

Accrued expenses are normally settled within one year.

Advances from customers are noninterest-bearing and will be applied to the proceeds of sales of consigned goods.

Statutory payables pertain to net VAT payable, withholding taxes payable and contributions payable to various government agencies and are normally settled within the next month.

11. Loans Payable

This account consists of:

	2021	2020
Lines of credit	₱1,815,775,000	₱1,450,000,000
Term loans- current portion	26,645,482	29,288,518
	1,842,420,482	1,479,288,518
Term loans- noncurrent portion	7,692,308	30,769,231
	₱1,850,112,790	₱1,510,057,749

Lines of Credit

Movements in the lines of credit are as follows:

	2021	2020
Balance at beginning of year	₱1,450,000,000	₱1,242,974,580
Availments	2,722,368,000	3,146,367,453
Payments	(2,356,593,000)	(2,939,342,033)
Balance at end of year	₱1,815,775,000	₱1,450,000,000

The lines of credits are payable in 90 to 180 days and bear interest rates ranging from 6.13% to 8.75% per annum. These loans are used for working capital requirements.

The lines of credit are secured by continuing suretyship of the owners and the Group's related parties (see Note 16).

Breakdown of the loan credit facilities as at December 31, 2021 and 2020 are as follows:

	2021	2020
Chinabank	₱600,000,000	₱300,000,000
Banco de Oro (BDO)	550,000,000	400,000,000
Metrobank	500,000,000	750,000,000
Philippine National Bank (PNB)	200,000,000	50,000,000
Security Bank	100,000,000	—
	₱1,950,000,000	₱1,500,000,000

Term Loans

The outstanding balance of the term loans with PNB and BDO are as follows:

	2021	2020
Balance at beginning of year	₱60,057,749	₱129,252,936
Availments	5,607,000	—
Payments	(31,326,959)	(69,195,187)
Balance at end of year	34,337,790	60,057,749
Less current portion	26,645,482	29,288,518
Noncurrent portion	₱7,692,308	₱30,769,231

The loans are payable in five to six years and bears interest rates ranging from 5.0% to 8.0% per annum. Principal is paid on equal monthly installments commencing from the dates of the respective initial drawdown of the loans.

The loans are secured by real estate mortgages over parcels of land owned by the Group with aggregate cost of ₱28.7 million including improvements thereon that are located in Guiguinto and Bustos, Bulacan and transportation equipment with aggregate carrying amount of ₱7.5 million (see Note 9).

Proceeds of the term loans were used for the construction of the cold storage located in Guiguinto, Bulacan and to finance the construction of a manufacturing plant.

Scheduled principal payments of the loans of the Group are as follows:

	2021	2020
Within one year	₱1,842,420,482	₱1,479,288,518
After one year but not more than five years	7,692,308	30,769,231
	₱1,850,112,790	₱1,510,057,749

Details of interest expense are as follows:

	Note	2021	2020	2019
Interest on loans payable		₱102,517,405	₱84,345,774	₱89,998,080
Accretion of interest on lease liabilities	17	105,042	151,352	184,254
		₱102,622,447	₱84,497,126	₱90,182,334

12. Equity

Capital Stock

Movements in the account are as follows:

	2021		2020	
	No. of Shares	Amount	No. of Shares	Amount
Common shares - ₱1,000 par value				
Authorized shares:				
Balance at beginning and end of year	250,000	₱250,000,000	250,000	₱250,000,000
Subscribed shares:				
Balance at beginning of year	120,000	120,000,000	70,000	70,000,000
Subscriptions during the year	—	—	50,000	50,000,000
Balance at end of year	120,000	120,000,000	120,000	120,000,000
Less subscriptions receivable:				
Balance at beginning of year	60,000	60,000,000	40,000	40,000,000
Collections	(60,000)	(60,000,000)	(30,000)	(30,000,000)
Subscriptions during the year	—	—	50,000	50,000,000
Balance at end of year	—	—	60,000	60,000,000
	120,000	₱120,000,000	60,000	₱60,000,000

On October 18, 2019, the BOD and shareholders approved the change in authorized capital stock of the Parent Company from ₱250.0 million divided into 200,000 common shares at ₱1,000 par value and 50,000 preferred shares at ₱1,000 par value to 250,000 common shares at ₱1,000 par value. Consequently, all of its preferred shares were converted to common shares at the same par value. The increase was approved by the SEC on November 28, 2019.

On November 9, 2020, the BOD and shareholders of the Parent Company approved the additional subscription of 50,000 common shares at ₱1,000 par value equivalent to ₱50.0 million from the unissued shares of the Parent Company. Out of the additional subscription, ₱30.0 million was paid. The remaining subscription receivable was collected on September 6, 2021.

On October 13, 2021, the BOD and stockholders representing 2/3 of the outstanding capital stock of the Parent Company approved the stock split which reduces the par value of the Parent Company's authorized capital stock from ₱1,000 per share to ₱0.25 per share and increase the authorized capital stock from 250,000 shares to 1,000,000,000 shares. This was subsequent approved by the SEC on February 16, 2022.

On November 2, 2021, the BOD and stockholders representing 2/3 of the outstanding capital stock of the Parent Company approved the increase in authorized capital stock from ₱250.0 million to ₱625.0 million divided into 2,500,000,000 common shares with par value of ₱0.25 per share. On the same date, the BOD of the Parent Company approved the appropriation of ₱240.0 million as reserve for the declaration of the stock dividends, as of date, as subscription payment to the increase in the authorized capital stock of the Parent Company. The increase is pending SEC approval as at February 24, 2022.

Retained Earnings

Under Section 42 of the Revised Corporation Code of the Philippines, stock corporations are prohibited from retaining surplus profits in excess of one hundred percent (100%) of paid-in capital except when justified by corporate expansion projects and when it is necessary for special reserve for probable contingencies, among others.

On December 23, 2019, the BOD of the Parent Company approved the reversal of ₱99.8 million appropriated for projects completed in 2019. On the same date, the BOD of the Parent Company approved the appropriation of retained earnings amounting to ₱200.0 million to fund its business expansion and the cost of budgeted capital expenditure items and other improvement project of the Corporation expected to be completed until the year 2021.

In 2020, the BOD of the Parent Company approved the reversal of ₱115.0 million appropriation related to the construction of cold storage and motorpool in Guiguinto Bulacan which were completed in 2020. On the same date, the BOD of the Parent Company approved the appropriation of ₱120.0 million to fund the cost of capital expenditure and improvement projects until 2022.

On June 14, 2021, the BOD of the Parent Company approved the reversal of ₱320.0 million appropriation related to capital expenditures which were completed in 2021.

On September 6, 2021, BOD of the Parent Company declared cash dividends amounting to ₱60.0 million or ₱500.00 per subscribed share.

On December 27, 2021, the BOD of the Parent Company approved the appropriation of ₱300.0 million to fund the its business expansion and the cost of budgeted capital expenditure and other improvement project of the Parent Company expected to be completed until the year 2023.

13. Sales of Goods and Cost of Goods Sold

Sale of Goods

This account consists of:

	2021	2020	2019
Pork	₱5,828,954,103	₱3,485,560,527	₱2,776,706,352
Beef	2,888,860,289	2,174,151,471	1,541,913,476
Chicken	335,038,644	212,356,960	272,933,917
Others	228,674,047	213,005,464	161,665,820
	₱9,281,527,083	₱6,085,074,422	₱4,753,219,565

Cost of Goods Sold

This account consists of:

	Note	2021	2020	2019
Cost of inventories sold	7	₱6,637,330,363	₱4,519,542,148	₱3,624,288,660
Outside services		435,980,815	461,615,554	354,085,751
Store and warehouse supplies		136,925,032	95,521,951	79,183,213
		₱7,210,236,210	₱5,076,679,653	₱4,057,557,624

Outside services pertains to the cost of the outsourced personnel in the store operations.

14. Operating Expenses

This account consists of:

	Note	2021	2020	2019
Storage and handling		₱172,666,916	₱55,680,367	₱48,117,963
Outside services		125,759,242	115,403,888	73,155,393
Advertising		125,157,994	73,462,201	55,867,336
Salaries and other employee benefits		115,347,092	88,247,495	71,145,439
Depreciation and amortization	9	99,521,103	81,259,395	55,067,480
Provision for ECL	6	63,750,009	16,894,104	5,446,537
Contracted services		46,093,577	28,476,146	21,747,356
Transportation and travel		41,366,614	23,829,178	30,427,029
Repairs and maintenance		40,395,963	22,501,904	16,864,579
Communication, light and water		38,236,515	23,407,469	29,327,437
Vendor support service		33,006,987	23,626,011	19,290,171
Representation		30,824,741	30,250,853	16,866,342
Rent expense	17	19,262,261	15,417,197	13,875,796
Taxes and licenses		16,503,845	6,424,528	12,575,723
Insurance		10,107,061	9,879,624	7,134,347
Tolling fee		8,305,726	—	—
Supplies		4,944,232	3,008,410	2,696,246
Retirement expense	18	2,154,539	1,903,463	1,789,207
Others		97,458,287	79,390,867	25,452,125
		₱1,090,862,704	₱699,063,100	₱506,846,506

15. Earnings Per Share (EPS)

Basic and diluted EPS is computed as follows:

	2021	2020	2019
Net income	₱610,473,236	₱238,830,712	₱116,195,588
Weighted average number of common shares	80,000	35,000	30,000
	₱7,631	₱6,824	₱3,873

The Group does not have potential dilutive shares of stock.

16. Related Party Transactions

The following are the transactions with related parties and the outstanding balances as at December 31:

Related Parties	Nature of Transaction	Transaction amounts		Outstanding balances	
		2021	2020	2021	2020
Advances to related parties					
Entities under common ownership					
	Advances for construction of manufacturing plant	₱22,781,173	₱36,306,315	₱–	₱293,300,612
	Advances for land acquisition	–	52,511,533	–	485,635,323
	Advances for working capital requirements	47,582,398	28,071,218	284,343,380	206,687,106
				284,343,380	985,623,041
Advances to stockholders		–	40,757,739	–	341,040,126
				₱284,343,380	₱1,326,663,167
Trade and other payables					
Entity under common ownership	Purchase of raw meat	₱1,072,493,456	₱737,505,768	₱–	₱–
Lease Liabilities					
Entity under common ownership	Sublease of office space	₱945,572	₱790,614	₱1,540,802	₱2,486,374

Terms and Conditions of Transactions with Related Parties

Outstanding balances are unsecured, noninterest-bearing and does not contain a definite fixed term. The Group is not expected to enforce or collect payment within 12 months. There have been no guarantees provided for any of the aforementioned related party receivables.

Transactions with related parties are made in the normal course of business. Amount owed by related parties are generally collectible in cash. In 2021, however, properties amounting to P181.4 million was received as settlement for the advances to related party (see Note 9). Moreover, the related parties and stockholders settled their advances from the Parent Company which were used as payment of purchases during the year.

An assessment of the collectibility of the advances is undertaken at each financial year by examining the financial position of the related parties and the market in which the related parties operate. No ECL or impairment loss was recognized on the advances to related parties in 2021, 2020 and 2019.

In 2013, the Group entered into a sublease agreement with a related party for its office space located at Quezon City, covering a term of 10 years, commencing on November 15, 2013. The agreement is renewable for another term upon written notice provided by the Group.

On November 10, 2021, the Parent Company assigned its advances to Metapros amounting to P316.1 million as additional capital contribution. On the same date, the Parent Company assigned its advances to an affiliate amounting to P190.5 million to Metapros.

As discussed in Note 11, the lines of credit are secured by continuing suretyship of the owners and the Group's related parties.

Compensation of Key Management Personnel

Compensation of key management personnel of the Group are as follows:

	2021	2020	2019
Short-term employee benefits	₱1,800,000	₱1,733,428	₱1,480,572
Post-employment benefits	1,169,287	1,336,883	820,549
	₱2,969,287	₱3,070,311	₱2,301,121

17. Commitments and Contingencies

Lease Commitments

In November 2013, the Group entered into a noncancellable sublease agreement with a related party for the lease of building for its head office. The agreement has a lease term of ten years and provides for escalation rate of 10% every after three years.

In 2019, the Group also entered into noncancellable lease agreement for the lease of a regional office. The agreement has lease term of three years and provides for escalation rate of 5% annually.

ROU Assets

Movements in ROU assets are as follows:

	Note	2021	2020
Cost			
Balance at beginning and end of year		₱4,008,353	₱4,008,353
Accumulated Amortization			
Balance at beginning of year		2,090,826	1,288,389
Amortization	9	802,437	802,437
Balance at end of year		2,893,263	2,090,826
Carrying Amount		₱1,115,090	₱1,917,527

Lease Liabilities

Movements in lease liabilities are as follows:

	2021	2020
Balance at beginning of year	₱2,486,374	₱3,373,636
Rental payments	(1,050,614)	(1,038,614)
Accretion of interest	105,042	151,352
Balance at end of year	1,540,802	2,486,374
Current portion	633,166	945,572
Noncurrent portion	₱907,636	₱1,540,802

Implicit rate ranging from 3.84% to 5.50% was applied to determine the discounted amount of lease liabilities.

In addition to the above, the Group also entered into various short-term lease agreements. Total rent expense on short-term leases charged to operations amounted to ₱19.3 million, ₱15.4 million and ₱13.9 million in 2021, 2020 and 2019, respectively (see Note 14). Prepaid rent pertaining to these lease amounted to ₱2.5 million and ₱0.4 million as at December 31, 2021 and 2020, respectively (see Note 8).

The Group's outstanding commitments for future lease payments are as follows:

	2021	2020
Due within one year	₱891,791	₱1,047,614
Due after one year but not more than five years	724,730	1,880,174
	₱1,616,521	₱2,927,788

18. Retirement Benefits

The Group accrues retirement cost of its employees based on the estimated cost of retirement benefit required under RA No. 7641, otherwise known as The Philippine Retirement Pay Law. The retirement benefits are based on years of service and compensation on the last year of employment as estimated by the Group.

Retirement expense recognized in profit or loss is as follows (see Note 14):

	2021	2020	2019
Current service cost	₱1,465,397	₱1,345,430	₱1,168,710
Interest cost	689,142	558,033	620,497
	₱2,154,539	₱1,903,463	₱1,789,207

The components of retirement liability presented in the statements of financial position are as follows:

	2021	2020
Balance at beginning of year	₱17,535,424	₱14,193,871
Remeasurement (gain) loss	(2,183,364)	1,438,090
Current service cost	1,465,397	1,345,430
Interest cost	689,142	558,033
Balance at end of year	₱17,506,599	₱17,535,424

The accumulated remeasurement loss recognized presented under "Other Comprehensive Loss" account in statements of financial position as at December 31, 2021 and 2020 are as follows:

	2021		
	Cumulative Remeasurement Loss (Gain)	Deferred Tax (see Note 19)	Net
Balance at beginning of year	₱5,651,186	₱1,695,356	₱3,955,830
Remeasurement gain	(2,183,364)	(545,841)	(1,637,523)
Effect of change in tax rate	–	(282,559)	282,559
Balance at end of year	₱3,467,822	₱866,956	₱2,600,866

	2020		
	Cumulative Remeasurement Loss	Deferred Tax (see Note 19)	Net
Balance at beginning of year	₱4,213,096	₱1,263,929	₱2,949,167
Remeasurement loss	1,438,090	431,427	1,006,663
Balance at end of year	₱5,651,186	₱1,695,356	₱3,955,830

The assumptions used to determine retirement benefits are as follows:

	2021	2020	2019
Discount rates	4.93%	3.93%	5.35%
Expected rates of salary increase	5.00%	5.00%	5.00%

The sensitivity analysis based on reasonably possible changes of the assumptions as at December 31, 2021 and 2020 are as follows:

	Basis Points	2021	2020
Discount rates	+100	(₱2,586,722)	(₱3,285,342)
	-100	3,161,887	4,086,100
Salary increase rates	+100	3,126,638	3,504,339
	-100	(2,607,633)	(2,849,709)

The sensitivity analysis above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The weighted average duration of the defined benefit plan at the end as at December 31, 2021 and 2020 is 16.4 and 21.67, respectively.

There is no expected contribution to the fund in the following years.

As at December 31, 2021 and 2020, the expected future benefit payments are as follows:

	2021	2020
One (1) year or less	₱669,382	₱188,780
More than 1 year to 5 years	509,327	452,289
More than 5 years to 20 years	22,651,490	17,882,953
More than 20 years	17,124,586	19,439,912

19. Income Taxes

The current income tax of the Group is subject to regular corporate income tax (RCIT) in 2021, 2020 and 2019.

The details of income tax expense (benefit) are as follows:

	2021	2020	2019
Current	₱220,355,279	₱127,639,046	₱82,865,765
Deferred	(28,863,433)	(7,747,678)	(1,349,597)
	₱191,491,846	₱119,891,368	₱81,516,168

The net deferred tax assets of the Group recognized on the statements of financial position consist of:

	2021	2020
Deferred tax assets:		
Allowance for ECL on receivables	₱21,877,630	₱7,128,153
Unrealized foreign currency exchange loss	11,346,992	—
Retirement liability	4,376,650	5,260,627
Application of PFRS 16	106,429	170,655
	37,707,701	12,559,435
Deferred tax liability -		
Unrealized foreign currency exchange gain	—	2,886,767
Net deferred tax assets	₱37,707,701	₱9,672,668

Net deferred tax assets are presented in the statements of financial position as follows:

	2021	2020
Through profit or loss	₱36,840,745	₱7,977,312
Through OCL	866,956	1,695,356
	₱37,707,701	₱9,672,668

The reconciliation of income tax expense computed at the applicable statutory income tax rate to income tax expense as shown in the statements of comprehensive income is summarized below.

	2021	2020	2019
Income tax computed at statutory tax rate	₱200,491,271	₱107,616,624	₱59,313,527
Effect of change in tax rate	(9,312,831)	—	—
Add (deduct) tax effects of:			
Change in unrecognized deferred tax assets of Metapros	391,703	—	—
Interest income already subjected to final tax	(104,394)	(77,837)	(83,055)
Nondeductible interest expense	26,097	32,108	34,260
Nondeductible expenses	—	12,320,473	22,251,436
	₱191,491,846	₱119,891,368	₱81,516,168

The unrecognized deferred tax assets of Metapros are as follows:

	2021
NOLCO	₱5,340,821
Allowance for ECL	422,564
MCIT	9,647
	₱5,773,032

The Corporate Recovery and Tax Incentives for Enterprises (CREATE) Bill

On March 26, 2021, the Corporate Recovery and Tax Incentives for Enterprises Act (“CREATE Act”) was approved and signed into law by President Rodrigo Duterte. Under the CREATE Act, the Regular Corporate Income Tax (RCIT) of domestic corporations was revised from 30% to 25% and 20%, depending on the amount of total assets or total amount of taxable income. In addition, the Minimum Corporate Income Tax (MCIT) was reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

The changes in the income tax rates retrospectively became effective beginning July 1, 2020. However, the income tax rates used in preparing the financial statements as at and for the year ended December 31, 2020 are 30% and 2% for RCIT and MCIT, respectively. As provided by PAS 12, *Income Taxes*, components of current tax expense may include any adjustments recognized in the period for the income tax of prior period. For the year ended December 31, 2021, current tax expense decreased by ₱10.6 million as a result of adjustment for changes in the tax rates in 2020, while the increase in deferred tax expense is due to change in tax rate amounted to ₱1.3 million.

20. Financial Risk and Capital Management Objectives and Policies

The principal financial instruments of the Group are cash in banks, trade receivables, advances to related parties, trade and other payables (advances from customer and excluding statutory payables) lease liabilities and loans payable.

The main purpose of the financial instruments is to fund the operations of the Group and to acquire property, plant and equipment.

The BOD has overall responsibility for the establishment and oversight of the risk management framework of the Group. The risk management policies of the Group are established to identify and manage the exposure of the Group to the financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the activities of the Group.

The main risks arising from the financial instruments of the Group are foreign currency exchange risk, credit risk and liquidity risk. The BOD and management of the Group review and approve policies for managing each of these risks as summarized below.

Foreign Currency Exchange Risk

Foreign currency exchange risk is the risk that the fair value of financial instrument will fluctuate because of changes in foreign exchange rates. The Group has transactional currency exposure arising from trade payables denominated in U.S. Dollar. The Group manages this risk by focusing on cash purchases from abroad with consideration on the movement of foreign currency that is favorable to the Group.

The foreign currency denominated monetary assets and liabilities and their peso equivalent as at December 31 are as follows:

	2021		2020	
	US Dollar	Philippine Peso	US Dollar	Philippine Peso
Financial asset -				
Cash	\$70,944	₱3,602,101	\$59,366	₱3,027,197
Financial liability -				
Trade and other payables	32,187,375	1,634,281,798	22,593,983	1,085,324,572
Net foreign currency - denominated financial liability	(\$32,116,431)	(₱1,630,679,697)	(\$22,534,617)	(₱1,082,297,375)

In translating the foreign currency-denominated monetary assets and liabilities into Philippine Peso amounts, the exchange rates used per U.S. dollar amounted to ₱50.77 and ₱48.04 as at December 31, 2021 and 2020, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rates with all other variables held constant, of the income before income tax due to changes in the fair value of monetary assets and liability as at December 31, 2021 and 2020.

	2021		2020	
	Changes in Foreign Currency Exchange Rates	Effect on Equity, Net of Tax	Changes in Foreign Currency Exchange Rates	Effect on Equity, Net of Tax
Increase	₱2.73	(₱65,758,394)	₱2.60	(₱41,013,003)
Decrease	(2.73)	65,758,394	(2.60)	41,013,003

Credit Risk

Credit risk refers to the potential loss arising from any failure by counterparties to fulfill their obligations as, and when, they fall due. It is inherent to the business as potential losses may arise due to the failure of its customers and counterparties to fulfill their obligations on maturity dates or due to adverse market conditions.

Generally, the credit risk of the Group is attributable to financial assets at amortized cost. The Group enters into contracts only with counterparties who have low credit risk, maintains defined credit policies and continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls.

The credit quality of financial assets is being managed by the Group using internal credit ratings. The table below shows the credit quality by class of financial asset based on the rating system of the Group as at December 31, 2021 and 2020:

	2021			
	Neither Past Due nor Impaired		Impaired	Total
	High Grade	Standard Grade		
Cash in banks	₱474,544,902	₱—	₱—	₱474,544,902
Trade receivables	761,810,266	150,786,131	87,792,229	1,000,388,626
Advances to related parties	284,343,380	—	—	284,343,380
	₱1,520,698,548	₱150,786,131	₱87,792,229	₱1,759,276,908

	2020			
	Neither Past Due nor Impaired		Impaired	Total
	High Grade	Standard Grade		
Cash in banks	₱167,400,346	₱—	₱—	₱167,400,346
Trade receivables	719,381,095	50,837,364	23,760,511	793,978,970
Advances to related parties*	547,727,232	—	—	547,727,232
	₱1,434,508,673	₱50,837,364	₱23,760,511	₱1,509,106,548

*Excluding advances for construction of manufacturing plant and land acquisition amounting to ₱293.0 million and ₱485.6 million, respectively.

The Group evaluates credit quality on the basis of the credit strength of the security and/or counterparty/issuer. High grade financial assets are those which collectability is assured based on past experience. Standard grade financial assets are considered moderately realizable and some accounts which would require some reminder follow-ups to obtain settlement from the counterparties. The Group determines if credit risk have increased significantly when financial assets are more than 30 days past due.

For trade receivables, the Group has adopted a lifetime expected loss allowance in estimating ECL to receivables through the use of a provisions matrix using fixed rates of credit loss provisioning based on recent historical collection rates after incorporating forward-looking information.

For other financial assets at amortized cost, the Group has adopted a 12-month expected loss allowance in estimating ECL to other financial assets at amortized cost, which pertains to the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date.

Cash in banks. Cash in banks are deposited in reputable banks and are considered as high grade financial assets.

Advances to related parties. Related parties have sufficient liquid asset to pay and the risk of default is assessed to be minimal.

Generally, receivables are written off if collection cannot be made despite exhausting all extra-judicial and legal means of collection. The maximum exposure to credit risk at reporting date is the carrying value of the financial assets. The Group does not hold collateral as security.

Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing for long-term financial liabilities as well as cash outflows due in the day-to-day business. Liquidity needs are monitored in various time, on a day-to-day and week-to-week, as well as on the basis of a rolling 30-day projection. The Group regularly evaluates its projected and actual cash flows.

The table below summarizes the maturity profile of the financial liabilities of the Group based on contractual undiscounted payments used for liquidity management.

2021	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Financial Liabilities						
Trade and other payables*	₱2,111,740,438	₱2,111,740,438	₱2,111,740,438	₱—	₱—	₱—
Loans payables	1,850,112,790	1,850,112,790	1,842,420,482	7,692,308	—	—
Lease liabilities	1,540,802	1,616,521	891,791	724,730	—	—
	₱3,963,394,030	₱3,963,469,749	₱3,955,052,711	₱8,417,038	₱—	₱—

*Excluding advances from customer and statutory payables amounting to ₱17.4 million and ₱15.3 million, respectively.

2020	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Financial Liabilities						
Trade and other payables*	₱1,739,949,878	₱1,739,949,878	₱1,739,949,878	₱—	₱—	₱—
Loans payables	1,510,057,749	1,510,057,749	1,479,288,518	30,769,231	—	—
Lease liabilities	2,486,374	2,927,788	1,047,614	1,880,174	—	—
	₱3,252,494,001	₱3,252,935,415	₱3,220,286,010	₱32,649,405	₱—	₱—

*Excluding advances from customer and statutory payables amounting to ₱13.3 million and ₱8.9 million, respectively.

Capital Management

The primary objective of the management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it based on changes in economic conditions and the risk characteristics of its activities. No changes were made in the objectives, policies and process from the previous years.

The capital considered by the Group is the equity as disclosed in the statements of financial position. The Group monitors its capital using debt to equity ratio, which is total debt divided by the total equity. The Group includes all interest-bearing loans and borrowings in total debt and excludes other comprehensive income (loss) from total equity.

21. Fair Value of Financial Instruments

Set out below is a comparison by category of the carrying amounts and fair values of all of the financial instruments of the Group that are carried in the financial statements:

	2021		2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets at amortized cost				
Cash in banks	₱474,544,902	₱474,544,902	₱167,400,346	₱167,400,346
Trade receivables	912,596,397	912,596,397	770,218,459	770,218,459
Advances to related parties*	284,343,380	284,343,380	547,727,232	547,727,232
	₱1,671,484,679	₱1,671,484,679	₱1,485,346,037	₱1,485,346,037

*Excluding advances for construction of manufacturing plant and land acquisition amounting to ₱293.3 million and ₱485.6 million as at December 31, 2020, respectively.

	2021		2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities at amortized cost				
Trade and other payables*	₱2,111,740,438	₱2,111,740,438	₱1,739,949,878	₱1,739,949,878
Loans payable	1,850,112,790	1,850,112,790	1,510,057,749	1,510,057,749
Lease liability	1,540,802	1,616,521	2,486,374	2,927,788
	₱3,963,394,030	₱3,963,469,749	₱3,252,494,001	₱3,252,935,415

*Excluding advances from customer and statutory payables amounting to ₱17.4 million and ₱15.3 million and ₱13.3 million and ₱8.9 million as at December 31, 2021 and 2020, respectively

Cash in Banks, Trade Receivables, and Trade and Other Payables (excluding advances from customer and statutory payables). Carrying amounts approximate the fair values at reporting dates due to the short-term maturities of these financial instruments.

Advances to Related Parties. Advances to related parties has no definite fixed terms and is not expected to be realized within the next 12 months. Accordingly, the fair value is not determinable, as the timing of future cash flows cannot be estimated reliably.

Loans Payable. Estimated fair values have been calculated on the instruments' expected cash flows using the prevailing PDS BVAL Reference Rates that are specific to the tenor of the instruments' cash flows at reporting dates (Level 2).

Lease Liabilities. The carrying amount and fair value of the lease liabilities, classified as level 3 of the fair value hierarchy, is determined based on the discounted cash flow of the remaining lease payments. Discount rate applied in the lease liabilities ranged from 3.84% to 5.50%.

As at December 31, 2021 and 2020, there were no financial instruments carried at fair value. There were no transfers between Level 1, Level 2 and Level 3 fair value measurements in 2021 and 2020.

22. Operating Segment Information

For management purposes, the Group is organized into operating segments based on product types. However, due to the similarity in the economic characteristics, such segments have been aggregated into a single operating segment for external reporting purposes.

Sales from pork, beef, chicken and other products are mainly from external customers and within the Philippines, which is the Group's domicile and primary place of operations. Additionally, the Group's noncurrent assets are also primarily acquired, located and used within the Philippines.

Sales are attributable to revenues from modern trade retail outlets such as supermarkets, hypermarkets, community markets, and restaurants and other institutional accounts.

23. Supplemental Disclosure of Cash Flow Information

Changes in Liabilities Arising from Financing Activities

	2021				
	Balance at beginning of year	Cash inflows	Cash outflows	Interest expense	Balance at end of year
Loans payable	₱1,510,057,749	₱2,727,975,000	(₱2,387,919,959)	₱-	₱1,850,112,790
Lease liabilities	2,486,374	-	(1,050,614)	105,042	1,540,802
Dividends payable	-	-	(60,000,000)	-	-
Interest payable	-	-	(102,517,405)	102,517,405	-
	₱1,512,544,123	₱2,727,975,000	(₱2,551,487,978)	₱102,622,447	₱1,851,653,592

	2020				
	Balance at beginning of year	Cash inflows	Cash outflows	Interest expense	Balance at end of year
Loans payable	₱1,372,227,516	₱3,146,367,453	(₱3,008,537,220)	₱-	₱1,510,057,749
Lease liabilities	3,373,636	-	(1,038,614)	151,352	2,486,374
Interest payable	-	-	(84,345,774)	84,345,774	-
	₱1,375,601,152	₱3,146,367,453	(₱3,093,921,608)	₱84,497,126	₱1,512,544,123

Interest expense for 2021 and 2020 pertains to accretion of interest on lease liabilities and interest on loans payable.



**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE
SECURITIES AND EXCHANGE COMMISSION**

The Stockholders and the Board of Directors
North Star Meat Merchants, Inc. and Subsidiary
RM.#3 2nd Flr. Florete Bldg. II
Magsaysay Road, Luna St.
La Paz, Iloilo City

We have audited the accompanying consolidated financial statements of North Star Meat Merchants, Inc. (a subsidiary of Pietra Angolare Holdings, Inc.) (the Parent Company) and subsidiary (the Group), as at and for the year ended December 31, 2021, the the Parent Company's statements of financial position, comprehensive income, changes in equity and cash flows as at and for the years ended December 31, 2020 and 2019, on which we have rendered our report dated February 24, 2022.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Parent Company has six (6) stockholders owning one hundred (100) or more shares each.

REYES TACANDONG & Co.

BELINDA B. FERNANDO

Partner

CPA Certificate No. 81207

Tax Identification No. 102-086-538-000

BOA Accreditation No. 4782; Valid until April 13, 2024

SEC Accreditation No. 81207-SEC Group A

Issued January 30, 2020

Valid for Financial Periods 2019 to 2023

BIR Accreditation No. 08-005144-004-2019

Valid until October 16, 2022

PTR No. 8851706

Issued January 3, 2022, Makati City

February 24, 2022
Makati City, Metro Manila



**INDEPENDENT AUDITORS REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Stockholders and the Board of Directors
North Star Meat Merchants, Inc. and Subsidiary
RM.#3 2nd Flr. Florete Bldg. II
Magsaysay Road, Luna St.
La Paz, Iloilo City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of North Star Meat Merchants, Inc. (a subsidiary of Pietra Angolare Holdings, Inc.) (the Parent Company) and Subsidiary (the Group) as at and for the year ended December 31, 2021, and the Parent Company's statements of financial position, comprehensive income, changes in equity and cash flows as at and for the years ended December 31, 2020 and 2019, and notes to the financial statements, and have issued our report thereon dated February 24, 2022. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's financial statements as at and for the years ended December 31, 2021 and 2020, and no material exceptions were noted.

REYES TACANDONG & Co.

BELINDA B. FERNANDO

Partner

CPA Certificate No. 81207

Tax Identification No. 102-086-538-000

BOA Accreditation No. 4782; Valid until April 13, 2024

SEC Accreditation No. 81207-SEC Group A

Issued January 30, 2020

Valid for Financial Periods 2019 to 2023

BIR Accreditation No. 08-005144-004-2019

Valid until October 16, 2022

PTR No. 8851706

Issued January 3, 2022, Makati City

February 24, 2022
Makati City, Metro Manila

NORTH STAR MEAT MERCHANTS, INC. AND SUBSIDIARY
(A Subsidiary of Pietra Angolare Holdings, Inc.)

FINANCIAL SOUNDNESS INDICATORS

Below is a schedule showing financial soundness indicators in 2021 and 2020.

	2021	2020
Current/Liquidity Ratio	0.71:1	0.47:1
Current assets	₱2,925,188,323	₱1,546,709,432
Current liabilities	4,138,711,425	3,313,754,964
Solvency Ratio	0.17:1	0.10:1
Net income before depreciation and amortization	709,994,339	320,090,107
Total liabilities	4,164,817,968	3,363,600,421
Debt-to-equity Ratio	3.98:1	7.72:1
Total liabilities	4,164,817,968	3,363,600,421
Total equity	1,047,556,592	435,728,392
Asset-to-equity Ratio	4.98:1	8.72:1
Total assets	5,212,374,560	3,799,328,813
Total equity	1,047,556,592	435,728,392
Interest rate coverage Ratio	8.81:1	5.25:1
Pretax income before interest	904,587,529	443,219,206
Interest expense	102,622,447	84,497,126
Profitability Ratio	0.58:1	0.55:1
Net income	610,473,236	238,830,712
Total equity	1,047,556,592	435,728,392



**REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors
North Star Meat Merchants, Inc.
RM.#3 2nd Flr. Florete Bldg. II
Magsaysay Road, Luna St.
La Paz, Iloilo City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of North Star Meat Merchants, Inc. (a subsidiary of Pietra Angolare Holdings, Inc.) (the Parent Company) and Subsidiary (the Group) as at and for the year ended December 31, 2021, and the Parent Company's statements of financial position, comprehensive income, changes in equity and cash flows as at and for the years ended December 31, 2020 and 2019, and notes to the financial statements, and have issued our report thereon dated February 24, 2022. Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary schedules as at December 31, 2021 are the responsibility of the Group's management. These supplementary schedules include the following:

- Reconciliation of Retained Earnings Available for Dividend Declaration
- Supplementary Schedules required by Par. 6 of the Revised SRC Rule 68
- Map of Relationships of the Companies within the Group

These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 Part II, and are not part of the financial statements. This information have been subjected to the auditing procedures applied in the audit of the financial statements, including comparing such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves. In our opinion, the information is fairly stated in all material respect in relation to the financial statements taken as a whole.

REYES TACANDONG & Co.

BELINDA B. FERNANDO

Partner

CPA Certificate No. 81207

Tax Identification No. 102-086-538-000

BOA Accreditation No. 4782; Valid until April 13, 2024

SEC Accreditation No. 81207-SEC Group A

Issued January 30, 2020

Valid for Financial Periods 2019 to 2023

BIR Accreditation No. 08-005144-004-2019

Valid until October 16, 2022

PTR No. 8851706

Issued January 3, 2022, Makati City

February 24, 2022
Makati City, Metro Manila

NORTH STAR MEAT MERCHANTS, INC. AND SUBSIDIARY**(A Subsidiary of Pietra Angolare Holdings, Inc.)****SCHEDULE OF RETAINED EARNINGS****AVAILABLE FOR DIVIDEND DECLARATION****FOR THE YEAR DECEMBER 31, 2021****(Amounts are based on Separate Financial Statements of the Parent Company)**

Unappropriated retained earnings, as shown in the financial statements at beginning of year	₱59,684,222
Less deferred tax assets recognized through profit or loss at beginning of year	(7,977,312)
Unappropriated retained earnings, as adjusted at beginning of year	51,706,910
Net income during the year closed to retained earnings	612,040,048
Reversal of appropriations	320,000,000
Appropriations for:	
Future business expansion and capital expenditures	(300,000,000)
Declaration of stock dividends	(240,000,000)
Cash dividend declaration	(60,000,000)
Movement of deferred income tax assets	(28,863,433)
TOTAL RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION AT END OF YEAR	₱354,883,525
Reconciliation:	
Retained earnings, as shown in the financial statements at end of year	₱391,724,270
Less: deferred tax assets recognized through profit or loss at end of year	(36,840,745)
Retained earnings available for dividend declaration at end of year	₱354,883,525

NORTH STAR MEAT MERCHANTS, INC. AND SUBSIDIARY

(A Subsidiary of Pietra Angolare Holdings, Inc.)

**SEC SUPPLEMENTARY SCHEDULES AS REQUIRED BY PAR. 6 PART II OF
THE REVISED SRC RULE 68
DECEMBER 31, 2021**

Table of Contents

<i>Schedule</i>	<i>Description</i>	<i>Page</i>
A	Financial Assets	<u>N/A</u>
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	<u>N/A</u>
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	<u>1</u>
D	Long-Term Debt	<u>2</u>
E	Indebtedness to Related Parties	<u>N/A</u>
F	Guarantees of Securities of Other Issuers	<u>N/A</u>
G	Capital Stock	<u>3</u>

NORTH STAR MEAT MERCHANTS, INC. AND SUBSIDIARY**(A Subsidiary of Pietra Angolare Holdings, Inc.)**

**SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION
OF FINANCIAL STATEMENTS
DECEMBER 31, 2021**

	Balance at Beginning of period	Additions	Deductions		Ending Balance		Balance at end of period
			Assignment to Additional Paid- in Capital	Write off	Current	Noncurrent	
Metapros Corp. (formerly Costco Food Service, Inc.)	₱303,420,215	₱203,201,201	₱316,081,785	₱	₱190,539,631	₱—	₱190,539,631

NORTH STAR MEAT MERCHANTS, INC. AND SUBSIDIARY
(A Subsidiary of Pietra Angolare Holdings, Inc.)

SCHEDULE D – LONG-TERM BORROWINGS

DECEMBER 31, 2021

Title of issue and type of obligation	Amount shown under “Current portion of long-term borrowings” account in the consolidated statement of financial position	Amount shown under “Long-term borrowings” account in the consolidated statement of financial position
Long-term debt	₱26,645,482	₱7,692,308

NORTH STAR MEAT MERCHANTS, INC. AND SUBSIDIARY

(A Subsidiary of Pietra Angolare Holdings, Inc.)

SCHEDULE G – CAPITAL STOCK

DECEMBER 31, 2021

<u>Title of Issue</u>	Number of shares authorized	Number of shares issued and outstanding as shown under the statement of financial position caption	Number of shares reserved for options, warrants, conversion & other rights	Related parties	Directors, officers and employees	Public
Common shares	250,000	120,000	–	114,999	5,001	–

NORTH STAR MEAT MERCHANTS, INC. AND SUBSIDIARY

(A Subsidiary of Pietra Angolare Holdings, Inc.)

MAP SHOWING THE RELATIONSHIP BETWEEN AND AMONG THE GROUP

DECEMBER 31, 2021

