

Del Monte Foods Holdings Limited and Subsidiaries

Consolidated Financial Statements
May 1, 2022 and May 2, 2021

and

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Del Monte Foods Holdings Limited
P.O. Box 957, Offshore Incorporation Centre
Road Town, Tortola
British Virgin Islands

Opinion

We have audited the consolidated financial statements of Del Monte Foods Holdings Limited and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at May 1, 2022 and May 2, 2021, and the consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended May 1, 2022, May 2, 2021 and May 3, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at May 1, 2022 and May 2, 2021, and its consolidated financial performance and its consolidated cash flows for the years ended May 1, 2022, May 2, 2021 and May 3, 2020 in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audits in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated 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.



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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

Sy Lip Gomes Velasco & Co.

Makati City, Philippines
July 12, 2022



DEL MONTE FOODS HOLDINGS LIMITED AND SUBSIDIARIES

Consolidated Statements of Financial Position
(In thousands of US dollars, except share and per share data)

	<i>Note</i>	May 1, 2022	May 2, 2021
ASSETS			
Non-current Assets			
Property, plant and equipment	4	\$322,572	\$326,235
Intangible assets and goodwill	7	675,165	681,815
Deferred tax assets	8	116,275	129,938
Other noncurrent assets	9	5,952	6,906
Total Non-current Assets		<u>1,119,964</u>	<u>1,144,894</u>
Current Assets			
Inventories	10	587,605	451,659
Trade and other receivables	11	111,901	95,582
Prepaid and other current assets	12	24,463	21,048
Derivative assets	18	1,485	1,694
Cash	13	2,355	4,125
Total Current Assets		<u>727,809</u>	<u>574,108</u>
Total Assets		<u>\$1,847,773</u>	<u>\$1,719,002</u>
EQUITY AND LIABILITIES			
Equity			
Common stock (\$1.00 par value per share, shares authorized: 50,000; issued and outstanding: 2)		\$ -	\$ -
Additional paid-in capital		1,084,516	1,084,516
Deficit		(311,454)	(368,652)
Reserves	14	39,943	40,834
Equity attributable to owners of the Company		<u>813,005</u>	<u>756,698</u>
Non-controlling interests		-	1,961
Total Equity		<u>813,005</u>	<u>758,659</u>
Non-current Liabilities			
Loans and borrowings	15	473,659	465,155
Noncurrent lease liabilities	5	45,939	57,658
Employee benefits	17	24,330	31,490
Environmental remediation liabilities	19	203	7,429
Deferred tax liabilities	8	1,092	1,092
Derivative liabilities	18	7,896	-
Other non-current liabilities	16	15,127	17,703
Total Non-current Liabilities		<u>568,246</u>	<u>580,527</u>
Current Liabilities			
Loans and borrowings	15	141,060	68,828
Current lease liabilities	5	20,521	21,204
Employee benefits	17	36,958	38,275
Trade and other payables	20	155,533	129,224
Derivative liabilities	18	-	80
Contract liabilities	21	2,091	543
Intercompany payables	34	110,160	121,241
Current tax liabilities		199	421
Total Current Liabilities		<u>466,522</u>	<u>379,816</u>
Total Liabilities		<u>1,034,768</u>	<u>960,343</u>
Total Equity and Liabilities		<u>\$1,847,773</u>	<u>\$1,719,002</u>

See Notes to the Consolidated Financial Statements.



DEL MONTE FOODS HOLDINGS LIMITED AND SUBSIDIARIES

Consolidated Income Statements

(In thousands of US dollars)

		Years Ended		
	<i>Note</i>	May 1, 2022	May 2, 2021	May 3, 2020
Net sales	21	\$1,654,913	\$1,483,057	\$ 1,529,840
Cost of sales	22	(1,258,817)	(1,147,937)	(1,260,823)
Gross profit		396,096	335,120	269,017
Distribution and selling expenses	22	(118,498)	(104,428)	(116,670)
General and administrative expenses	22	(120,218)	(133,273)	(120,857)
Other income (expenses) - net	23	(1,579)	4,025	(71,781)
Income (Loss) from operations		155,801	101,444	(40,291)
Net finance expense	24	(84,346)	(84,581)	(102,630)
Income (Loss) before taxation		71,455	16,863	(142,921)
Income tax expense – current	25	(466)	(634)	(1,505)
Income tax (expense) benefit – deferred	25	(13,791)	(381)	32,229
Net Income (Loss)		\$57,198	\$15,848	(\$112,197)

See Notes to the Consolidated Financial Statements.



DEL MONTE FOODS HOLDINGS LIMITED AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

(In thousands of US dollars)

	<i>Note</i>	Years Ended		
		May 1, 2022	May 2, 2021	May 3, 2020
Net Income (Loss)		\$57,198	\$15,848	(\$112,197)
Other comprehensive income (loss)				
Items that will not be reclassified to profit or loss:				
Re-measurement of retirement plans and other post-employment benefits	17	7,936	51,414	(20,951)
Income tax effect		(2,066)	(13,069)	4,169
		5,870	38,345	(16,782)
Items that will or may be reclassified subsequently to profit or loss:				
Currency translation differences		(149)	(15)	32
Effective portion of changes in fair value of cash flow hedges:				
Interest rate swaps, net of tax benefit of nil, \$59 and \$1,182, respectively	18	-	(180)	(3,642)
Interest rate cap, net of tax benefit of \$1,974, nil and nil, respectively	18	(5,922)	-	-
Commodity swaps – Natural gas and Diesel, net of tax benefit (expense) of \$351, (\$1,127) and \$713, respectively	18	(1,103)	3,475	(2,196)
Cross-currency swaps – Peso, net of tax (expense) of (\$131), \$19 and nil, respectively	18	413	(61)	-
Interest rate swaps - reclassification adjustments to profit or loss net of tax benefit (expense) of nil, nil and (\$2,131), respectively		-	-	6,564
		(6,761)	3,219	758
Other comprehensive income (loss), net of tax		(891)	41,564	(16,024)
Total comprehensive income (loss)		\$56,307	\$57,412	(\$128,221)

See Notes to the Consolidated Financial Statements.



DEL MONTE FOODS HOLDINGS LIMITED AND SUBSIDIARIES

Consolidated Statement of Changes in Equity

For the year ended May 1, 2022

(In thousands of US dollars)

	Note	Attributable to Owners of the Company						Non-controlling Interests	Total equity	
		Capital stock	Additional paid-in capital	Translation reserve	Re-measurement of retirement plans	Hedging reserve	Deficit			Total
2022										
At May 2, 2021		\$ -	\$1,084,516	\$293	\$39,323	\$1,218	(\$368,652)	\$756,698	\$1,961	\$758,659
Net Income (Loss) for the period		-	-	-	-	-	57,198	57,198	-	57,198
Other comprehensive income (loss)										
Currency translation differences		-	-	(149)	-	-	-	(149)	-	(149)
Re-measurement of retirement plans		-	-	-	5,870	-	-	5,870	-	5,870
Cash flow hedges		-	-	-	-	(6,612)	-	(6,612)	-	(6,612)
Total other comprehensive income (loss)		-	-	(149)	5,870	(6,612)	-	(891)	-	(891)
Total comprehensive income (loss)		-	-	(149)	5,870	(6,612)	57,198	56,307	-	56,307
Transactions with owners of the Company										
Contributions and distributions										
Parent contribution		-	-	-	-	-	-	-	-	-
Issuance of new ordinary shares		-	-	-	-	-	-	-	-	-
Share-based expense	27	-	-	-	-	-	-	-	(1,961)	(1,961)
Total contributions by and distributions to owners		-	-	-	-	-	-	-	(1,961)	(1,961)
At May 1, 2022		\$ -	\$1,084,516	\$144	\$45,193	(\$5,394)	(\$311,454)	\$813,005	\$ -	\$813,005

(Continued on next page)



DEL MONTE FOODS HOLDINGS LIMITED AND SUBSIDIARIES

Consolidated Statement of Changes in Equity

For the year ended May 2, 2021

(In thousands of US dollars)

		Attributable to Owners of the Company								
	<i>Note</i>	Capital stock	Additional paid-in capital	Translation reserve	Re-measurement of retirement plans	Hedging reserve	Deficit	Total	Non-controlling Interests	Total equity
2021										
At May 3, 2020		\$ -	\$705,000	\$308	\$978	(\$2,016)	(\$384,500)	\$319,770	\$1,961	\$321,731
Net Income (Loss) for the period		-	-	-	-	-	15,848	15,848	-	15,848
Other comprehensive income (loss)										
Currency translation differences		-	-	(15)	-	-	-	(15)	-	(15)
Re-measurement of retirement plans		-	-	-	38,345	-	-	38,345	-	38,345
Cash flow hedges		-	-	-	-	3,234	-	3,234	-	3,234
Total other comprehensive income (loss)		-	-	(15)	38,345	3,234	-	41,564	-	41,564
Total comprehensive income (loss)		-	-	(15)	38,345	3,234	15,848	57,412	-	57,412
Transactions with owners of the Company										
Contributions and distributions										
Parent contribution		-	150,000	-	-	-	-	150,000	-	150,000
Issuance of new ordinary shares		-	229,516	-	-	-	-	229,516	-	229,516
Share-based expense	27	-	-	-	-	-	-	-	-	-
Total contributions by and distributions to owners		-	379,516	-	-	-	-	379,516	-	379,516
At May 2, 2021		\$ -	\$1,084,516	\$293	\$39,323	\$1,218	(\$368,652)	\$756,698	\$1,961	\$758,659

(Continued on next page)



DEL MONTE FOODS HOLDINGS LIMITED AND SUBSIDIARIES

Consolidated Statement of Changes in Equity

For the year ended May 3, 2020

(In thousands of US dollars)

	<i>Note</i>	Attributable to Owners of the Company						Non-controlling Interests	Total equity
		Capital stock	Additional paid-in capital	Translation reserve	Re-measurement of retirement plans	Hedging reserve	Deficit	Total	
2020									
At April 28, 2019		\$ -	\$705,000	\$276	\$17,760	(\$2,742)	(\$272,303)	\$447,991	\$1,961 \$449,952
Net Income (Loss) for the period		-	-	-	-	-	(112,197)	(112,197)	- (112,197)
Other comprehensive income (loss)									
Currency translation differences		-	-	32	-	-	-	32	- 32
Re-measurement of retirement plans		-	-	-	(16,782)	-	-	(16,782)	- (16,782)
Cash flow hedges		-	-	-	-	726	-	726	- 726
Total other comprehensive income (loss)		-	-	32	(16,782)	726	-	(16,024)	- (16,024)
Total comprehensive income (loss)		-	-	32	(16,782)	726	(112,197)	(128,221)	- (128,221)
Transactions with owners of the Company									
Contributions and distributions									
Share-based expense	27	-	-	-	-	-	-	-	- -
At May 3, 2020		\$ -	\$705,000	\$308	\$978	(\$2,016)	(\$384,500)	\$319,770	\$1,961 \$321,731

See Notes to the Consolidated Financial Statements



DEL MONTE FOODS HOLDINGS LIMITED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(In thousands of US dollars)

		Years Ended		
	Note	May 1, 2022	May 2, 2021	May 3, 2020
Cash flows from operating activities				
Net Income (Loss)		\$57,198	\$15,848	(\$112,197)
Adjustments for:				
Net finance expense	24	84,346	84,581	102,630
Amortization of right-of-use-asset	4	26,253	27,457	25,759
Depreciation of property, plant and equipment	4	24,891	34,948	42,839
Deferred income tax expense (benefit)	25	13,790	381	(32,229)
Amortization of intangible assets	7	6,650	6,650	6,650
Inventory write-downs	10	3,446	12,333	7,394
(Gain) loss on disposal of assets		826	(1,070)	2,559
Impairment losses on property, plant and equipment	4	-	-	40,810
Gain on debt repurchase	23	-	-	(1,716)
Other expenses/ (income)		(1,929)	-	-
Cash flow hedges:				
Interest rate swaps		-	-	941
		215,471	181,128	83,440
Changes in:				
Other assets		(4,955)	3,294	(30,790)
Inventories		(140,068)	(74,246)	149,306
Trade and other receivables		(16,319)	30,833	(29,027)
Trade and other payables		3,532	(39,295)	22,058
Deferred revenue		1,548	136	(123)
Other liabilities		(4,137)	5,822	18,039
Operating cash flows		55,072	107,672	212,903
Income taxes paid		(223)	(602)	(883)
Net cash flows provided by operating activities		54,849	107,070	212,020
Cash flows from investing activities				
Proceeds from disposal of assets		124	6,759	29,006
Purchase of property, plant and equipment		(32,122)	(25,112)	(19,495)
Net cash flows provided by/(used in) investing activities		(31,998)	(18,353)	9,511
Cash flows from financing activities				
Proceeds from short-term borrowings	15	447,200	437,310	255,800
Payments on short-term borrowings	15	(376,300)	(1,052,907)	(367,400)
Interest paid		(71,171)	(57,566)	(66,338)
Principal payments on lease liability		(24,199)	(27,437)	(30,259)
Loans from parent	34	-	-	4,102
Payments of debt related costs		-	(18,603)	-
Payments on long-term borrowings	15	-	(22,737)	(12,977)
Proceeds from APIC		-	150,000	-
Proceeds from bonds payable		-	500,000	-
Net cash flows provided by/(used in) financing activities		(24,470)	(91,940)	(217,072)
Net increase in cash		(1,619)	(3,223)	4,459
Cash at beginning of year		4,125	7,363	2,872
Effect of exchange rate changes on balances held in foreign currency		(151)	(15)	32
Cash at end of year	13	2,355	4,125	7,363

See Notes to the Consolidated Financial Statements.



Notes to the Consolidated Financial Statements

These notes form an integral part of the consolidated financial statements.

These consolidated financial statements were approved and authorized for issuance by the Executive Officers on July 12, 2022.

1. Reporting entity

Del Monte Foods Holdings Limited (the “Company” or “DMFHL”) was incorporated in the British Virgin Islands on November 11, 2013. The Company is a majority-owned subsidiary of DMPL Foods Limited (DMPLFL), a subsidiary of Del Monte Pacific Limited (“DMPL”). DMPL was incorporated in the British Virgin Islands and is listed in the Singapore Exchange Securities Trading Limited and the Philippine Stock Exchange.

The immediate holding company of DMPL is NutriAsia Pacific Limited (“NAPL”) whose indirect shareholders are NutriAsia Inc. (“NAI”) and Well Grounded Limited (“WGL”), which held 57.8% and 42.2% interests in NAPL. NAI and WGL were incorporated in the British Virgin Islands. The ultimate holding company of DMFHL is HSBC International Trustee Limited.

The registered office of the Company is located at P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, British Virgin Islands.

These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the “Group”) (see Note 6).

The Group is one of the country’s largest producers, distributors and marketers of premium quality, branded food products for the United States (“US”) retail market. The majority of its products are sold nationwide in all channels serving retail markets, mass merchandisers, the US military, certain export markets, the foodservice industry and food processors. The Group sells products under the “Del Monte”, “Contadina”, “College Inn”, “S&W” and other brand names, as well as private label products, to key customers. The Group is one of the largest marketers of processed fruits, vegetables and tomatoes in the US.

The Company is separately liable under various full and unconditional guarantees of indebtedness of its subsidiary, Del Monte Foods Inc. (“DMFI”), including under full and unconditional guarantees of DMFI’s Term Loan Credit Agreements and asset-based lending (“ABL”) Credit Agreement. DMFI and DMFI’s subsidiaries are subject to limitations on their ability to make loans, advances, dividends and distributions to the Company under the covenants governing DMFI’s Term Loan Credit Agreements and ABL Credit Agreement. For a description of DMFI’s Credit Agreements, see Note 15. On May 15, 2020, the Term Loan Credit Agreements have been fully paid down and settled (see Note 15).

2. Basis of preparation

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).



The Group operates on a 52 or 53-week fiscal year ending on the Sunday closest to April 30. Fiscal 2022 and 2021 were 52-week years and Fiscal 2020 a 53-week year.

2.2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis at each reporting date.

Items	Measurement bases
Derivative financial instruments	Fair value
Net defined benefit (asset) liability	Present value of the defined benefit obligation less fair value of plan assets
Equity-settled share-based compensation	Fair value at grant date, recognized over the vesting period

2.3 Functional and presentation currency

These consolidated financial statements are presented in United States (“US” or “\$”) dollars, which is the functional and presentation currency of the reporting entity. All financial information presented in US dollars have been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgments

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

Judgments

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

- Note 5 – Lease classification
- Note 6 – Deconsolidation of Del Monte Andina C.A.
- Note 7 – Impairment of intangible assets with indefinite useful life
- Note 33 – Contingencies

Estimates and underlying assumptions

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



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

- Note 4 – Useful lives and impairment of property, plant and equipment
- Note 7 – Useful lives of intangible assets and impairment of intangible assets and goodwill
- Note 8 – Recoverability of deferred tax assets
- Note 10 – Allowance for inventory obsolescence and net realizable value
- Note 11 – Impairment of trade receivables
- Note 17 – Measurement of employee benefit obligations
- Note 19 – Estimation of environmental remediation liabilities
- Note 25 – Measurement of income taxes
- Note 31 – Determination of fair values
- Note 33 – Provisions and contingencies

2.5 Measurement of fair value

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

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is 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.



3. Significant accounting policies

The accounting policies set out below have been applied by the Group consistently to all periods presented in these consolidated financial statements.

3.1 Changes in accounting policies

Adoption of new standards, amendments to standards and interpretations

The Group has adopted all the new standards, amendments to standards, including any consequential amendments to other standards, and interpretations effective for annual periods beginning on or after January 1, 2021. Except as otherwise indicated, the adoption of these new standards, amendments to standards, and interpretations has no significant impact to the Group. The relevant amendments to standards adopted by the Group starting May 3, 2021 include the following:

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

The amendments to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments may impact future periods should the Group enter into any business combinations.

- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest Rate Benchmark Reform – Phase 2***

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Group shall also disclose information about:

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

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

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”



The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

▪ **Conceptual Framework for Financial Reporting issued on March 29, 2018**

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

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

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

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
- There is no substantive change to other terms and conditions of the lease.

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

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

3.2 Basis of consolidation

(i) Business combination

Business combinations are accounted for using the acquisition method in accordance with IFRS 3 as of the acquisition date, which is the date on which control is transferred to the Group. The Group measures goodwill at the acquisition date, as the fair value of consideration transferred; plus the amount recognized for any non-controlling interests ("NCI") in the acquiree over the net amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in the consolidated income statement.

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



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

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries are aligned with the policies adopted by the Group. Losses applicable to the NCI in a subsidiary are allocated to the NCI even if doing so causes the NCI to have a deficit balance.

See Note 6 for the details of the Company's subsidiaries.

(iii) Non-controlling interests

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

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. NCI include increases in equity attributable to the grant of subsidiaries' equity instruments to counterparties who are not part of the Group, in equity-settled share-based expense transactions.

(iv) Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in the consolidated income statement. Any interest retained in the former subsidiary is measured at fair value when control is lost.

The Group does not consolidate its Del Monte Andina C.A. subsidiary located in Venezuela due to the lack of effective control (see Note 6).



(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3.3 Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group's entities at the exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

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

Foreign currency differences arising on retranslation are recognized in the consolidated income statement, except for differences which are recognized in other comprehensive income ("OCI") arising on the retranslation of qualifying cash flow hedges to the extent the hedge is effective.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as part of "Other income (expenses) – net" in the consolidated income statement.

(ii) Foreign operations

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

Foreign currency differences are recognized in OCI and presented in the foreign currency translation reserve (translation reserve) in equity. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to the consolidated income statement as part of the gain or loss on disposal.

3.4 Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.



Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located when the Group has an obligation to remove the asset or restore the site, and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term. Right-of-use assets are subject to impairment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the net proceeds from disposal with the carrying amount of the item, and is recognized net within other income (expenses) in the consolidated income statement. See Note 3.6 for the accounting policy for impairment.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in the consolidated income statement as incurred.

(iii) Depreciation and amortization

Depreciation and amortization are based on the cost of an asset less its residual value, if any. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation and amortization are recognized in the consolidated income statement on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Leasehold improvements are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated.



Depreciation is recognized from the date that the property, plant and equipment are installed and are ready for use, and for internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives of property, plant and equipment including right-of-use assets for the current year and comparative years are as follows:

Buildings, land improvements and leasehold improvements	- 3 to 45 years
Machinery and equipment	- 3 to 15 years

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

3.5 Intangible assets and goodwill

(i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets and is not amortized (see Note 7). Goodwill is assessed for impairment annually (see Note 7).

(ii) Indefinite-life Intangible Assets

Intangible assets with indefinite useful lives are not amortized and are subject to an annual impairment evaluation (see Note 3.6).

(iii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in the consolidated income statement as incurred. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Other development expenditure is recognized in the consolidated income statement as incurred. The Group has not incurred capitalizable development expenditures during fiscal 2022, 2021 and 2020.

(iv) Other intangible assets

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

(v) Subsequent expenditure

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



(vi) Amortization

Amortization is calculated based on the cost of the asset less its residual value, if any. Amortization is recognized in the consolidated income statement on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives are as follows:

Trademarks	- 10 to 20 years
Customer relationships	- 20 years

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

3.6 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives, the recoverable amount is estimated each year at the same time. An impairment loss is recognized if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value-in-use ("VIU") and its fair value less costs of disposal. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. The Group currently has one CGU. Accordingly, for the annual impairment test, goodwill acquired in a business combination is allocated to this CGU.

Impairment losses are recognized in the consolidated income statement. Impairment losses recognized with respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a *pro rata* basis.

An impairment loss on goodwill is not reversed. With respect to other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

When conducting the annual impairment test for goodwill, the Group compares the carrying amount of the CGU containing goodwill to its recoverable amount. The recoverable amount is the greater of the amounts computed using two approaches: the VIU approach, which is the present value of expected cash flows, discounted at a risk adjusted weighted average cost of capital (WACC); and the fair value less costs of disposal approach, which is based on the income approach, which indicates the recoverable amount of an asset based on the value of the cash flows that the asset can be expected to generate in the future (see Note 7).



Intangible assets with indefinite lives are components of the CGU containing goodwill and the impairment assessment is as described above.

3.7 Inventories

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

The Group uses a standard costing system to account for inventories. The cost of inventories is based on the first-in, first-out principle. Cost of processed inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The costs of conversion include raw materials, direct labor, certain freight and warehousing cost, and indirect production and overhead costs.

A systematic allocation is made of fixed and variable production overheads that are incurred in converting materials into finished goods. The allocation of fixed production overheads is based on the normal capacity of the production facilities. Normal capacity is the production levels expected to be achieved, on average for the periods or seasons under normal circumstances, taking into account the seasonal business cycle of the Group.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3.8 Financial instruments

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset, unless it is a receivable without a financing component, or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, the Group classifies its financial assets into the following categories: financial assets at amortized cost, financial assets at FVTPL, and financial assets at fair value through other comprehensive income ("FVOCI"). The classification depends on the Group's business model for managing financial instruments and the contractual cash flow characteristics of the financial instruments. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.



A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL: (1) it is held within a business model whose objective is to hold assets to collect contractual cash flows; and (2) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated at FVTPL: (1) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and (2) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Group has no financial assets at FVOCI. See Note 3.8(vii) for derivative financial instruments, including hedging instruments.

Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Impairment losses on trade receivables are recognized under selling expenses. Any gain or loss on derecognition is recognized in profit or loss.

The Group's financial assets at amortized cost comprise cash, trade and other receivables, and note receivables.

Business model assessment

The business model refers to how an entity manages its financial assets in order to generate cash flows. It determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Group makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model and how those risks are managed;



- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior period, the reasons for such sales and expectations about future sales activity.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group’s claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.



Financial liabilities at amortized cost comprise bank loans, trade, intercompany and other payables. See Note 3.8(vii) for derivative financial instruments, including hedging instruments.

(iii) Derecognition

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

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired. Repurchases of a portion of a financial liability result in the allocation of the original carrying value of the financial liability between the portion that continues to be recognized and the portion that was repurchased based on the relative fair values on the date of the repurchase.

(iv) Exchange or modification of financial liabilities

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

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

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

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



(v) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(vi) Impairment

The Group recognizes impairment allowances for expected credit losses (“ECLs”) on financial assets measured at amortized cost.

ECLs are probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive), discounted at the effective interest rate of the financial asset, and reflects reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions.

Loss allowances are measured on either lifetime ECLs or 12-month ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date, or a shorter period if the expected life of the instrument is less than 12 months.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for debt securities that are determined to have low credit risk at the reporting date and other debt securities and bank balances for which credit risk has not increased significantly since initial recognition, which are measured at 12-month ECLs.

Lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

Determining the stage for impairment

At each reporting date, the Group assesses whether there has been a significant increase in credit risk (“SICR”) for financial assets since initial recognition by comparing the risk of a default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis. An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any



previously assessed SICR since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

Staging assessment

IFRS 9 establishes a three-stage approach for impairment of financial assets, based on whether there has been SICR of a financial asset. Three stages then determine the amount of impairment to be recognized.

- Stage 1 is comprised of all non-impaired financial instruments which have not experienced SICR since initial recognition. Entities are required to recognize 12-month ECL for stage 1 financial instruments. In assessing whether credit risk has increased significantly, entities are required to compare the risk of default occurring on the financial instrument at the date of initial recognition.
- Stage 2 is comprised of all financial instruments which have experienced SICR since initial recognition. Entities are required to recognize lifetime ECL for stage 2 financial instruments. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer SICR since initial recognition, then entities shall revert to recognizing 12-month ECL.
- Financial instruments are classified as stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with negative impact on the estimated future cash flows of a financial instrument or portfolio of financial instruments. The ECL model requires that lifetime ECL be recognized for impaired financial instruments, which is similar to the requirements under IAS 39 for impaired financial instruments.

For cash, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been SICR since origination, the allowance will be based on the lifetime ECL. The Group used the ratings from reputable credit rating agencies to determine whether the debt instrument has SICR and to estimate ECLs.

The Group considers a debt security to have a low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade".

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held), or when the financial asset is more than 90 days past due.

At each reporting date, the Group assesses whether financial assets at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired may include significant financial difficulty of the debtor, a breach of contract such as a default, the restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that the debtor or issuer will enter bankruptcy or other financial reorganization, the disappearance of an active market for that financial asset because of financial difficulties, adverse changes in the payment status of borrowers or issuers, or economic conditions that correlate with defaults.



Impairment allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of a financial asset in the consolidation statement of financial position. The gross carrying amount of a financial asset is written-off when the Group has no realistic prospects of recovery of the asset.

See Note 29 for further information on the Group's ECLs including how they relate to the Group's credit risk management practices.

(vii) Derivative financial instruments, including hedge accounting

The Group uses derivative financial instruments for the purpose of managing risks associated with interest rates, currencies, transportation and certain commodities (see Note 18). The Group does not trade or use instruments with the objective of earning financial gains on fluctuations in the derivative instrument alone, nor does it use instruments where there are no underlying exposures. All derivative instruments are recorded in the consolidated statement of financial position at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether the instrument has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, the Group designates the hedging instrument as a fair value hedge, cash flow hedge, or a hedge of a net investment in a foreign operation based upon the exposure being hedged.

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other. To qualify for hedge accounting, the hedging relationship has to meet the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship;
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item; and
- the hedged item and the hedging instrument are not intentionally weighted to create hedge ineffectiveness, whether recognized or not, to achieve an accounting outcome that would be inconsistent with the purpose of hedge accounting.

For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.



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

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in OCI and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in the consolidated income statement.

The amount accumulated in equity is retained in OCI and reclassified to the consolidated income statement in the same period or periods during which the hedged item affects the consolidated income statement, except when a hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, in which case the amount retained in OCI is included directly in the initial cost of the non-financial item when it is recognized.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in OCI remains in equity until, for hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to the consolidated income statement in the same period or periods as the hedged expected future cash flows affect the consolidated income statement. If a hedged forecast transaction is no longer expected to occur, then the amount accumulated in equity is immediately reclassified to the consolidated income statement.

(viii) Equity

Common stock

Common stock is classified as equity. Holders of these shares are entitled to dividends when declared and are entitled to one vote per share at general meetings of the Company. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

Additional paid-in capital

Additional paid-in capital represents the excess of consideration received over the par value of common stock.

Deficit

Deficit represents the cumulative balance of periodic net income or loss, dividend distributions, effect of changes in accounting policy and other capital adjustments. No dividends have been declared by the Group during fiscal years 2022, 2021 and 2020.



3.9 Prepaid expenses

Prepaid expenses are expenses not yet incurred but already paid by the Group. Prepaid expenses are initially recorded as assets and measured at the amount paid. Subsequently, these are recognized in the consolidated income statement as they are consumed in operations or expire with the passage of time.

3.10 Lease liabilities

Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases. The Group also elected to use the recognition exemptions for short-term leases (i.e., leases with a lease term of 12 months or less) and low-value assets (i.e., personal computers), specifically lease of equipment (e.g., machinery and vehicles). The Group treats short-term leases and low-value assets as off-balance sheet and recognized as expense using straight line method.

Right-of-use assets are presented in “Property, plant and equipment” and lease liabilities are presented separately in the consolidated statement of financial position.

At the commencement date of a lease, the Group will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group’s incremental borrowing rate. The Group separately recognizes the interest expense on the lease liability and the amortization expense on the right-of-use asset.

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

3.11 Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in the consolidated income statement in the periods during which services are rendered by employees.

(ii) Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans. The Group has a defined benefit qualified retirement plan requiring contributions to be made to separately administered funds. The Group also has various other non-qualified retirement plans and supplemental retirement plans for executives, designed to provide benefits in excess of those otherwise permitted under the Group’s qualified retirement plans. These plans are unfunded and comply with Internal Revenue Service (“IRS”) rules for non-qualified plans (see Note 17).



The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

Remeasurements of the net defined benefit liability comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Group recognizes them immediately in other comprehensive income and all expenses related to defined benefit plans in staff cost in the consolidated income statement.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the consolidated income statement.

When the plan amendment or curtailment occurs, the Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs. The gain or loss on settlement is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement and the settlement price, including any plan assets transferred and any payments made directly by the Group in connection with the settlement. In fiscal 2020, there were amendments to the employee benefit plans, eliminating certain benefits in fiscal 2020 and after fiscal 2022 (see Note 17).

(iii) Multi-employer plans

The Group participates in several multi-employer pension plans, which provide defined benefits to certain union employees. The Group accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as a defined contribution plans, as sufficient information is not available to apply defined benefit accounting principles.

(iv) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than post-employment benefit plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognized in the consolidated income statement in the period in which they arise. Other long-term employee benefits include the Group's long-term executive cash incentive awards (see Note 27).



(v) Termination benefits

Termination benefits are recognized as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits are recognized as an expense once the Group has announced the plan to affected employees.

(vi) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(vii) Equity-settled share-based payment transactions

The Group grants share options for the shares of a subsidiary to employees of the Group. The fair value of incentives granted is recognized as an employee benefit expense with a corresponding increase in equity. The fair value, measured at grant date, is recognized over the vesting period during which the employees become unconditionally entitled to the options. At each reporting date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates in employee benefit expense and as a corresponding adjustment to equity over the remaining vesting period.

3.12 Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(i) Environment remediation liabilities

In accordance with the Group's environment policy and applicable legal requirements, a provision for environmental remediation obligations and the related expense, is recognized when such losses are probable and the amounts of such losses can be estimated reliably. Accruals for estimated losses for environmental remediation obligations are recognized no later than the completion of the remedial feasibility study. These accruals are adjusted as further information develops or circumstances change.



(ii) Retained insurance liabilities

The Group accrues for retained insurance risks associated with the deductible portion of any potential liabilities that might arise out of claims of employees, customers or other third parties for personal injury or property damage occurring in the course of the Group's operations. A third-party actuary is engaged to assist the Group in estimating the ultimate cost of certain retained insurance risks. Additionally, the Group's estimate of retained insurance liabilities is subject to change as new events or circumstances develop which might materially impact the ultimate cost to settle these losses.

3.13 Revenue recognition

Revenue is recognized when it transfers control over a product to a customer. Revenue is measured based on the consideration specified in the contract with a customer and excludes any amount collected on behalf of third parties.

Sales of goods

Sales of goods pertain to the delivery of processed, packaged and labelled food products to customers which constitutes a single performance obligation. Customers generally obtain control of goods when the goods are delivered to the specified destination.

Each contract with a customer specifies minimum quantity, fixed prices and effective period and is not subject to change for the contractual period unless mutually agreed by the parties. Invoices are usually payable within 30 days from delivery.

Certain customers are entitled to, and in most cases avail of, cash discounts when payments are made within a defined time frame. For certain contracts, the Group may be charged a penalty for late deliveries. Variable amounts related to these discounts and penalties are estimated using the most likely amount and included in the transaction price to the extent it is highly probable that a significant revenue reversal will not subsequently occur.

The Group provides allowances under trade promotions to customers and coupons to end consumers which are reimbursable by the Group to customers when redeemed. Allowances and coupons are generally considered as reductions of the transaction price when the Group recognizes revenue for transfer of goods.

Variable amounts related to these allowances and coupons are estimated using the expected value method and included in the transaction price to the extent it is highly probable that a significant revenue reversal will not subsequently occur. Accruals for trade promotions are based on expected levels of performance. Settlement typically occurs in subsequent periods primarily through an off-invoice allowance at the time of sale or through an authorized process for deductions taken by a customer from amounts otherwise due to the Group. Evaluation of trade promotions are performed monthly and adjustments are made where appropriate to reflect changes in the Group's estimates. The Group accrues coupon redemption costs based on estimates of redemption rates that are developed by management. Management's estimates are based on recommendations from independent coupon redemption clearing-houses as well as historical information. Should actual redemption rates vary from amounts estimated, adjustments may be required.

The Group's customers generally do not have the right to return products unless damaged or defective.



The Group recognizes a contract liability, presented under “Deferred income”, for consideration received or due from a customer before the related revenue qualifies for recognition – e.g. receipt of payment in advance of the delivery of goods.

The Group recognizes a contract asset representing conditional rights to consideration in exchange for goods the Group transferred to a customer. The Group recognizes a trade receivable when the Group’s right to consideration is or becomes unconditional. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due, which usually occurs when the Group issues an invoice for delivered goods.

3.14 Cost and expense recognition

Costs and expenses are recognized upon receipt of goods, utilization of services or at the date they are incurred. Cost of sales is recognized when the related goods are sold.

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

3.15 Net finance expense

Finance expense comprises interest expense on finance leases and borrowings. All finance lease borrowing costs are recognized using the Group’s incremental borrowing rate. All borrowing costs are recognized in the consolidated income statement using the effective interest method, except to the extent that they are capitalized as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

3.16 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognized in the consolidated income statement except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;



- temporary differences related to investments in subsidiaries and joint ventures to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments 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.

3.17 Current versus Noncurrent Classification

The Group presents assets and liabilities in the statement of financial position based on current and noncurrent classification.

An asset is current when:

- It is expected to be realised or intended to be sold or consumed in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is expected to be realised within 12 months after the reporting period; or
- It is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

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



The Group classifies all other liabilities as noncurrent.

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

3.18 New standards and interpretations issued but not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after May 1, 2022. The Group has not applied the following new or amended standards in preparing these financial statements and plans to adopt them on the respective effective dates. Unless otherwise stated, none of these are expected to have a significant impact on the Group's financial statements.

Effective beginning on or after May 1, 2022

- Amendments to IFRS 3, *Reference to the Conceptual Framework*

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

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

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

- Amendments to IAS 16, *Plant and Equipment: Proceeds before Intended Use*

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

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

- Amendments to IAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and



administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after May 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

▪ *Annual Improvements to IFRSs 2018-2020 Cycle*

- *Amendments to IFRS 1, First-time Adoption of International Financial Reporting Standards, Subsidiary as a first-time adopter*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

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

- *Amendments to IFRS 9, Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

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

- *Amendments to IAS 41, Agriculture, Taxation in fair value measurements*

The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

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



Effective beginning on or after May 1, 2023

- Amendments to IAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

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

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

- Amendments to IAS 8, *Definition of Accounting Estimates*

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

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after May 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

- Amendments to IAS 1 and IFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

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

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to IAS 1 are effective for annual periods beginning on or after May 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.



Effective beginning on or after May 1, 2024

- Amendments to IAS 1, *Classification of Liabilities as Current or Non-current*

The amendments clarify paragraphs 69 to 76 of IAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

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

Effective beginning on or after May 1, 2025

- IFRS 17, *Insurance Contracts*

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

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

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

IFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted.

Deferred effectivity

- Amendments to IFRS 10, *Consolidated Financial Statements*, and IAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The



amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in IFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.



4. Property, plant and equipment

	Buildings, land improvements and leasehold improvements	Machinery and equipment	Construction -in-progress	Freehold land	Right-of-use asset (Note 5)		
					Buildings, land improvements and leasehold improvements	Machinery and equipment	Total
Cost/Valuation							
At May 2, 2021	\$155,181	\$361,557	\$13,582	\$40,128	\$84,850	\$34,920	\$690,218
Additions	-	3,697	35,130		8,414	3,534	50,775
Disposals	(167)	(11,576)	-	-	(1,911)	(548)	(14,202)
Reclassifications and other adjustments	1,573	19,403	(20,977)	-	(26)	-	(27)
At May 1, 2022	<u>\$156,587</u>	<u>\$373,081</u>	<u>\$27,735</u>	<u>\$40,128</u>	<u>\$91,327</u>	<u>\$37,906</u>	<u>\$726,764</u>
At May 3, 2020	\$155,023	\$345,324	\$11,794	\$40,998	\$92,152	\$38,450	\$683,741
Additions	-	287	27,986	-	61	46	28,380
Disposals	(976)	(9,119)	-	(870)	(7,363)	(3,576)	(21,904)
Reclassifications and other adjustments	1,134	25,065	(26,198)	-	-	-	1
At May 2, 2021	<u>\$155,181</u>	<u>\$361,557</u>	<u>\$13,582</u>	<u>\$40,128</u>	<u>\$84,850</u>	<u>\$34,920</u>	<u>\$690,218</u>



Accumulated depreciation, amortization and impairment losses					Right-of-use asset (Note 5)		
	Buildings, land improvements and leasehold improvements	Machinery and equipment	Construction -in-progress	Freehold land	Buildings, land improvements and leasehold improvements	Machinery and equipment	Total
At May 2, 2021	\$72,460	\$234,579	\$ -	\$8,536	\$28,191	\$20,217	\$363,983
Depreciation and amortization for the year	5,967	22,560	-	-	15,851	9,006	53,384
Disposals	(138)	(10,639)	-	-	(1,911)	(548)	(13,236)
Reclassifications and other adjustments	(1)	62	-	-	-	-	61
At May 1, 2022	<u>\$78,288</u>	<u>\$246,562</u>	<u>\$ -</u>	<u>\$8,536</u>	<u>\$42,131</u>	<u>\$28,675</u>	<u>\$404,192</u>
At May 3, 2020	\$66,902	\$210,588	\$ -	\$8,536	\$18,119	\$11,981	\$316,126
Depreciation and amortization for the year	6,170	31,087	-	-	17,435	10,700	65,392
Disposals	(613)	(7,096)	-	-	(7,363)	(2,464)	(17,536)
Reclassifications and other adjustments	1	-	-	-	-	-	1
At May 2, 2021	<u>\$72,460</u>	<u>\$234,579</u>	<u>\$ -</u>	<u>\$8,536</u>	<u>\$28,191</u>	<u>\$20,217</u>	<u>\$363,983</u>
At May 1, 2022	<u>\$78,299</u>	<u>\$126,519</u>	<u>\$27,735</u>	<u>\$31,592</u>	<u>\$49,196</u>	<u>\$9,231</u>	<u>\$322,572</u>
At May 2, 2021	<u>\$82,721</u>	<u>\$126,978</u>	<u>\$13,582</u>	<u>\$31,592</u>	<u>\$56,659</u>	<u>\$14,703</u>	<u>\$326,235</u>



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

As of May 1, 2022 and May 2, 2021, the Group has no significant legal or constructive obligation to dismantle any of its leasehold improvements as the lease contracts provide, among other things, that the improvements introduced on the leased assets shall become the property of the lessor upon termination of the lease.

As of May 1, 2022 and May 2, 2021, the Group has amounts included in the accrued liabilities for construction-in-progress acquired of \$3.0 million and \$2.9 million, respectively.

Plant closures

Vegetable Plants

The Group announced on August 20, 2019 its intention to close its Sleepy Eye, Minnesota plant and its Mendota, Illinois plant, the sale of its Cambria, Wisconsin plant to new ownership, and its intent to sell the production assets from its Crystal City, Texas plant. In connection with the Sleepy Eye and Mendota plant closures, the Group recognized impairment losses on related property, plant and equipment amounting to \$21.1 million for the year ended May 3, 2020. In connection with the Cambria plant sale on November 1, 2019, the Group recognized impairment losses on related property, plant and equipment amounting to \$5.1 million for the year ended May 3, 2020. In connection with the Crystal City production equipment sale the Group recognized impairment losses on related property, plant and equipment amounting to \$14.6 million for the year ended May 3, 2020.

Under these plant closures, approximately 910 employees were terminated as of May 3, 2020. The Group recognized provisions for employee severance benefits amounting to \$4.2 million, with \$2.3 million outstanding, for the year ended May 3, 2020. As of May 2, 2021, there are no outstanding severance benefits related to this closure. The employee severance benefits are presented under “Employee benefits”. Environmental liabilities of \$9.5 million were recorded as of May 3, 2020 (see Note 19). The majority of this liability relates to waste-water ponds at Sleepy Eye, Mendota and Crystal City. Related inventory and property, plant and equipment write-downs amounting to \$9.2 million were recognized for the year ended May 3, 2020.

In connection with these announcements, the Group has recorded \$68.7 million of expense in “Other income (expenses) – net” for the year ended May 3, 2020.

As of May 3, 2020, the assets from Crystal City, Sleepy Eye, Mendota and Cambria, have been sold.

Seed Operation Exit

In fiscal 2019, the Group entered into production and packaging agreements to meet breeding objectives with the Group’s intellectual property (research and breeding lines) for its seed operations. The Group will maintain the variety selection process it has had in the past to select varieties that meet the Group’s standards. Due to these agreements, the Group closed its Idaho Falls, Idaho and Gilroy, California seed operations in August 2018 and February 2019, respectively. As of May 3, 2020, the Gilroy assets have been reclassified as “Property, plant, and equipment” which were subsequently sold in fiscal 2021. There are no assets held for sale as of May 1, 2022 and May 2, 2021.



Plymouth Plant

The Group announced on September 12, 2017 its intention to close its Plymouth, Indiana plant. The Group closed the plant's facilities during fiscal year 2018 and sold its Plymouth building and land in fiscal year 2019. As of May 2, 2021 and May 3, 2020, a noncurrent receivable of \$1.0 million and \$1.1 million, respectively, has been recorded in "Other noncurrent assets" related to this sale (see Note 9). This receivable is due on July 2, 2023.

Sources of estimation uncertainty

Estimating Useful Lives of Property, Plant and Equipment

The Group estimates the useful lives of its property, plant and equipment, including right-of-use assets, based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

In addition, the estimation of the useful lives of property, plant and equipment is based on collective assessment of industry practice, internal technical evaluation and experiences with similar assets. It is possible, however, that future financial performance could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amount and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property, plant and equipment would increase recorded depreciation expense and decrease non-current assets.

Estimating Impairment of Property, Plant and Equipment

The Group assesses the impairment of property, plant and equipment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. The factors that the Group considers important and which could trigger an impairment review, include, among others, significant changes in the manner in which an asset is used or expected to be used and plans to restructure or discontinue an operation. The recoverable value of property, plant and equipment is based on estimate of its fair value less cost to sell. Such estimate relies on comparable sales in the market adjusted to account for the differences in the characteristics of the assets.

5. Leases

The Group leases land and buildings for its office spaces and warehouses. The lease of land and buildings typically run for a period of 3 to 10 years. Some leases included an option to renew the lease for an additional period of the same duration after the end of the term. Some leases provide for additional rent payments that are based on changes in local indices. Some also require the Group to make payments that relate to property taxes levied on the lessor and insurance payments made by the lessor; these amounts are generally determined annually.



The Group leases equipment such as machinery and vehicles, with terms of 3 to 5 years. In some cases, the Group has options to purchase the assets at the end of the contract term. Some equipment has contract terms of 1 to 3 years which are considered short-term and/or leases of low-value items. The Group has elected to exercise the practical expedient on short-term and/or leases of low-value items to not recognize right-of-use assets and liabilities for these leases.

Right-of-use assets are presented in "Property, plant and equipment" and lease liabilities are presented separately in the consolidated statement of financial position. Rollforward of lease liabilities are as follows:

	May 1, 2022	May 2, 2021
Beginning balance	\$78,862	\$106,271
Additions	11,948	107
Reclassifications and other adjustments	(151)	(79)
Accretion of interest	4,456	5,657
Payments	(28,655)	(33,094)
Ending balance	<u>\$66,460</u>	<u>\$78,862</u>
Liabilities		
Lease liability - current portion	\$20,521	\$21,204
Lease liability - noncurrent portion	45,939	57,658
	<u>\$66,460</u>	<u>\$78,862</u>

The following are the amounts recognized in statements of comprehensive income:

	May 1, 2022	May 2, 2021
Amortization expense of right-of-use assets included in property and equipment	26,253	27,457
Expense relating to short-term leases	4,584	3,827
Interest expense on leases	4,456	5,657
Seasonal equipment leases classified as low-value assets	3,300	1,748
Variable lease payments	341	545



6. Subsidiaries

Details of the Company's subsidiaries are as follows:

Name of subsidiary	Principal activities	Place of incorporation and business	Effective equity held by the Group	
			May 1, 2022 %	May 2, 2021 %
Held by the Company				
Del Monte Foods Holdings II, Inc. ("DMFHII")	Investment holding	State of Delaware, USA	100.00	100.00
Held by DMFHII				
Del Monte Foods Holdings, Inc. ("DMFHI")	Investment holding	State of Delaware, USA	100.00	100.00
Held by DMFHI				
Del Monte Foods Inc. ("DMFI")	Manufacturing, processing and distributing food, beverages and other related products	State of Delaware, USA	100.00	100.00
Held by DMFI				
Sager Creek Foods, Inc. (formerly Vegetable Acquisition Corp.)	Real estate holding	State of Delaware, USA	100.00	100.00
Del Monte Andina C.A. ^(a)	Manufacturing, processing and distributing food, beverages and other related products	Venezuela	-	-
Del Monte Colombiana S.A. ^(b)	Distributing food, beverages and other related products	Colombia	81.60	81.60
Industrias Cítrcolas de Montemorelos, S.A. de C.V. (ICMOSA)	Manufacturing, processing and distributing food, beverages and other related products	Mexico	99.90	99.90
Del Monte Peru S.A.C.	Distributing food, beverages and other related products	Peru	99.90	99.90
Del Monte Ecuador DME C.A.	Distributing food, beverages and other related products	Ecuador	99.90	99.90
Hi-Continental Corp.	Distributor of non-Del Monte products	State of California, USA	100.00	100.00
College Inn Foods	Distributor of College Inn brand products	State of California, USA	100.00	100.00
Contadina Foods, Inc.	Distributor of Contadina brand products	State of Delaware, USA	100.00	100.00
S&W Fine Foods, Inc	Distributor of S&W Fine Foods, Inc.	State of Delaware, USA	100.00	100.00
Del Monte Ventures, LLC ("DM Ventures") ^(c)	Holding company	State of Delaware, USA	100.00	100.00
Held by DM Ventures				
Del Monte Chilled Fruit Snacks, LLC ^(c)	Development, production, marketing, sale and distribution of processed refrigerated fruit products	State of Delaware, USA	51.00	51.00
Del Monte Avo, LLC ^(c)	Development, production, marketing, sale and distribution of UHP avocado products	State of Delaware, USA	51.00	51.00
Held by Del Monte Andina C.A.				
Del Monte Argentina S.A.	Inactive	Argentina	-	-

- a) In fiscal 2015, the Group deconsolidated its subsidiary, Del Monte Andina C.A., an entity which has operations in Venezuela. Venezuela is a hyperinflationary economy. The Venezuelan exchange control regulations have resulted in an other-than-temporary lack of exchangeability between the Venezuelan Bolivar and US dollar. This has restricted the Venezuelan entity's ability to pay dividends and obligations denominated in US dollars. The exchange regulations, combined with other recent Venezuelan regulations, have constrained the Venezuelan entity's ability to maintain normal production. Due to the Group's inability to effectively control the operations of the Venezuelan entity, the Group deconsolidated its subsidiary effective February 2015. The equity interest in this entity is determined to be the cost of investment of the entity at the date of deconsolidation. The investment is carried at cost less impairment.



- b) The non-controlling interest in Del Monte Colombiana S.A. is deemed immaterial.
- c) In connection with the June 27, 2017 Settlement Agreement which resulted to the dismissal of the license dispute filed with the U.S. District Court for the Southern District of New York in December 2013, DMFI and Fresh Del Monte (FDP) entered into four joint venture agreements. To effect these joint ventures the Group incorporated its subsidiary, Del Monte Ventures, LLC, on June 19, 2017 which acquired interests in four joint venture entities, each of which was established in the state of Delaware, USA. DMFI subsequently exited a joint venture with plans to pursue a new retail food and beverage concept. The three remaining joint ventures plan to pursue sales of expanded refrigerated offerings in the U.S. market, with the potential for expansion into other territories. These joint venture entities are in their pre-operating stages and have no material assets or liabilities as of May 1, 2022 and May 2, 2021.

7. Intangible assets and goodwill

	Goodwill	Indefinite life trademarks	Amortizable trademarks	Customer relationships	Total
Cost					
At May 1, 2022 and May 2, 2021	\$204,592	\$394,000	\$24,000	\$107,000	\$729,592
Accumulated amortization					
At May 2, 2021	\$ -	\$ -	\$9,340	\$38,437	\$47,777
Amortization	-	-	1,300	5,350	6,650
At May 1, 2022	\$ -	\$ -	\$10,640	\$43,787	\$54,427
At May 3, 2020	\$ -	\$ -	\$8,040	\$33,087	\$41,127
Amortization	-	-	1,300	5,350	6,650
At May 2, 2021	\$ -	\$ -	\$9,340	\$38,437	\$47,777
Carrying amounts					
At May 1, 2022	\$204,592	\$394,000	\$13,360	\$63,213	\$675,165
At May 2, 2021	\$204,592	\$394,000	\$14,660	\$68,563	\$681,815

Goodwill – Acquisition of Consumer Food Business

Goodwill is attributable to the Group, a single CGU, and originated from the October 9, 2013 purchase agreement between DMPL and DMFI with Del Monte Corporation, now known as “Big Heart Pet Brands” (“the Seller”), to acquire all of the shares of certain subsidiaries of the Seller and acquire certain assets and assume certain liabilities related to the Seller’s consumer food business. The transaction was completed on February 18, 2014, the acquisition date.



Impairment Test

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

	May 1, 2022	May 2, 2021
VIU	\$6,130,000	\$4,010,000
Fair value less costs of disposal	6,050,000	3,930,000
Recoverable amount	\$6,130,000	\$4,010,000

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

VIU

The VIU is the present value of expected future cash flows, discounted at a risk-adjusted WACC.

The key assumptions used in the estimation of the recoverable amount using the VIU approach are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and were based on historical data from both external and internal sources.

	2022 %	2021 %
Pre-tax discount rate	8.9	8.7
Terminal value growth rate	2.0	2.0
Long-term EBITDA margin	15.8	14.0

The discount rate was a pre-tax measure estimated based on the historical industry average WACC, with possible debt leveraging of 21% (May 2, 2021: 22%) at a risk-free interest rate of 3.1% (May 2, 2021: 2.5%).

The cash flow projections included specific estimates for four years for fiscal year 2022 (May 2, 2021: ten years) and a terminal growth rate thereafter. Due to various growth initiatives of the Company, management shortened the cash flow forecast period to four years in fiscal year 2022 (May 2, 2021: ten years) to meet the requirement in terms of forecasted period and allow for its operations to reach a steady state in gradually in terms of its long-term compound annual EBITDA growth rate. The terminal growth rate was determined based on management's estimate of the long-term compound annual EBITDA growth rate. This growth rate is consistent with the assumption that a market participant would make and with industry expectations and internal estimates of sustainable long-term growth for the business.



EBITDA was estimated taking into account past experience adjusted as follows:

- Revenue growth was projected taking into account the average growth levels experienced over the past four years and estimated sales volume and price growth for the next four years for fiscal year 2022 (May 2, 2021: ten years). It was assumed that sales price would increase in line with forecasted inflation over the next four years. The amounts are probability-weighted.

Indefinite life trademarks

The indefinite life trademarks arising from the acquisition of DMFI pertain to those of DMFI for the use of the “*Del Monte*” trademark in the United States and South America markets, and the “*College Inn*” trademark in the United States, Australia, Canada and Mexico markets. As of May 1, 2022 and May 2, 2021, the carrying amounts of the trademarks with indefinite useful lives are \$394.0 million. Management has designated these assets as having indefinite useful lives as the Group has exclusive access to the use of these trademarks on a royalty-free basis and based on all relevant factors, there is no foreseeable limit to the period over which the assets are expected to generate cash inflows for the entity. The carrying amounts for indefinite life trademarks were included in the annual impairment assessment performed for the CGU as described above.

Sources of estimation uncertainty

Estimating impairment of indefinite life intangible assets and goodwill

Goodwill and the indefinite life trademarks are assessed for impairment annually. The impairment assessment requires an estimation of the VIU and fair value less costs of disposal of the CGU to which the goodwill and indefinite life trademarks are allocated.

Estimating the VIU requires the Group to make an estimate of the expected future cash flows from the CGU and apply an appropriate discount rate in order to calculate the present value of those cash flows. Actual cash flows will differ from these estimates as a result of differences between assumptions used and actual operations.

Estimating fair value less costs of disposal requires the use of estimates and assumptions. The estimated fair value would change depending on the assumptions used, such as the discount rate or long-term margin.

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

The Group managed to continue operating in the middle of the pandemic since its products are considered to be essential. There were no significant internal operational interruptions and disruptions caused by external factors such as restrictions to movement of materials were managed so that there will be no major adverse impacts to the overall results of operations for the fiscal year ended May 1, 2022.

As a result, the COVID-19 outbreak did not have a significant impact on the Company’s judgments and estimates.



Sensitivity analysis

Management has identified that a reasonably possible change in the discount rate or long-term margin could cause the carrying amount of the CGU to exceed the recoverable amount. The following table show the amount to which these would need to change independently for the estimated recoverable amount to be equal to the carrying amount.

	Breakeven Multiple	
	2022	2021
Discount rate	22.90%	15.30%
Long-term margin	4.80%	4.40%

Amortizable trademarks

	Net carrying amount		Remaining amortization period (years)	
	May 1, 2022	May 2, 2021	May 1, 2022	May 3, 2020
America S&W trademark	\$363	\$563	1.8	2.8
America Contadina trademark	12,997	14,097	11.8	12.8
	\$13,360	\$14,660		

S&W and Contadina trademarks

The amortizable trademarks relate to the exclusive right to use the “S&W” trademark in the United States, Canada, Mexico and certain countries in Central and South America and the “Contadina” trademark in the United States, Canada, Mexico, South Africa and certain countries in Asia Pacific, Central America, Europe, Middle East and South America markets.

Management has included these trademarks in the CGU impairment assessment and concluded that no impairment exists at the reporting date.

Customer relationships

Customer relationships relate to the network of customers where DMFI has established relationships with the customers through contracts.

	May 1, 2022	May 2, 2021
Net carrying amount	\$63,212	\$68,563
Remaining amortization period (years)	11.8	12.8

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



Sources of estimation uncertainty

Estimating useful lives of amortizable trademarks and customer relationships

The Group estimates the useful lives of its amortizable trademarks and customer relationships based on the period over which the assets are expected to be available for use. The estimated useful lives of the trademarks and customer relationships are reviewed periodically and are updated if expectations differ from previous estimates due to legal or other limits on the use of the assets. A reduction in the estimated useful lives of amortizable trademarks and customer relationships would increase recorded amortization expense and decrease non-current assets.

8. Deferred tax

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	May 1, 2022	May 2, 2021	May 1, 2022	May 2, 2021
Provisions	\$3,532	\$4,377	\$-	\$-
Employee benefits	16,131	14,687	-	-
Property, plant and equipment	-	-	(9,899)	(11,899)
Intangible assets and goodwill	-	-	(92,089)	(79,671)
Effective portion of changes in fair value of cash flow hedges	1,604	-	-	(395)
Tax loss carry-forwards	155,391	166,114	-	-
Inventories	909	1,627	-	-
Interest	29,234	24,450	-	-
Charitable contributions	3,321	3,254	-	-
Others	7,049	6,302	-	-
Deferred tax assets/(liabilities)	217,171	220,811	(101,988)	(91,965)
Set off of tax	(100,896)	(90,873)	100,896	90,873
Deferred tax assets/(liabilities)	\$116,275	\$129,938	(\$1,092)	(\$1,092)



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

	<u>At May 2, 2021</u>	<u>Recognized in profit or loss (Note 25)</u>	<u>Recognized in other comprehensive income</u>	<u>At May 1, 2022</u>
At May 1, 2022				
Deferred tax assets				
Provisions	\$4,377	(\$845)	\$-	\$3,532
Employee benefits	14,687	3,510	(2,066)	16,131
Effective portion of changes in fair value of cash flow hedges	-	-	1,604	1,604
Tax loss carry-forwards	166,114	(10,723)	-	155,391
Inventories	1,627	(718)	-	909
Interest	24,450	4,784	-	29,234
Charitable contributions	3,254	67	-	3,321
Others	6,302	747	-	7,049
	<u>\$220,811</u>	<u>(\$3,178)</u>	<u>(\$462)</u>	<u>\$217,171</u>
Deferred tax liabilities				
Property, plant and equipment	(\$11,899)	\$2,000	\$-	(\$9,899)
Intangible assets and goodwill	(79,671)	(12,418)	-	(92,089)
Effective portion of changes in fair value of cash flow hedges	(395)	(195)	590	-
	<u>(91,965)</u>	<u>(10,613)</u>	<u>590</u>	<u>(101,988)</u>
Net deferred tax	<u>\$128,846</u>	<u>(\$13,791)</u>	<u>\$128</u>	<u>\$115,183</u>



	<u>At May 3, 2020</u>	<u>Recognized in profit or loss (Note 25)</u>	<u>Recognized in other comprehensive income</u>	<u>At May 2, 2021</u>
At May 2, 2021				
Deferred tax assets				
Provisions	\$4,550	(\$173)	\$-	\$4,377
Employee benefits	28,943	(1,187)	(13,069)	14,687
Effective portion of changes in fair value of cash flow hedges	2,162	(1,508)	(654)	-
Tax loss carry-forwards	160,414	5,700	-	166,114
Inventories	876	751	-	1,627
Interest	23,139	1,311	-	24,450
Charitable contributions	3,856	(602)	-	3,254
Plant closure cost	309	(309)	-	-
Others	7,676	(1,374)	-	6,302
	<u>\$231,925</u>	<u>\$2,609</u>	<u>(\$13,723)</u>	<u>\$220,811</u>
Deferred tax liabilities				
Property, plant and equipment	(\$14,031)	\$2,132	\$-	(\$11,899)
Intangible assets and goodwill	(69,094)	(10,577)	-	(79,671)
Effective portion of changes in fair value of cash flow hedges	-	-	(395)	(395)
Deferred income	(5,455)	5,455	-	-
	<u>(88,580)</u>	<u>(2,990)</u>	<u>(395)</u>	<u>(91,965)</u>
Net deferred tax	<u>\$143,345</u>	<u>(\$381)</u>	<u>(\$14,118)</u>	<u>\$128,846</u>

Unrecognized deferred tax assets

Deferred tax assets have not been recognized with respect to the following items.

	<u>May 1, 2022</u>	<u>May 2, 2021</u>
Deductible temporary differences	<u>\$5,266</u>	<u>\$23,991</u>
Tax losses and tax credits	<u>15,377</u>	<u>7,668</u>
	<u>\$20,643</u>	<u>\$31,659</u>

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



Sources of estimation uncertainty

As of May 1, 2022, deferred tax assets amounting to \$155.4 million (May 2, 2021: \$166.1 million) have been recognized in respect of the tax loss carry forwards because management assessed that it is probable that future taxable profit will be available against which DMFI can utilize these benefits. Management expects profitable growth coming from revenue strategies and cost efficiencies in the future. To the extent that profitable growth does not materialize in the future periods, deferred tax assets of \$215.6 million may not be realized. The majority of the tax loss for years ending April 28, 2019 and after can be carried forward indefinitely and tax loss carry forwards prior to April 28, 2019 may be utilized up to a 20-year period.

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

9. Other noncurrent assets

	May 1, 2022	May 2, 2021
Excess insurance	\$3,762	\$4,442
Note receivables	1,000	1,000
Advance deposits and prepayments	1,190	1,464
	<u>\$5,952</u>	<u>\$6,906</u>

Excess insurance relates mainly to reimbursements from insurers to cover certain workers' compensation claims liabilities (see Note 16). Note receivables of \$1.0 million relates to the sale of certain assets of Plymouth.

10. Inventories

	May 1, 2022	May 2, 2021
Finished goods		
- at cost	\$412,128	\$329,101
- at net realizable value	1,645	2,114
Semi-finished goods		
- at cost	95,952	69,819
- at net realizable value	2,715	3,205
Raw materials and packaging supplies		
- at cost	75,165	47,302
- at net realizable value	-	118
	<u>\$587,605</u>	<u>\$451,659</u>



The cost of inventories recognized at net realizable value as of May 1, 2022 is \$6.0 million (May 2, 2021: \$10.6 million). The cost of inventories recognized as expense during the year was \$1.3 billion (May 2, 2021: \$1.1 billion; May 3, 2020: \$1.3 billion). This includes a total of \$3.4 million in respect of direct write-offs and write-downs of inventories to net realizable value (May 2, 2021: \$12.3 million May 3, 2020: \$7.4 million) (see Note 22).

Inventories are stated net of an allowance for inventory obsolescence. Movements in the allowance for inventory obsolescence during the year are as follows:

	May 1, 2022	May 2, 2021
At beginning of the period	\$5,133	\$7,877
Allowance for the period	1,319	4,336
Write-off against allowance	(4,785)	(7,080)
At end of the period	<u>\$1,667</u>	<u>\$5,133</u>

The allowance for inventory obsolescence recognized during the year is included in cost of sales.

Source of estimation uncertainty

Allowance for inventory obsolescence and net realizable value

The Group recognizes an allowance for inventory obsolescence when inventory items are specifically identified as obsolete, have remained unsold for a certain period, or have otherwise experienced a decline in selling prices. Obsolescence is based on the physical and internal condition of inventory items. Obsolescence is also established when inventory items are no longer marketable. Obsolete goods, when identified are charged to the consolidated income statement and are written off. In addition to an allowance for specifically identified obsolete inventory, an estimation is made on a group basis based on the age of the inventory items. The Group believes such estimates represent a fair charge of the level of inventory obsolescence in a given year. The Group reviews the condition of its inventory on a regular basis. The assessment of the condition of the inventory either increases or decreases the expenses or total inventory.

Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made, and reflect management's assessment of the amount the inventories are expected to be realized at. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the reporting date, to the extent that such events confirm conditions existing at the reporting date. The Group regularly reviews product movement, changes in customer demand and introduction of new products, to identify inventories which should be written down to its net realizable value. The write-down of inventories is reviewed periodically. An increase in write-down of inventories would increase the recorded cost of sales and decrease current assets.



11. Trade and other receivables

	May 1, 2022	May 2, 2021
Trade receivables	<u>\$103,222</u>	<u>\$85,033</u>
Nontrade receivables	<u>8,695</u>	<u>10,580</u>
Trade and other receivables, gross	111,917	95,613
Less: allowance for impairment	<u>(16)</u>	<u>(31)</u>
Trade and other receivables, net	<u>\$111,901</u>	<u>\$95,582</u>

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

	May 1, 2022	May 2, 2021
At beginning of the year/period	<u>\$31</u>	<u>\$153</u>
Allowance recognized	-	7
Allowance reversed	<u>(1)</u>	<u>-</u>
Write-off against allowance	<u>(14)</u>	<u>(129)</u>
At end of the year/period	<u>\$16</u>	<u>\$31</u>

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

	May 1, 2022		May 2, 2021	
	Gross	Impairment losses	Gross	Impairment losses
Current	<u>\$78,361</u>	<u>\$ -</u>	<u>\$67,204</u>	<u>\$ -</u>
Past due 0 - 60 days	<u>24,533</u>	<u>-</u>	<u>22,214</u>	<u>-</u>
Past due 61 - 90 days	<u>2,548</u>	<u>-</u>	<u>850</u>	<u>-</u>
Past due 91 - 120 days	<u>615</u>	<u>-</u>	<u>1,674</u>	<u>-</u>
More than 120 days	<u>5,860</u>	<u>(16)</u>	<u>3,671</u>	<u>(31)</u>
	<u>\$111,917</u>	<u>(\$16)</u>	<u>\$95,613</u>	<u>(\$31)</u>



Source of estimation uncertainty

Impairment of trade receivables

The Group maintains an allowance for impairment of accounts receivables at a level considered adequate to provide for potential uncollectible receivables based on the applicable ECL methodology described in Note 30. The level of this allowance is evaluated by the Group on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Group's relationship with debtors, their payment behavior and known market factors. The Group reviews the age and status of receivables and identifies accounts that are to be provided with allowance on a continuous basis. The amount and timing of recorded expenses for any period would differ if the Group made different judgment or utilized different estimates. An increase in the Group's allowance for impairment would increase the Group's recorded operating expenses and decrease current assets.

The recorded impairment loss falls within the Group's historical experience in the collection of accounts receivables. The Company managed to continue operating in the middle of the pandemic since its products are essential. The Company did not allow credit term extension or increase in credit line request from customers due to COVID impact to their businesses. Therefore, management believes that there is no significant additional credit risk beyond what has been adjusted for.

12. Prepaid and other current assets

	<i>Note</i>	May 1, 2022	May 2, 2021
Prepayments		\$23,837	\$21,048
Other		626	-
		<u>\$24,463</u>	<u>\$21,048</u>

13. Cash

	May 1, 2022	May 2, 2021
Cash in banks	\$2,355	\$4,125



14. Reserves

	May 1, 2022	May 2, 2021
Remeasurement of retirement plan	\$45,193	\$39,323
Hedging reserve	(5,394)	1,218
Translation reserve	144	293
	<u>\$39,943</u>	<u>\$40,834</u>

The remeasurement of retirement plan relates to the actuarial gains and losses for the defined benefit plans and the return on plan assets, excluding amounts included in net interest on the net defined benefit liability.

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in the consolidated income statement.

The translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations.

15. Loans and borrowings

	May 1, 2022	May 2, 2021
Current liabilities		
Secured bank loans	\$141,060	\$68,828
Non-current liabilities		
Secured bank loans	473,659	465,155
	<u>\$614,719</u>	<u>\$533,983</u>

Terms and debt repayment schedule

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

	Currency	Year of maturity	May 1, 2022		May 2, 2021	
			Face value	Carrying amount	Face value	Carrying amount
Secured bank loan under ABL Credit Agreement	USD	2026	\$146,000	\$141,060	\$75,100	\$68,828
Senior Secured Notes	USD	2025	500,000	473,659	500,000	465,155
			<u>\$646,000</u>	<u>\$614,719</u>	<u>\$575,100</u>	<u>\$533,983</u>



Movements in the carrying amount of the loans during the year are as follows:

	Note	Loan under ABL Credit Agreement	First Lien Term Loan	Second Lien Term Loan	Senior Secured Notes	Total
Carrying amount:						
Balance at May 2, 2021		\$68,828	\$-	\$-	\$465,155	\$533,983
Changes from financing cash flows						
Proceeds from loans and borrowings		447,200	-	-	-	447,200
Payments of loans and borrowings		(376,300)	-	-	-	(376,300)
Payments of debt related costs		(365)	-	-	(168)	(533)
Interest paid		(7,341)	-	-	(59,375)	(66,716)
Other changes						
Interest expense		7,402	-	-	59,375	66,777
Amortization of deferred financing fees	24	1,697	-	-	8,672	10,369
Accrued expense		(61)	-	-	-	(61)
Balance at May 1, 2022		\$141,060	\$-	\$-	\$473,659	\$614,719
Carrying amount:		Loan under ABL Credit Agreement	First Lien Term Loan	Second Lien Term Loan	Senior Secured Notes	Total
Balance at May 3, 2020		\$25,072	\$665,625	\$22,737	\$-	\$713,434
Changes from financing cash flows						
Proceeds from loans and borrowings		437,310	-	-	500,000	937,310
Payments of loans and borrowings		(387,282)	(665,625)	(22,737)	-	(1,075,644)
Payments of debt related costs		(8,433)	-	-	(43,121)	(51,554)
Interest paid		(9,008)	(6,932)	(1,267)	(29,688)	(46,895)
Other changes						
Interest expense		8,833	989	1,267	56,901	67,990
Amortization of deferred financing fees	24	2,161	-	-	8,276	10,437
Accrued expense		175	5,943	-	(27,213)	(21,095)
Balance at May 2, 2021		\$68,828	\$-	\$-	\$465,155	\$533,983

Secured Term Loan Credit Agreements

Prior to fiscal year 2021, the Group is a party to a First Lien Term Loan credit agreement and a Second Lien Term Loan credit agreement (the "Term Loan Credit Agreements") with the lenders party thereto, Citibank, N.A., as administrative agent and collateral agent, and the other agents named therein, that provided for a \$710.0 million First Lien Term Loan and a \$260.0 million Second Lien Term Loan with terms of seven years and seven years plus six months, respectively. The Group's assets are held as collateral for the benefit of lenders.

Interest Rates. Loans under the First and Second Lien Term Loans bear interest at a rate equal to an applicable margin, plus, at the Group's option, either (i) a LIBOR rate (with a floor of 1.00%) or (ii) a base rate (with a floor of 2.00%) equal to the highest of (a) the federal funds rate plus 0.50%, (b) CitiBank, N.A.'s "prime commercial rate" and (c) the one-month LIBOR Quoted Rate plus 1.00%. As of May 3, 2020, the interest rate for First Lien Term Loans is 4.86% and the interest rate for Second Lien Term Loans is 7.82%.

Principal Payments. The First Lien Term Loan generally requires quarterly scheduled principal payments of 0.25% of the original principal per quarter from April 29, 2014 to January 31, 2021. Scheduled principal payments with respect to the First Lien Term Loan are subject to reduction following any mandatory or voluntary prepayments on terms and conditions set forth in the First Lien Term Loan Credit Agreement.



The Term Loan Credit Agreements also require the Group to prepay outstanding loans under the First Lien Term Loan and the Second Lien Term Loan, subject to certain exceptions, with, among other things:

- 50% (which percentage will be reduced to 25% if the leverage ratio is 4.0x or less and to 0% if the leverage ratio is 3.0x or less) of the annual excess cash flow, as defined in the First Lien Term Loan Credit Agreement;
- 100% of the net cash proceeds of certain casualty events and non-ordinary course asset sales or other dispositions of property for a purchase price above \$2.0 million, in each case, subject to the Group's right to reinvest the proceeds; and
- 100% of the net cash proceeds of any incurrence of debt, other than proceeds from debt permitted under the First Lien Term Loan Credit Agreement.

On March 14, 2018, DMPL, a trust owned by DMFHII and certain seller lenders entered into a Purchase Agreement wherein DMPL, or its designated affiliate, agreed to purchase certain Second Lien Term Loans from the seller lenders at an amount equal to 70% of the principal amount of the loans to be sold, plus accrued and unpaid interest thereon. On March 27, 2018, DMFI, DMFHI and the lenders signed the second amendment to the Second Lien Term Loan allowing DMPL, or its eligible assignee, to purchase any and all loans outstanding under the amended agreement which were duly submitted by the lenders for purchase at a price equal to 70% of the principal amount.

On March 27, 2018, DMFHII, the affiliate assignee, through a trust, purchased DMFI's Second Lien Term Loans with principal amount of \$125.9 million from seller lenders for \$88.2 million. On June 5, 2018, July 24, 2018, April 15, 2019 and November 27, 2019, respectively, an additional \$4.0 million, \$95.1 million, \$6.5 million and \$5.8 million, respectively, of the Second Lien Term Loans were purchased. There were no additional purchases made in fiscal year ended May 2, 2021.

The pre-tax net gain from the purchase of the loans amounted to nil (2021: nil; 2020: \$1.7 million), net of nil transaction costs (2021: nil; 2020: nil), was recognized in the Group's consolidated financial statements (see Note 24).

To finance the purchases of the Second Lien Term Loans, DMPL extended a loan to DMFHII amounting to \$88.2 million in fiscal 2018, with an additional \$87.8 million and \$4.1 million extended in fiscal 2019 and 2020, respectively.

On May 15, 2020, DMFHL issued 0.64546 shares of capital stock to DMPLFL and DMPLFL issued a proportionate number of shares of capital stock to DMPL as full payment of the \$228.4 million loan to finance purchases of the Second Lien Term Loans (including accumulated interest). Upon the issuance of the capital stock to DMPL, DMFHL is unconditionally released of all liabilities for principal and interest through May 15, 2020 relating to the purchase of the Second Lien Term Loans. On May 15, 2020, the Group recorded \$229.5 million of additional paid-in capital related to this transaction. In addition, DMFHL, DMPLFL, and DMPL entered into a supplemental agreement dated August 11, 2020 for the issuance of additional 0.00323 ordinary share by DMFHL to DMPLFL and a proportionate number of shares by DMPLFL to DMPL to cover the additional accrued interest through May 15, 2020 which amounted to \$1.1 million.



On May 15, 2020, the Group issued \$500.0 million of 11.875% Senior Secured Notes (the “Senior Secured Notes”). The Senior Secured Notes will mature on May 15, 2025 and are redeemable at the option of the Group beginning in May 2022. Proceeds of \$477.5 million from the issuance were used to pay-off the balance of the First Lien Term Loan.

ABL Credit Agreement

Prior to fiscal year 2021, the Group is a party to a credit agreement (the “ABL Credit Agreement”) with Citibank, N.A., as administrative agent, and the other lenders and agents parties thereto, as amended, that provides for senior secured financing of up to US\$442.6 million (with all related loan documents, and as amended from time to time, the ABL Facility) with a term of five years until February 18, 2019, prior to an amendment in 2018.

On April 23, 2018, the Group amended and restated the ABL Credit Agreement. The \$442.6 million facility was divided into two tranches: “Tranche A” with an amount up to \$46.5 million and “Tranche B” with an amount up to \$442.6 million. Any drawdown or repayment are to be made in proportion to the two tranches and maximum borrowings cannot exceed the Tranche B commitments. Proceeds of \$40.0 million from the amended ABL Credit Agreement were used to pay-off the balance of the previous credit agreement in fiscal year 2018. Additionally, in fiscal year 2018, the Group fully amortized the deferred financing fees related to the previous credit agreement. As of May 3, 2020, the Group’s commitment could not exceed \$450 million. Tranche A’s maturity date is on February 18, 2019 and Tranche B’s maturity date is on November 19, 2020.

On May 15, 2020, the Group entered into and DMFI is a party to a credit agreement (the “ABL Credit Agreement”) with JP Morgan Chase, as administrative agent, and other lenders and agents parties thereto, that provides for senior secured financing of up to US\$450.0 million, subject to availability under the borrowing base, (with all related loan documents, and as amended from time to time, the ABL Facility) with a term of three years until May 15, 2023, prior to an amendment in 2021. Additionally, the Group fully amortized the remaining deferred financing fees related to the previous credit agreement of \$1.0 million for the year ended May 3, 2020. On May 15, 2020, \$100.2 million was drawn on this facility. Loans under the ABL Credit Agreement will bear interest based on either the Eurodollar rate or the alternative base rate, plus an applicable margin.

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

Interest Rates. Prior to fiscal year 2021, borrowings under the ABL Credit Agreement bear interest at an initial interest rate equal to an applicable margin, plus, at the Group’s option, either (i) a LIBOR rate, or (ii) a base rate equal to the highest of (a) the federal funds rate plus 0.50%, (b) Citibank, N.A.’s “prime commercial rate” and (c) the one-month LIBOR rate plus 1.00%. The applicable margin with respect to LIBOR borrowings is 2.25% for Tranche B at April 30, 2020 (and may increase to 2.50% or 2.75% depending on average excess availability) and with respect to base rate borrowings is 1.25% for Tranche B at April 30, 2020 (and may increase to 1.50% or 1.75% depending on average excess availability). Effective May 15, 2020, borrowings under the ABL Credit Agreement bear interest of 1.75% in the case of the Alternative Base rate (ABR) plus applicable margin (from 2.0% or 1.75% or 1.5% depending on average excess availability).

Effective May 15, 2020, borrowings under the ABL Credit Agreement bear interest of 1.75% in the case of Alternative Base rate (ABR) plus applicable margin (from 2.0% or 1.75% or 1.5%



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

Commitment Fees. In addition to paying interest on outstanding principal under the ABL Credit Agreement, the Group is required to pay a commitment fee that was initially 0.375% per annum in respect of the unutilized commitments thereunder. The commitment fee rate on Tranche A from time to time is 0.250% or 0.500% depending on the amount of unused commitments under the ABL Credit Agreement for the prior fiscal quarter. The commitment fee rate on Tranche B is 0.500%. The Group must also pay customary letter of credit fees between 1.75% to 2.75% based on average excess availability, and fronting fees equal to 0.125% of the face amount for each letter of credit issued.

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

Availability under the ABL Credit Agreement. Prior to fiscal year 2021, availability under the ABL Credit Agreement is subject to a borrowing base. The borrowing base, determined at the time of calculation, is an amount equal to: (a) 85% of eligible accounts receivable and (b) the lesser of (1) 75% of the net book value of eligible inventory and (2) 85% of the net orderly liquidation value of eligible inventory, of the DMFI at such time, less customary reserves. The ABL Credit Agreement will terminate, and the commitments thereunder will mature.

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

As of May 1, 2022, there were \$146.0 million (May 2, 2021: \$75.1 million) of loans outstanding and \$24.3 million of letters of credit issued (May 2, 2021: \$24.6 million). The Group's net availability under the ABL Credit Agreement was \$279.7 million as of May 1, 2022 (May 2, 2021: \$350.2 million). The weighted average interest rate on the ABL Credit Agreement was approximately 4.31% on May 1, 2022 (2021: 5.21%). The ABL Credit Agreement includes a sub limit for letters of credit and for borrowings on same day notice, referred to as "swingline loans."

Ability to Incur Additional Indebtedness. Notwithstanding any increase in the facility size, the Group's ability to borrow under the facility will always remain limited by the borrowing base (to the extent the borrowing base is less than the commitments).

Guarantee of Obligations under the Term Loan Credit Agreements and the ABL Credit Agreement. All obligations of the Group under the Term Loan Credit Agreements and the ABL



Credit Agreement are unconditionally guaranteed by the Company and by substantially all existing and future, direct and indirect, wholly owned material restricted domestic subsidiaries of the Group, subject to certain exceptions. The Group was released from the guarantees after payment of First and Second Lien Term Loans on May 15, 2020.

Security Interests

Indebtedness under the First Lien Term Loan is generally secured by (i) a first priority pledge of all of the equity interests of DMFHL, (ii) a second priority lien on all ABL Priority Collateral of DMFHL and (iii) a first priority lien on substantially all other properties and assets of DMFHL. The Second Lien Term Loan is generally secured by (i) a second priority pledge of all of the equity interests of DMFHL, (ii) a third priority lien on all ABL Priority Collateral of DMFHL and (iii) a second priority lien on substantially all other properties and assets of DMFHL. The ABL Credit Agreement is generally secured by a first priority lien on DMFI's inventories and accounts receivable and by a second priority lien on substantially all other assets excluding real estate. All of the Group's inventory and trade receivables secure the various borrowings. The Term Loans were fully paid on May 15, 2020 and the securities were released upon payment.

Borrowing Base Reserve. Prior to fiscal year 2021, the Group is required to hold a \$45.0 million borrowing base reserve during the term of the loan.

Restrictive and Financial Covenants. The Term Loan Credit Agreements and the ABL Credit Agreement contain restrictive covenants that limit the Group's ability, and the ability of its subsidiaries to take certain actions such as, but not limited to, to incur additional indebtedness, create liens, engage in mergers or consolidations, sell or transfer assets, pay dividends and distributions or repurchase the Group's capital stock, make investments, loans or advances, prepay certain indebtedness, engage in certain transactions with affiliates, amend agreements governing certain subordinated indebtedness adverse to the lenders, and change the Group's lines of business.

Financial Maintenance Covenants and Minimum Consolidated EBITDA. The Term Loan Credit Agreements and ABL Credit Agreement generally do not require that the Group comply with financial maintenance covenants.

Minimum Consolidated EBITDA. Prior to fiscal year 2021, the Group is subjected to an EBITDA financial covenant. Consolidated Trailing Twelve-Month EBITDA of the Borrower and the Guarantors as of the last day of any fiscal quarter shall not be lower than specified amounts in the Credit Agreement.

Effect of Restrictive and Financial Covenants. The restrictive and financial covenants in the Term Loan Credit Agreements and the ABL Credit Agreement may adversely affect DMFI's ability to finance its future operations or capital needs or engage in other business activities that may be in its interest, such as acquisitions. The Term Loan Credit Agreements have been fully settled on May 15, 2020.

The Group is compliant with the ABL Credit Agreement loan covenants as of May 1, 2022 and May 2, 2021.



Senior Secured Notes

The Group as the “Issuer”, is a party to a credit agreement (the “Senior Secured Notes Indenture” or “Indenture”) with JPMorgan Chase & Co., as administrative agent, and the other lenders and agents parties thereto, that provides for senior secured financing of up to US\$500.0 million. The Notes will mature on May 15, 2025. Interests of 11.875% will accrue from May 15, 2020, and payable every May 15 and November 15.

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

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

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

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

16. Other noncurrent liabilities

	May 1, 2022	May 2, 2021
Workers’ compensation	\$14,639	\$17,150
Accrued vendor liabilities	488	553
	<u>\$15,127</u>	<u>\$17,703</u>



17. Employee benefits

The Group's employee benefit liabilities comprise the following:

	May 1, 2022	May 2, 2021
Short-term employee benefits	\$30,688	\$29,182
Net defined benefit liability – Qualified retirement plan	11,428	17,211
Post-retirement medical benefits plan obligation	6,754	9,675
Cash incentive award	5,051	3,657
Executive retirement plan	3,611	3,389
Other plans and benefits	3,756	6,651
Total employee benefit liability	<u>\$61,288</u>	<u>\$69,765</u>
Current	\$36,958	\$38,275
Non-current	<u>24,330</u>	<u>31,490</u>
	<u>\$61,288</u>	<u>\$69,765</u>

The DMFI Plan

DMFI sponsors a qualified defined benefit pension plan (the “DMFI Plan”) and several unfunded defined benefit post-retirement plans providing certain medical, dental, and life insurance benefits to eligible retired, salaried, non-union hourly and union employees. The DMFI Plan comprises of two parts:

- The first part is a cash balance plan (“Part B”), which provides benefits for eligible salaried employees and provides that a participant's benefit derives from the accumulation of monthly compensation and interest credits. Compensation credits are calculated based upon the participant's eligible compensation and age each month. Interest credits are calculated each month by applying an interest factor to the previous month's ending balance. Participants may elect to receive their benefit in the form of an annuity or a lump sum. Part B of the plan was frozen to new participants effective December 31, 2016, which the active participation of certain participants was grandfathered subject to meeting participation requirements.
- The second part is an arrangement which provides for grandfathered and suspended hourly participants a traditional pension benefit based upon service, final average compensation and age at termination. This plan was frozen since December 31, 1995, which the active participation of certain participants was grandfathered and the active participation of other participants was suspended.

DMFI currently meets and plans to continue to meet the minimum funding levels required under local legislation, which imposes certain consequences on DMFI's defined benefit plan if it does not meet the minimum funding levels. DMFI has not made any contributions during the year.

For the year ended May 3, 2020, there were amendments to the DMFI Plan and the post-retirement benefit plan. Under the DMFI Plan amendments, certain benefits were eliminated effective December 31, 2019 and April 30, 2022 and the plan obligations associated with these amendments decreased by \$9.1 million. Under the post-retirement amendments, certain benefits will be eliminated effective April 30, 2022 and the plan obligations associated with this



amendment decreased by \$5.9 million. Both amendments were recognized immediately in “General and administrative expenses” in the consolidated income statement in fiscal year 2020.

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

Movement in net defined benefit liability/(asset)

The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit liability/(asset) and components for the post-retirement medical benefits and qualified retirement plans:

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability/(asset)	
	May 1, 2022	May 2, 2021	May 1, 2022	May 2, 2021	May 1, 2022	May 2, 2021
Balance at beginning of year	\$296,485	\$337,513	(\$269,599)	(\$260,131)	\$26,886	\$77,382
Included in profit or loss						
Current service cost	6	7	-	-	6	7
Plan administration cost	-	-	557	1,405	557	1,405
Interest cost/ (income)	5,516	6,678	(5,022)	(5,113)	494	1,565
	5,522	6,685	(4,465)	(3,708)	1,057	2,977
Included in OCI						
Remeasurements loss/(gain)						
- Actuarial loss/(gain) arising from:						
- financial assumptions	(36,083)	(6,173)	-	-	(36,083)	(6,173)
- demographic assumptions	(835)	(2,586)	-	-	(835)	(2,586)
- experience adjustment	1,619	(3,672)	-	-	1,619	(3,672)
- Return on plan assets excluding interest income	-	-	27,197	(38,985)	27,197	(38,985)
	(35,299)	(12,431)	27,197	(38,985)	(8,102)	(51,416)
Others						
Curtailments	-	-	-	-	-	-
Contributions paid into the plan	-	-	(1,659)	-	(1,659)	-
Benefits paid	(27,243)	(35,282)	27,243	33,225	-	(2,057)
Balance at end of year	\$239,465	\$296,485	(\$221,283)	(\$269,599)	\$18,182	\$26,886

Represented by:

	Net defined benefit liability/(asset)	
	May 1, 2022	May 2, 2021
Post-retirement medical benefits plan	\$6,754	\$9,675
Qualified retirement plan	11,428	17,211
	\$18,182	\$26,886



Plan assets

Plan assets comprise:

	May 1, 2022	May 2, 2021
Interest-bearing cash	\$3,504	\$5,856
Common collective trust funds		
- Equity fund	77,014	97,607
- Fixed income	54,645	65,882
Mutual funds		
- Equity funds	10,209	13,960
Debt securities		
- Corporate	42,074	41,588
- Government	33,493	30,017
- Others	344	4,046
Other investments	-	10,643
Fair value of plan assets	<u>\$221,283</u>	<u>\$269,599</u>

The Board of Directors reviews the level of funding required for the retirement fund. Such a review includes the asset-liability matching (“ALM”) strategy and investment risk management policy. The Group’s ALM objective is to match maturities of the plan assets to the retirement benefit obligation as they fall due. The Group monitors how the duration and expected yield of the investments match the expected cash outflows arising from the retirement benefit obligation.

DMFI’s investment objectives are to ensure that the assets of its qualified defined benefit plan are invested to provide an optimal rate of investment return on the total investment portfolio, consistent with the assumption of a reasonable risk level, and to ensure that pension funds are available to meet the plan’s benefit obligations as they become due. DMFI believes that a well-diversified investment portfolio, including both equity and fixed income components, will result in the highest attainable investment return with an acceptable level of overall risk. DMFI’s investment policies and procedures are designed to ensure that the plan’s investments are in compliance with the Employee Retirement Income Security Act.

Actuarial valuation

The funded obligations and plan assets are measured and valued with the advice of qualified actuary who carries out a full valuation annually. The last valuation of these obligations and plan was performed in April 2022 wherein the results of these valuations form the basis of the fair value of the funded obligations and plan assets as of May 1, 2022.



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

	May 1, 2022	May 2, 2021
Discount rate (per annum)	1.82% - 4.50%	1.82% - 3.26%
Current health care cost trend rate	6.20%	6.20%
Ultimate health care cost trend rate	4.50%	4.50%

Since the defined benefit plans and other benefits liabilities are measured on a discounted basis, the discount rate is a significant assumption. The discount rate was determined based on an analysis of interest rates for high-quality, long-term corporate debt at each measurement date. In order to appropriately match the bond maturities with expected future cash payments, the Group utilised differing bond portfolios to estimate the discount rates for the defined benefits pension plans and for the post-retirement benefits. The discount rate used to determine the defined benefit plans and for the post-retirement benefits projected benefit obligation as of the balance sheet date is the rate in effect at the measurement date. The same rate is also used to determine the defined benefit pension plans and postretirement benefits for the following fiscal year. The long-term rate of return for defined benefits pension plans' assets is based on the Group's historical experience; the defined benefits pension plans' investment guidelines and the Group's expectations for long-term rates of return. The defined benefits pension plans' investment guidelines are established based upon an evaluation of market conditions, tolerance for risk and cash requirements for benefit payments.

Assumptions regarding future mortality have been based on published statistics and mortality tables.

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

	Duration (years)	
	May 1, 2022	May 2, 2021
Qualified retirement plan	8.9	10.2
Post-retirement benefits plan	8.9	8.6
Executive retirement plans	N/A	N/A

The projected future benefit payments for the DMFI plan are as follows:

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



The weighted average asset allocation of the Group's pension plan assets and weighted average target allocation as of the measurement date from date of incorporation to May 1, 2022 is as follows:

	May 1, 2022	Target Allocation Range
Equity securities	\$87,223	39%
Debt securities	130,556	59%
Other	3,504	2%
Total	<u>\$221,283</u>	<u>100%</u>

The plan exposes the Group to market risk.

The Board of Directors approves the percentage of asset to be allocated for fixed income instruments and equities. The retirement plan has set maximum exposure limits for each type of permissible investments in marketable securities and deposit instruments. The Board of Directors may, from time to time, in the exercise of its reasonable discretion and taking into account existing investment opportunities, review and revise such allocation and limits.

Source of estimation uncertainty

Measurement of employee benefit obligation

Pension expense and pension assets/liabilities are determined using certain actuarial estimates and assumptions relating to the discount rate used in valuing the subsidiary's defined benefit obligations and future experiences such as the rate of return on plan assets, future salary increases, retirement date or age, mortality and turnover rate of covered employees. These estimates and assumptions directly influence the amount of the pension assets/liabilities and expense recognized in the consolidated financial statements.

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the defined benefit obligation at the end of reporting period would have increased/(decreased) as a result of a change in the respective assumptions by the respective percentages below.

Defined benefit obligation

	2022		2021	
	0.50% increase	0.50% decrease	0.50% increase	0.50% decrease
Discount rate	(\$9,247)	\$10,018	(\$12,780)	\$13,915
Future salary increases	N/A	N/A	N/A	N/A

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation at April 2022 and are applied to adjust the defined benefit obligation at the end of the report period for the assumptions concerned. Although the analysis does not take account of the full distribution of cash flows expected under the plan, it



does provide an approximation to the sensitivity of the assumption shown.

Sensitivity analysis

Post-retirement benefit obligation

	2022		2021	
	0.50%	0.50%	0.50%	0.50%
	increase	decrease	increase	decrease
Discount rate	(\$273)	\$294	(\$366)	\$397

Accumulated Post-retirement Benefit Obligation

The Accumulated Post-retirement Benefit Obligation is computed in accordance with IAS 19, *Employee Benefits*. This quantity is the actuarial present value of all benefits attributed under the projected unit credit method to service rendered prior to a particular date. Prior to an employee's full eligibility date, the accumulated postretirement benefit obligation as of a particular date for an employee is the portion of the expected postretirement benefit obligation attributed to that employee's service rendered to that date; on and after the full eligibility date, the accumulated and expected postretirement benefit obligations for an employee are the same.

Source of estimation uncertainty

Measurement of employee benefit obligation

Accumulated post-retirement benefit obligation is determined using certain actuarial estimates and assumptions relating to the annual rate(s) of change in the cost of health care benefits currently provided by the postretirement benefit plans due to factors other than changes in the composition of the plan population by age and dependency status, for each year from the measurement date until the end of the period in which benefits are expected to be paid. These estimates and assumptions directly influence the amount of the pension assets/liabilities and expense recognized in the financial statements.

Multi-employer plans

The Group participates in several multi-employer pension plans, which provide defined benefits to covered union employees. Contribution rates to the multi-employer plans are provided in the collective bargaining agreements for the covered union employees. The contribution rates are expressed in terms of specific amounts to be contributed based on hours worked by covered union employees. The Group made contributions of \$7.9 million, \$7.7 million and \$6.4 million during fiscal 2022, 2021 and 2020, respectively.

The risks of participating in the multi-employer pension plans are as follows:

- assets contributed to the multi-employer plan by the Group may be used to provide benefits to employees of other participating employers;
- if a participating employer stops contributing to the plan, the unfunded obligations of the plan allocable to such withdrawing employer may be partially borne by the Group; and
- if the Group stops participating in some of its multi-employer pension plans, the Group may be required to pay those plans an amount based on its allocable share of the underfunded status of the plan, referred to as a withdrawal liability.



Defined Contribution Plans

The Group participates in several defined contribution plans. Group contributions to these defined contribution plans are based on employee contributions and compensation. The expense recognized under these plans for the year ended May 1, 2022 was \$4.2 million (May 2, 2021: \$4.5 million; May 3, 2020: \$4.4 million).

Other plans

The Group has various other nonqualified retirement plans and supplemental retirement plans for executives, designed to provide benefits in excess of those otherwise permitted under the Group's qualified retirement plans. These plans are unfunded and comply with IRS rules for nonqualified plans.

18. Derivative instruments

The Group uses interest rate cap, interest rate swaps, commodity swaps and foreign currency forward contracts to hedge market risks relating to possible adverse changes in interest rates, commodity costs and foreign currency exchange rates. The Group continually monitors its positions and the credit rating of the counterparties involved to mitigate the amount of credit exposure to any one party.

As of May 1, 2022 and May 2, 2021, the Group designated each of its derivative contracts as a hedge of a highly probable forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability ("cash flow hedge").

The following fair value of the cash flow hedges were outstanding for the Group:

	May 1, 2022	May 2, 2021
Interest rate cap	(\$7,896)	\$ -
Foreign currency forward contracts	800	(80)
Commodity contracts	685	1,694
Total	<u>(\$6,411)</u>	<u>\$1,614</u>
<i>Included in:</i>		
Derivative assets – current assets	\$1,485	\$1,694
Derivative liabilities – current liabilities	-	(\$80)
Derivative liabilities – non-current liabilities	<u>(7,896)</u>	<u>-</u>
	<u>(\$6,411)</u>	<u>\$1,614</u>

Interest Rates

As of May 1, 2022 and May 2, 2021, the Group designated each of its derivative contracts as a hedge of the variability of cash flows to be received or paid related to a recognized asset or liability ("cash flow hedge").



The Group adopts a policy of hedging its floating rate exposure in accordance with the current rate environment and expected debt balances. This is achieved partly by entering into fixed-rate instruments and partly by borrowing at a floating rate and using interest rate cap and interest rate swaps as hedges of the variability in cash flows attributable to movements in interest rates. The Group applies a hedge ratio in accordance with the risk management objectives.

The Group assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item. Changes in the fair value of the cap other than intrinsic value is excluded from the assessment of effectiveness and amortized over the hedging period using a straight-line method.

In these hedge relationships, the main sources of ineffectiveness are the effect of the counterparty's and the Group's own credit risk on the fair value of the swaps, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates, and differences in repricing dates between the swaps and the borrowings.

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

May 1, 2022

Contract Date	Notional amount (in millions)	Fixed Rate	Strike Rate	Effective Date	Maturity Date
April 8, 2022	575	0.84%	3.00%	May 1, 2023	April 1, 2026

Notional amount of \$200 million, \$200 million, and \$175 million will mature on April 1, 2024, 2025 and 2026, respectively. The floating rate is based on secured overnight financing rate (SOFR).

May 2, 2021

Contract Date	Notional amount (in millions)	Fixed LIBOR Rate	Effective Date	Maturity Date
March 19, 2014	284	3.30%	February 18, 2016	February 18, 2021

Commodities

Certain commodities such as diesel fuel and natural gas (collectively, "commodity contracts") are used in the production and transportation of the Group's products. Generally, these commodities are purchased based upon market prices that are established with the vendor as part of the purchase process. The Group may use futures, swaps, and swaption or option contracts, as deemed appropriate; to reduce the effect of price fluctuations on anticipated purchases. These contracts may have a term of up to 24 months. The Group accounts for these commodity derivatives as cash flow hedges. The effective portion of derivative gains and losses is deferred in equity and recognized as part of cost of products sold in the appropriate period and the ineffective portion is recognized as cost of products sold.

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



economic relationship between the hedging instrument and hedged item based on the reference index prices, purchase dates, maturities and the notional or par amounts.

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

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference index prices, purchase dates, maturities and the notional or par amounts.

The Group assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

The notional amounts of the Group's commodity contracts were as follows as of May 1, 2022 and May 2, 2021:

	May 1, 2022	May 2, 2021
Natural gas (MMBTU)	1,329	1,065
Diesel (gallons)	1,029	3,663

Foreign Currency

From time to time, the Group manages its exposure to fluctuations in foreign currency exchange rates by entering into forward contracts to cover a portion of its projected expenditures paid in local currency. These contracts may have a term of up to 24 months. The Group accounted for these contracts as cash flow hedges.

	May 1, 2022	May 2, 2021
Mexican pesos	221,199	379,628



The following provides the timing and average price or rate of the hedging instruments as of May 1, 2022:

	Maturity		
	Within 6 months	6 to 12 months	Total
As at May 1, 2022			
Foreign exchange forward contracts (highly probable forecast purchases)			
Notional amount (MXN)	160,026	61,173	221,199
Average forward rate (MXN)	21.68	21.98	
Commodity forward contracts (Natural gas)			
Notional quantity (MMBtu)	1,329	-	1,329
Average hedged rate (in USD per MMBtu)	0.62	-	
Commodity forward contracts (Diesel)			
Notional quantity (gal)	1,029	-	1,029
Average hedged rate (in USD per gal)	0.17	-	



Amounts Relating to Hedged Items

The amounts at the reporting date relating to items designated as hedged items are as follows:

May 1, 2022			
	Change in value used for calculating hedge ineffectiveness	Cash flow hedge reserve	Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied
Interest rate risk			
Variable rate instruments	\$7,896	(\$5,922)	\$ -
Commodity price risk			
Inventory purchases	5,986	116	-
Foreign exchange risk			
Inventory purchases	165	413	-
May 2, 2021			
	Change in value used for calculating hedge ineffectiveness	Cash flow hedge reserve	Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied
Interest rate risk			
Variable rate instruments	\$240	\$ -	\$ -
Commodity price risk			
Inventory purchases	(6,363)	1,279	-
Foreign exchange risk			
Inventory purchases	3,552	(61)	-



Amounts Relating to Hedging Instruments

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

	May 1, 2022			During fiscal year 2022		
	Notional amount/quantity	Carrying Amount		Line item in the statement of financial position where the hedging instrument is included	Changes in the value of the hedging instrument recognized in OCI	Amount reclassified from hedging reserve to profit or loss
		Assets	Liabilities			
Interest rate risk						
Interest rate cap	\$575,000	\$ -	(\$7,896)	Derivative liabilities - non-current liabilities	(\$7,896)	\$ -
Commodity price risk						
Commodity contracts						
Natural gas (MMBtu)	1,329	24	-	Derivative assets - current assets	(1,872)	(1,702) Cost of sales
Diesel (gallons)	1,029	661	-	Derivative assets - current assets	(4,114)	(2,830) Cost of sales
Foreign exchange risk						
Foreign currency forwards (MXN)	221,199	800	-	Derivative assets - current assets	(165)	(709) Cost of sales
	May 2, 2021			During fiscal year 2021		
	Notional amount/quantity	Carrying Amount		Line item in the statement of financial position where the hedging instrument is included	Changes in the value of the hedging instrument recognized in OCI	Amount reclassified from hedging reserve to profit or loss
		Assets	Liabilities			
Interest rate risk						
Interest rate swaps	\$ -	\$ -	\$ -	Derivative liabilities - current liabilities	(\$240)	\$ -
Commodity price risk						
Commodity contracts						
Natural gas (MMBtu)	1,065	195	-	Derivative assets - current assets	123	15 Cost of sales
Diesel (gallons)	3,663	1,499	-	Derivative assets - current assets	6,240	(1,775) Cost of sales
Foreign exchange risk						
Foreign currency forwards (MXN)	379,628	-	(80)	Derivative liabilities - current liabilities	(3,552)	3,472 Cost of sales

Hedging Reserve

The following table provides a reconciliation by risk category of the hedging reserve and analysis of OCI items, net of tax, resulting from cash flow hedge accounting:

	May 1, 2022	May 2, 2021
Balance at beginning of year	\$1,218	(\$2,016)
Changes in fair value:		
- Interest rate risk	(7,896)	(240)
- Commodity price risk	(5,986)	6,363
- Foreign exchange risk	(165)	(3,552)
Amount reclassified to profit or loss		
- Commodity price risk	4,532	(1,760)
- Foreign exchange risk	709	3,472
Tax on movements on reserves during the year	2,194	(1,049)
Balance at end of year	<u>(\$5,394)</u>	<u>\$1,218</u>

19. Environmental remediation liabilities

	May 1, 2022	May 2, 2021
At beginning of the year	\$7,429	\$9,587
Provisions made during the year	-	486
Provisions used during the year	(7,164)	(375)
Provisions released during the year	(62)	(2,269)
At end of the year	<u>\$203</u>	<u>\$7,429</u>

Provision for environmental remediation relates to legal or constructive obligations incurred by the Group in connection with its operations based on projections prepared by third party environmental consultants. The current portion of environmental liabilities is included in "Trade and other payables" in the consolidated statement of financial position.

In connection with the plant sales of Mendota, Sleepy Eye, and Crystal City, \$6.0 million, \$3.0 million and \$0.4 million, respectively, of environmental provisions were made in fiscal year 2020. The \$2.3 million provision released in fiscal 2021 was due to \$1.8 million adjustment of Mendota lagoon cost based on the purchase and sale agreement entered by DMFI with the City of Mendota on March 22, 2021. Remaining balance pertains to \$0.04 million provision for Crystal City and Gilroy that were already settled.



20. Trade and other payables

	May 1, 2022	May 2, 2021
Trade payables	\$94,337	\$64,231
Accrued operating expenses	55,375	57,244
Book overdrafts	5,655	7,574
Withheld from employees (taxes and social security cost)	166	175
	<u>\$155,533</u>	<u>\$129,224</u>

21. Revenue

Disaggregation of Revenue

	May 1, 2022	May 2, 2021	May 3, 2020
Packaged fruit and vegetable	\$1,336,712	\$1,181,045	\$1,255,236
Culinary	282,906	285,879	260,672
Beverage	29,257	13,871	12,108
Fresh fruit and others	6,038	2,262	1,824
	<u>\$1,654,913</u>	<u>\$1,483,057</u>	<u>\$1,529,840</u>

Packaged fruit and vegetable

The packaged fruit and vegetable segment includes sales and profit of processed fruit and vegetable products under the “Del Monte” and “S&W brands”, as well as buyer’s labels, that are packaged in different formats such as can, plastic cup, pouch and aseptic bag. Key products under this segment are canned green beans, peaches and corn sold in the United States.

Beverage

Beverage includes sales of 100% pineapple juice in can, juice drinks in various flavors in can, tetra and PET packaging, and pineapple juice concentrate.

Culinary

Culinary includes sales of packaged tomato-based products such as diced solids, tomato sauce, pasta sauce, pizza sauce, broth and condiments under four brands namely “Del Monte”, “S&W”, “College Inn” and “Contadina”.

Fresh fruit and others

Fresh fruit and others include sales of frozen snacking items and ingredients, and refrigerated fruit. This would also include non-branded sales to South America.



Contract Balances

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

	May 1, 2022	May 2, 2021
Receivables, included in "Trade and other receivables"	\$103,222	\$85,033
Contract liabilities	2,091	543

Contract liabilities relating to advances from customers which are generally expected to be recognized as revenue within periods of less than one year. Accordingly, opening contract liabilities are recognized within each reporting period. The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose the aggregate amount of the transaction price of unsatisfied or partially unsatisfied performance obligations as of the end of the reporting period because its contracts have original expected durations of one year or less. The Group recognized \$0.16 million advance rent payments from Mendota warehouse sublease which is expected to be recognized as revenue in fiscal 2023.

The Group recognized revenue adjustments from performance obligations satisfied or partially satisfied in previous periods due to changes in estimates of trade promotions, coupon redemptions, cash discounts and penalties amounting to \$0.7 million and \$0.4 million in fiscal 2022 and fiscal 2021, respectively.

The contract liabilities amounting to \$0.5 million and \$0.4 million as at May 2, 2021 and May 3, 2020 have been recognized as revenue for the years ended May 1, 2022 and May 2, 2021, respectively.



22. Significant expenses by nature

The following items have been included in cost of sales, distribution and selling expenses, and general and administrative expenses for the year:

	<i>Note</i>	May 1, 2022	May 2, 2021	May 3, 2020
Raw materials, fixed manufacturing and packaging materials		\$859,156	\$733,430	\$760,035
Distribution expense		204,712	213,355	225,583
Amortization of right of use assets	5	26,253	27,457	25,759
Other professional and contracted services		26,101	29,655	35,253
Depreciation of property, plant and equipment	4	24,891	34,948	42,839
Brokerage		8,845	8,991	9,006
Research and development expenditure		6,955	7,135	8,871
Amortization of intangible assets	7	6,650	6,650	6,650
Inventory write-downs	10	3,446	12,333	7,394
Legal expenses		2,147	1,555	1,907
Audit fee		887	1,021	1,013
(Gain)/Loss on disposal of assets		438	(1,070)	2,559
Impairment of property, plant and equipment	4	62	-	40,810
Staff costs:				
Wages, salaries and other benefits		249,445	230,711	222,555
Social security costs		15,191	14,459	14,434
Pension costs – defined benefit pension plan		7,918	7,761	6,425
Pension costs – provident fund		4,246	4,516	4,379

23. Other income (expense) - net

	<i>Note</i>	May 1, 2022	May 2, 2021	May 3, 2020
Plant closure costs		(\$1,533)	\$766	(\$57,587)
Foreign exchange loss – net		(876)	2,663	(3,793)
Vendor settlement		750	-	(1,984)
Teeny Foods provision		1	(1,385)	-
Environmental reserve	19	-	1,783	(9,273)
Gain on debt repurchase	15	-	-	1,716
Product recall		-	(11)	(116)
Miscellaneous		79	209	(744)
		(\$1,579)	\$4,025	(\$71,781)



24. Net finance expense

	<i>Note</i>	May 1, 2022	May 2, 2021	May 3, 2020
Interest expenses				
- Bank loans				
Interest on loans and borrowings		(\$69,562)	(\$68,587)	(\$77,195)
Deferred financing fee amortization	15	(7,369)	(7,535)	(8,609)
Discount amortization	15	(3,000)	(2,902)	(1,009)
- Lease liabilities	5	(4,456)	(5,657)	(7,532)
- Interest rate swap reclassification adjustment		-	-	(8,695)
Interest income		41	100	410
Net finance expense		<u>(\$84,346)</u>	<u>(\$84,581)</u>	<u>(\$102,630)</u>

25. Income taxes

	May 1, 2022	May 2, 2021	May 3, 2020
Current tax expense			
- Current year	\$466	\$634	\$1,505
Deferred tax benefit			
- Origination and reversal of temporary differences	17,141	3,727	(36,662)
- Unrecognized deferred tax assets	(4,356)	(3,346)	4,433
- Change in tax rate	1,006	-	-
Deferred tax expense (benefit), net	13,791	381	(32,229)
Income tax expense (benefit)	<u>\$14,257</u>	<u>\$1,015</u>	<u>(\$30,724)</u>

Reconciliation of effective tax rate

Income (Loss) before taxation	\$71,454	\$16,863	(\$142,921)
Taxation on profit at weighted average of the applicable tax rates	17,864	4,131	(35,016)
Unrecognized deferred tax assets	(4,356)	(3,346)	4,433
Non-taxable income	-	-	(2,013)
Change in tax rate	1,005	-	-
Other	(256)	230	1,872
Income tax expense (benefit)	<u>\$14,257</u>	<u>\$1,015</u>	<u>(\$30,724)</u>

	May 1, 2022	May 2, 2021	May 3, 2020
<i>Applicable tax rates</i>			
- United States of America	25.0%	24.5%	24.5%
- Mexico	30.0%	30.0%	30.0%



The increase in the applicable tax rate for the United States of America in fiscal year 2022 was mainly due to additional state jurisdictions.

Company

There is no tax expense for the Company as its income is exempt from all income taxes in the British Virgin Islands.

Sources of estimation uncertainty

Measurement of income taxes

The Group has exposure to income taxes in several foreign jurisdictions. Significant judgment is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognized, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group managed to continue operating in the middle of the pandemic since its products are considered to be essential. There were no significant internal operational interruptions and disruptions caused by external factors. Restrictions to movement of materials were managed, thus, there was major adverse impacts to the overall results of the Group's operations for the fiscal year ended May 1, 2022.

As a result, the COVID-19 outbreak did not have a significant impact on the Group's judgments and estimates.

26. Seasonality of operations

The Group's business is subject to seasonal fluctuations as a result of increased demand during the holiday season. Products are sold heavily during the Thanksgiving and Christmas periods. As such, the sales are usually highest during the three months from August to October.

The Group operates eight production facilities as of May 1, 2022 and May 2, 2021 in the U.S. and Mexico. Fruit plants are located in California and Washington, vegetable plants are located primarily in the Midwest and the tomato plant is located in California.

The Group has a seasonal production cycle that generally runs between the months of June and October. This seasonal production primarily relates to the majority of processed fruit, vegetable and tomato products, while some of its processed fruit and tomato products and its *College Inn* broth products are produced throughout the year. Additionally, the Group has contracts to co-pack certain processed fruit and vegetable products for other companies.



27. Stock option and incentive plans

Stock Option Programs

The 2014 Equity Compensation Plan (“ECP”) was adopted by the Board of Directors of DMFHI effective September 24, 2014. The 2014 Plan provided for the grant of stock options to key executives.

During fiscal 2015, DMFHI granted 7,065,000 stock options under the ECP. The options granted were subject to service-based and performance-based vesting and vested annually over seven years and had a term of 10 years. The grant date fair value of these options was \$1.22.

As of May 3, 2015, 2,265,000 shares options were available for future grant. However, in September 2015, the 2014 ECP was cancelled with none of the granted options vested as of termination of the plan.

During the second quarter of fiscal 2016, DMFHI established a new plan, the 2015 Executive Long-Term Incentive Plan, which intends to provide key executives with the opportunity to receive grants of stock options, cash-based awards and other stock-based awards. 9,000,000 shares of common stock of DMFHI were reserved for grant under the plan. In fiscal 2016, the Company granted nonqualified stock options and cash incentive awards under the plan.

During the third quarter of fiscal 2016, DMFHI granted 7,405,000 stock options under a nonqualified stock option grant agreement. The options granted are subject to service-based and performance-based vesting and vest over forty-four (44) months and have a term of ten (10) years. A portion of the total options will vest each year depending on the attainment of defined EBITDA targets and a portion will vest when the employee remains employed for a period of forty-four (44) months from the grant date until the defined exercisability date. The grant date fair value of these options is \$2.04.

In September 2016, the authorized shares reserved for grant under the plan was increased from 9,000,000 to 15,000,000. As of May 3, 2021 and May 3, 2020, 14,776,500 and 14,716,500 share options were available for future grant, respectively.

The fair values of the stock options granted were estimated at the date of grant using a Black-Scholes option pricing model. This model estimates the fair value of the options based on a number of assumptions, such as expected option life, interest rates, the current fair market value and expected volatility of common stock and expected dividends. The expected term of options granted was based on the “simplified” method. Expected stock price volatility was determined based on the historical volatilities of comparable companies over a historical period that matches the expected life of the options. The risk-free interest rate was based on the expected U.S. Treasury rate over the expected life. The dividend yield was based on the expectation that no dividends will be paid. The following table presents the weighted average assumptions for performance-based stock options granted for the grant dates indicated:



	November 3, 2015	September 24, 2014
Expected life (in years)	5.5	3.0
Expected volatility	38.49%	34.32%
Risk-free interest rate	1.64%	0.97%
Dividend yield	0%	0%

Stock option activity and related information during the years indicated was as follows:

	May 1, 2022		May 2, 2021
	Number of options	Weighted- average exercise price	Number of options
Outstanding at beginning of year	223,500	\$5.39	283,500
Cancelled	(223,500)	5.39	(60,000)
Granted	-	-	-
Forfeited	-	-	-
Exercised	-	-	-
Outstanding at end of year	-	\$5.39	223,500
Exercisable at end of year	-	-	-

The remaining 223,500 options were cancelled in fiscal year 2022 through a “buy-out” as a means of retiring the plan. Each holder was offered \$1 per share with a total cost of \$0.22 million. As a result of this, \$2.0 million gain was recognized due to the cancellation of stock options.

There was no expense recognized in the consolidated income statement for equity-settled share-based compensation for fiscal year 2022 and 2021. The expense recognized in the consolidated income statement for equity-settled share-based compensation amounted to \$0.3 million in fiscal years 2019 and was included in “Wages, salaries and other benefits”.

Cash Incentive Award

On December 16, 2019, DMFHI granted a total cash incentive of \$2.6 million to key executives under cash incentive award agreements. The grants require performance criteria to be achieved. The awards will vest in two equal annual parts over a period of approximately two years when the employee remains employed on each vesting date.

The accrued net obligation as of May 1, 2022 is \$5.1 million (May 2, 2021: \$3.7 million; May 3, 2020: nil). The total expense recognized under “Wages, salaries and other benefits” in the consolidated income statement for the year ended May 1, 2022 amounted to \$5.0 million (May 2, 2021: \$3.8 million; May 3, 2020: \$1.6 million).



28. Capital management

The Board's policy is to maintain a sound capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The Group's capital comprises its share premium and reserves. The Board of Directors monitors the return on capital, which the Group defines as profit or loss for the year divided by total shareholders' equity. The Board also monitors the level of dividends paid to ordinary shareholders.

The bank loans of the Group contain various capital covenants with respect to capital maintenance and ability to incur additional indebtedness. The Board ensures that loan covenants are considered as part of its capital management through constant monitoring of covenant results through interim and full year results.

There were no changes in the Group's approach to capital management during the year.

29. Financial risk management

The Group has exposure to the following risks from financial instruments:

- credit risk
- liquidity risk
- market risk
 - foreign exchange risk
 - interest rate risk
 - commodity price risk

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Audit and Risk Committee is responsible for monitoring the Group's risk management policies developed by management.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit and Risk Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit and Risk Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Committee.



Financial risk management objectives and policies

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The Board continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. The carrying amounts of financial assets in the consolidated statement of financial position represent the Group's maximum exposure to credit risk, before taking into account any collateral held. The Group and Company do not hold any collateral in respect of their financial assets.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and countries in which customers are located, as these factors may have an influence on credit risk.

The Audit and Risk Committee has approved a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes credit ratings, where available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount. Customers failing to meet the Group's benchmark credit worthiness may transact with the Group only on a prepayment or Letters of Credit basis.

Exposure to credit risk

At the reporting date, the maximum exposure to credit risk for loans and receivables is geographically concentrated in the Americas region.

A relatively limited number of customers account for a large percentage of the Group's total sales. One customer accounted for approximately 28% of list sales for the year ended May 1, 2022 (May 2, 2021: 27%), which approximates gross sales. The customer accounted for approximately 26% of trade accounts receivable as of May 1, 2022 (May 2, 2021: 29%). The Group's top ten customers accounted for approximately 65% of list sales for the year ended May 1, 2022 (May 2, 2021: 68%). The Group closely monitors the credit risk associated with its customers.



Impairment losses

The aging of trade and other receivables that were not impaired at the reporting date was as follows:

	May 1, 2022	May 2, 2021
Not past due	\$78,361	\$67,204
Past due 0 - 60 days	24,533	22,214
Past due 61 - 90 days	2,548	850
Past due 91 - 120 days	615	1,674
More than 120 days	5,844	3,640
	<u>\$111,901</u>	<u>\$95,582</u>

The Group believes that the unimpaired amount past due by more than 60 days are still collectible in full, based on historical payment behavior and extensive analysis of customers' risk rating. An analysis of the credit quality of loans and receivables that are neither past due nor impaired indicates that they are of acceptable risk.

The Group sells its products through major distributors and buyers in various geographical regions. Management has a credit risk policy which includes, among others, the requirement of certain securities to ensure prompt observance and performance of the obligations of its distributors and other buyers from time to time. The Group monitors its outstanding trade receivables on an on-going basis.

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

2022					
	General Approach			Simplified Approach	Total
	Stage 1	Stage 2	Stage 3		
Cash and cash equivalents	\$2,355	\$ -	\$ -	\$ -	\$2,355
Trade and other receivables	8,695	-	-	103,222	111,917
Noncurrent receivables	1,000	-	-	-	1,000
	\$12,050	\$ -	\$ -	\$103,222	\$115,272

2021					
	General Approach			Simplified Approach	Total
	Stage 1	Stage 2	Stage 3		
Cash and cash equivalents	\$4,125	\$ -	\$ -	\$ -	\$4,125
Trade and other receivables	10,580	-	-	85,033	95,613
Noncurrent receivables	1,000	-	-	-	1,000
	\$15,705	\$ -	\$ -	\$85,033	\$100,738

Stage 1 financial assets pertain to those cash that are deposited in reputable banks. Stage 2 includes receivables that are collected on their due dates even without an effort from the Group to follow them up, while receivables which are collected on their due dates provided that the Group made a persistent effort to collect them are included under Stage 3 receivables.



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

	2022					Total
	Days Past Due					
	Current	0-60 days	61-90 days	91-120 days	More than 120 days	
Expected credit loss rate	0.00%	0.00%	0.00%	0.00%	0.27%	
Estimated total gross carrying amount at default	69,666	24,533	2,548	615	5,860	103,222
Expected credit loss	-	-	-	-	16	16
	2021					Total
	Days Past Due					
	Current	0-60 days	61-90 days	91-120 days	More than 120 days	
Expected credit loss rate	0.00%	0.00%	0.00%	0.00%	0.46%	
Estimated total gross carrying amount at default	56,624	22,214	850	1,674	3,671	85,033
Expected credit loss	-	-	-	-	17	17

The Group assessed that all balances under Stage 1 and Stage 2 have not experienced significant increase in credit risk, and trade and nontrade receivables under Stage 3 are considered credit-impaired as of May 1, 2022 and May 2, 2021.

The Group applies the simplified approach in measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The Group uses a provision matrix to measure ECLs. Loss rates are based on actual credit loss experience over a period of three years. The Group has assessed that adjusting the loss rates for forward-looking information does not have a material effect considering the significantly low historical loss rates and the absence of economic factors that are highly correlated with the Group's credit loss experience on receivables.

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

Cash

Cash is held with banks and financial institutions which are regulated. The Group's cash in bank balances are all held in the Americas. The Group assesses the credit ratings of these banks and financial institutions on a regular basis to ensure credit-worthiness.

Apart from the above, the Group have no significant concentration of credit risk with any single counterparty or group counterparties.

Derivatives

The derivatives are entered into with banks and financial institutions which are regulated.



Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's ability to borrow under the facility will remain limited at all times by the borrowing base (to the extent the borrowing base is less than the commitments).

The following are the expected contractual undiscounted cash outflows of financial liabilities, including interest payments and excluding the impact of netting agreements:

	Carrying amount	Contractual cash flows	Less than 1 year	1-5 years	More than 5 years
May 1, 2022					
Derivative financial liabilities					
Interest rate cap used for hedging, net-settled	\$7,896	\$8,385	\$ -	\$8,385	\$ -
Non-derivative financial liabilities					
Secured bank loans					
- Short-term	141,060	146,000	146,000	-	-
- Long-term	473,659	707,813	59,375	648,438	-
Lease liabilities	66,460	76,862	25,869	48,333	2,660
Trade and other payables*	155,367	155,367	155,367	-	-
Environmental remediation liabilities	203	203	203	-	-
Intercompany payable	110,160	110,160	110,160	-	-
Non-derivative financial liabilities	946,909	1,196,405	496,974	696,771	2,660
Financial liabilities	\$954,805	\$1,204,790	\$496,974	\$705,156	\$2,660

*Excludes taxes and social security costs withheld from employees

	Carrying amount	Contractual cash flows	Less than 1 year	1-5 years	More than 5 years
May 2, 2021					
Derivative financial liabilities					
Interest rate swaps used for hedging, net-settled	\$80	\$80	\$80	\$ -	\$ -
Non-derivative financial liabilities					
Secured bank loans					
- Short-term	68,828	75,100	75,100	-	-
- Long-term	465,155	767,188	59,375	707,813	-
Lease liabilities	78,862	94,152	27,485	58,729	7,938
Trade and other payables*	129,049	129,049	129,049	-	-
Environmental remediation liabilities	7,429	7,429	7,429	-	-
Intercompany payable	121,241	121,241	121,241	-	-
Non-derivative financial liabilities	870,564	1,194,158	419,679	766,542	7,938
Financial liabilities	\$870,644	\$1,194,239	\$419,759	\$766,542	\$7,938

*Excludes taxes and social security costs withheld from employees

The Group's bank loans contain loan covenants, for which breaches may require the Group to repay the loans earlier than indicated in the above table. If not waived or amended, the covenants are constantly monitored on a regular basis by the treasury department and regularly reported to management to ensure compliance.

For derivative financial liabilities, the disclosure shows net cash from amounts for derivatives that are net cash settled.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.



Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and commodity prices, will affect the Group's income due to changes in fair value or future cash flows of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The market risk exposure of the Group comprises of foreign exchange risk, interest rate risk and commodity price risk.

Foreign exchange risk

The Group is exposed to foreign exchange risk from its subsidiaries operating in foreign countries, which generate revenue and incur costs in foreign currencies, and from those operations of its local subsidiaries, which are in foreign currencies. The currency giving rise to this risk is primarily the Mexican peso.

Group entities maintain their respective books and accounts in their functional currencies. As a result, the Group is subject to transaction and translation exposures resulting from currency exchange rate fluctuations.

From time to time, the Group manages its exposure to fluctuations in foreign currency exchange rates by entering into forward contracts to cover a portion of its projected expenditures paid in foreign currency. The Group accounts for these contracts as cash flow hedges.

At the reporting date, the Group's exposure to the Mexican peso is as follows:

	May 1, 2022	May 2, 2021
Trade and other receivables	\$2,904	\$3,700
Cash	797	783
Other noncurrent assets	2,366	1,052
Trade and other payables	(12,450)	(10,020)
	<u>(\$6,383)</u>	<u>(\$4,485)</u>

Sensitivity analysis

A 10% strengthening of the Group entities' foreign currencies against their respective functional currency at the reporting date would have (decreased)/increased loss/profit before taxation and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

A 10% weakening of the Group entities' foreign currencies against their respective functional currency would have the equal but opposite effect on the amounts shown below, on the basis that all other variables remain constant.



	Mexican Peso	
	Loss/profit before taxation	Equity
May 1, 2022		
10% strengthening	(\$638)	\$ -
10% weakening	638	-
May 2, 2021		
10% strengthening	(\$449)	\$1,628
10% weakening	449	(1,628)

Interest rate risk

The Group's cash balances are placed with reputable global banks and financial institutions. The Group manages its interest rate risks by placing the cash balances with varying maturities and interest rate terms. The Group obtains financing through bank borrowings and leasing arrangements. Funding is obtained from bank loan facilities for both short-term and long-term requirements.

Interest rate profile of interest-bearing financial instruments

The interest rate profile of the Group's interest-bearing financial instruments as reported to management of the Group is as follows:

	May 1, 2022	May 2, 2021
Fixed rate instruments		
Loans and borrowings	\$473,659	\$465,155
Variable rate instruments		
Loans and borrowings	141,060	68,828
	\$614,719	\$533,983

Cash flow sensitivity analysis for variable rate instruments

At the reporting date, if interest rates had moved as illustrated in the table below, with all other variables held constant, profit/loss before tax in the next 12 months and equity would have been affected as follows:



	Loss/profit before taxation	Equity
May 1, 2022		
100 basis points increase	\$4,290	\$ -
100 basis points decrease	(4,290)	-
May 2, 2021		
100 basis points increase	(\$751)	\$ -
100 basis points decrease	751	-

Commodity price risk

Certain commodities such as diesel fuel and natural gas (collectively, “commodity contracts”) are used in the production and transportation of the Group’s products. Generally these commodities are purchased based upon market prices that are established with the vendors as part of the procurement process. The Group uses futures, swaps, and swaption or option contracts, as deemed appropriate; to reduce the effect of price fluctuations on anticipated purchases. These contracts may have a term of up to 24 months.

Sensitivity analysis

A 10% change in commodity prices at the reporting date would have decreased/(increased) profit/loss before tax and increased/(decreased) equity by the amounts shown below.

	Profit/loss before taxation	Equity
May 1, 2022		
10% strengthening	\$ -	\$538
10% weakening	-	(538)
May 2, 2021		
10% strengthening	\$ -	\$18
10% weakening	-	(18)

30. Accounting classification and fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the consolidated statement of financial position, are as follows:



Del Monte Foods Holdings Limited and Subsidiaries
Consolidated Financial Statements
Year ended May 1, 2022

	Note	Carrying amount				Fair value US\$'000	Fair Value Hierarchy
		Financial assets at amortized cost US\$'000	Derivatives US\$'000	Other financial liabilities US\$'000	Total US\$'000		
May 1, 2022							
Cash	13	\$2,355	\$ -	\$ -	\$2,355	\$ -	
Trade and other receivables	11	111,901	-	-	111,901	-	
Hedge contracts	18	-	1,485	-	1,485	1,485	Level 2
Note Receivable	9	1,000	-	-	1,000	1,000	Level 3
		\$115,256	\$1,485	\$ -	\$116,741	\$2,485	
Loans and borrowings	15	\$ -	\$ -	\$614,719	\$614,719	\$690,530	Level 2
Trade and other payables*	20	-	-	155,367	155,367	-	
Hedge contracts	18	-	7,896	-	7,896	7,896	Level 2
Lease Liability	5	-	-	66,460	66,460	-	Level 2
Intercompany payables	34	-	-	110,160	110,160	110,160	Level 2
Environmental remediation liabilities	19	-	-	203	203	203	Level 2
		\$ -	\$7,896	\$946,909	\$954,805	\$808,789	

*Excludes taxes and social security cost withheld from employees

		Carrying amount					
	Note	Financial assets at amortized cost	Derivatives	Other financial liabilities	Total	Fair value	Fair Value Hierarchy
		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
May 2, 2021							
Cash	13	\$4,125	\$ -	\$ -	\$4,125	\$ -	
Trade and other receivables	11	95,582	-	-	95,582	-	
Hedge contracts	18	-	1,694	-	1,694	1,694	Level 2
Note Receivable	9	1,000	-	-	1,000	1,000	Level 3
		<u>\$100,707</u>	<u>\$1,694</u>	<u>\$ -</u>	<u>\$102,401</u>	<u>\$2,694</u>	
Loans and borrowings	15	\$ -	\$ -	\$533,983	\$533,983	\$619,630	Level 2
Trade and other payables*	20	-	-	129,049	129,049	-	
Hedge contracts	18	-	80	-	80	80	Level 2
Lease Liability	5	-	-	78,862	78,862	-	Level 2
Environmental remediation liabilities	19	-	-	7,429	7,429	7,429	Level 2
Intercompany payables	34	-	-	121,241	121,241	121,241	Level 2
		<u>\$ -</u>	<u>\$80</u>	<u>\$870,564</u>	<u>\$870,644</u>	<u>\$748,380</u>	

*Excludes taxes and social security cost withheld from employees

31. Determination of fair values

Fair value hierarchy

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

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

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

For purposes of the fair value disclosure, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.



During the year, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Measurement of fair values

	May 1, 2022			May 2, 2021		
	Level 2	Level 3	Total	Level 2	Level 3	Total
Derivative assets	\$1,485	\$ -	\$1,485	\$1,694	\$ -	\$1,694
Financial liabilities						
Derivative liabilities	7,896	-	7,896	80	-	80

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods.

Financial instruments

Fair value and fair value hierarchy information on financial instruments are disclosed in Note 30.

Valuation techniques and significant observable inputs

Summarized below are the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

Financial instruments measured at fair value

Type	Valuation technique
Forward exchange contracts	<i>Market comparison technique:</i> The fair values are based on brokers' quotes. Fair values reflect the credit risk of the instrument and include adjustments to take into account the credit risk of the Group and counterparty when appropriate.
Interest rate swaps	<i>Market comparison technique:</i> The fair values are calculated using a discounted cash flow analysis based on terms of the swap contracts and the observable interest rate curve. Fair values reflect the credit risk of the instrument and include adjustments to take into account the credit risk of the Group and counterparty when appropriate.
Interest rate cap	<i>Market comparison technique:</i> The fair values are calculated using a discounted cash flow analysis based on terms of the contract and the observable interest rate curve. Fair values reflect the credit risk of the instrument and include adjustments to take into account the credit risk of the Group and counterparty when appropriate.
Commodity contracts	<i>Market comparison technique:</i> The commodities are traded over-the-counter and are valued based on the Chicago Board of Trade quoted prices for similar instruments in active markets or corroborated by observable market data available from the Energy Information Administration. The values of these contracts are based on the daily settlement prices published by the exchanges on which the contracts are traded.



Financial instruments not measured at fair value

Type	Valuation technique
Financial liabilities and note receivables	<i>Discounted cash flows</i> : The fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.
Other financial assets and liabilities	The carrying amounts of financial assets and liabilities with maturity of one year or less than one year (including trade and other receivables, cash and trade and other payables) are assumed to approximate their fair values.

32. Commitments

Purchase commitments

The Group has entered into non-cancellable agreements with growers, co-packers, packaging suppliers and other service providers with commitments generally ranging from one year to twenty years, to purchase certain quantities of raw products, including fruit, vegetables, tomatoes, packaging services and ingredients.

At the reporting date, the Group has commitments for future minimum payments under non-cancellable agreements as follows:

	May 1, 2022	May 2, 2021	May 3, 2020
Within one year	\$466,033	\$445,390	\$225,632
Between one to five years	289,501	253,819	294,016
More than five years	308,712	297,277	353,158
	<u>\$1,064,246</u>	<u>\$996,486</u>	<u>\$872,806</u>

Future capital expenditures

The Group has planned future capital expenditures for property, plant and equipment approved by the Board of Directors.

	May 1, 2022	May 2, 2021
Capital expenditures not provided for in the financial statements		
- approved by Directors and contracted for	\$18,558	\$4,508
- approved by Directors but not contracted for	16,645	21,292
	<u>\$35,203</u>	<u>\$25,800</u>



33. Contingencies

Legal proceedings

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

Source of estimation uncertainty

The Group, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations, if any, in accordance with its policies on provisions. In recognizing and measuring provisions, management takes risk and uncertainties into account.

No provision for probable losses arising from legal contingencies were recognized in the Group's consolidated financial statements as of May 1, 2022 and May 2, 2021.

As of May 1, 2022, provision for probable losses arising from environmental remediation amounted to \$0.3 million, \$0.2 million of which is non-current (May 2, 2021: \$7.7 million, \$7.4 million of which is non-current) (see Note 19).

As of May 1, 2022, provision for retained liabilities arising from workers' compensation claims amounted to \$17.8 million, \$14.6 million of which is non-current (May 2, 2021: \$20.4 million, \$17.2 million of which is non-current) (see Note 16).

34. Related parties

Related party transactions

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.



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

Category/ Transaction	Year	Transaction Amount	Outstanding Balance		Terms	Conditions
			Receivable	Payable		
Parent						
- Loan from parent	2022	\$ -	\$ -	\$ -		
	2021	-	-	-		
	2020	28,212	-	228,373	Interest bearing	Unsecured
- Administrative expenses	2022	-	-	-		
	2021	-	-	-		
	2020	13	1,890	71	Non-interest bearing	Unsecured
Under Common Control						
- Sale of goods and other charges	2022	(809)	3,128	-	Due and demandable; Unsecured; no	
	2021	662	2,366	-	non- interest bearing	impairment
	2020	2,955	5,657	-		
- Purchases of goods	2022	18,265	-	109,570	Due and demandable; Unsecured	
	2021	17,741	-	119,783	non- interest bearing	
	2020	14,109	-	126,509		
- Administrative expenses	2022	1,498	1,272	4,990		
	2021	241	186	4,010		
	2020	5,529	1,226	5,106		
TOTAL	2022		\$4,400	\$114,560		
TOTAL	2021		\$2,552	\$123,793		
TOTAL	2020		\$8,773	\$360,059		

The transactions with related parties are carried out based on terms agreed between the parties.

The Group has an agreement to source the majority of its pineapple requirements from a subsidiary of DMPL. Purchases under this agreement amounted to \$57.2 million, \$41.1 million and \$33.4 million for fiscal 2022, 2021 and 2020, respectively.

The Group accrued nil in 2022 (2021: \$0.017 million; 2020: \$0.4 million) for rental expenses and property management fees relating to the use of office spaces owned by a subsidiary of its parent, DMPL, and included under administrative expenses above.

DMPL extended a loan to DMFHII that was used to finance DMFHII's purchase of Second Lien Term Loans. The loan was fully paid in 2021 subject to the applicable interest rate (see Note 15). On May 15, 2020, DMFHII agreed to issue and deliver 64,546 shares of capital stock to DMFHL as full payment of the \$228.4 million loan to finance purchases of the Second Lien Term Loans.



Key management personnel compensation

Key management personnel of the Group are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. The Directors of DMFI and key executive officers (excluding executive directors) are considered as key management personnel of the Group.

The key management personnel compensation is as follows:

	May 1, 2022	May 2, 2021	May 3, 2020
Key executive officers (excluding Directors):			
Short-term employee benefits	\$13,131	\$13,949	\$10,427
Post-employment benefits	360	347	826
Other long-term benefits	-	-	2,420
Termination benefits	459	519	1,207
Share-based compensation	5,600	3,657	-
	<u>\$19,550</u>	<u>\$18,472</u>	<u>\$14,880</u>

35. Subsequent events

On May 16, 2022, DMFI issued \$600.0 million Term Loan (TL B) with 1-month SOFR of 0.78165%, spread adjustment of 0.10% and margin of 4.25% with a total of 5.13165% all in rate. Interest is initially payable monthly and can be paid quarterly at the DMFI's option. The Notes will mature on May 16, 2029. Proceeds of \$600.0 million from the issuance were used to pay the existing \$500.0 million Sr. Secured Notes and the remainder was used for original issue discount (OID), interest, and fees. As of July 12, 2022, total transaction costs relating to issuance of the loan amounted to \$13.9 million. In fiscal year 2022, \$0.6 million of transaction costs were paid and included in "Prepaid and Other Current Assets" in the consolidated statement of financial position. Transaction costs amounting to \$13.3 million will be paid in fiscal year 2023. The Notes include restrictive covenants limiting the Group's ability, and the ability of the Group's restricted subsidiaries, to incur additional indebtedness, create liens, engage in mergers or consolidations, sell or transfer assets, pay dividends and distributions or repurchase the Group's capital stock, make investments, loans or advances, prepay certain indebtedness, engage in certain transactions with affiliates, amend agreements governing certain subordinated indebtedness adverse to the lenders, and change the Group's lines of business.

