

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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Company Name

[illegible][illegible][illegible][illegible]

Principal Office (No./Street/Barangay/City/Town)Province)

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Form Type

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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

S	T	O	C	K		I	S	S	U	E	R
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COMPANY INFORMATION

Company's Email Address

www.ani.com.ph

Company's Telephone Number/s

(02) 997-5184

Mobile Number

N/A

No. of Stockholders

42

Annual Meeting
Month/Day

3rd Monday of May

Fiscal Year
Month/Day

12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Mr. Kenneth S. Tan

Email Address

kenneth.tan@ani.com.ph

Telephone Number/s

(02) 997-5184

Mobile Number

N/A

Contact Person's Address

No. 7 St. Jose Maria Escriva Drive, Unit 112, Cedar Mansion 2, Ortigas Center, Pasig City

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

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



ani nurture <agrinultureaniinc@gmail.com>

Your BIR AFS eSubmission uploads were received

eafs@bir.gov.ph <eafs@bir.gov.ph>
To: AGRINURTUREANIINC@gmail.com
Cc: AGRINURTUREANIINC@gmail.com

Mon, May 1, 2023 at 11:56 AM

Hi AGRINURTURE INC,

Valid files

- EAFS200302092TCRTY122022-03.pdf
- EAFS200302092TCRTY122022-02.pdf
- EAFS200302092TCRTY122022-01.pdf
- EAFS200302092AFSTY122022.pdf
- EAFS200302092ITRTY122022.pdf
- EAFS200302092RPTTY122022.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-2WN24MV0895B9989PVVRNYWT04N1NRT1Z**

Submission Date/Time: **May 01, 2023 11:56 AM**

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **AGRINURTURE, INC.** is responsible for the preparation and fair presentation of the financial statements, for the years ended December 31, 2022 and 2021,

in accordance with the Philippine Financial Reporting Standards, and for such internal control as Management determines is necessary to enable the preparation of financial statements including schedules attached therein that are free from material misstatement, whether due to fraud or error.

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


The Board of Directors is responsible for overseeing the Company's financial reporting process.

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

R.S. Bernaldo & Associates, the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.



ANTONIO L. TIU
President / CEO



KENNETH S. TAN
Treasurer / CFO

Signed this 5th day of April 2022.

SUBSCRIBED AND SWORN
to before me in Province of Bulacan
this APR 28 2023. Affiant/s
exhibiting to me his/her competent
evidence of identity as follows:

Doc. No. 62
Page No. 14
Book No. III
Series of 2021

ATTY. NEL VINCENT G. BALMOJA
ADM. MATTER NO. PNC-51-MB-2021 (2022-2023)
Notary Public for the Province of Bulacan
Unit 31 December 2023
Unit 147 JS Cda. 104 Esquearra St. cor.
National Rd., Pulilan, Bulacan
Attorney's Roll No. 71266
PTR No. 0480670 / 03 JAN 2023 / BULACAN
IBP NO. 255395 / 29 DEC 2022 / PASIG CITY
MCLE COMPLIANCE NO. VII-0008634 (until 14 APR 2025)

INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Stockholders
AGRINURTURE, INC.
No. 54 National Road
Dampol II-A, Pulilan
Bulacan

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **AGRINURTURE, INC.** (the "Parent Company"), which comprise the statements of financial position as at December 31, 2022 and 2021, and statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Parent Company as at December 31, 2022 and 2021, and its financial performance and cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in *the Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Parent Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our 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 basis for our opinion.

Key Audit Matters

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

Key Audit Matter 1

The Risk

Expected Credit Losses

The significant application of judgement and estimates of the management in formulating the ECL model of the Parent Company made it significant to our audit. These key matters include how management defines what comprises default, identifies and groups credit risk exposures, determines the method to estimate lifetime ECL, determines assumptions used in formulating the ECL model and incorporates forward-looking information in calculating ECL.

Our Response

Our audit procedures include the following:

Obtained an understanding of the Parent Company's methodologies used for different credit exposures to determine if these are applicable to the requirements of PFRS 9 to reflect an unbiased and probability-weighted outcome and the acceptable forward-looking information. We a) compared the definition of default with the historical analysis of accounts and credit risk management policies in place; b) assessed the Parent Company's segmentation of its credit risk exposures based on similarity of credit risk characteristics; c) checked the methodology used in applying the simplified approach by evaluating the key inputs, assumptions, and formulas used; d) tested loss given default by inspecting historical recoveries including the timing, related direct costs, and write-offs; e) evaluated the forward-looking information used for overlay through statistical test and corroboration using publicly available information; f) recalculated impairment provisions on a sample basis; and h) compared the results with the allowance disclosed for credit losses using the ECL model in the financial statements.

Key Audit Matter 2

The Risk

Recoverability of Advances to a Stockholder

As at December 31, 2022, the Parent Company has outstanding advances to a stockholder amounting to P116,423,993. This is significant to our audit because the assessment of recoverability of the advances requires a high level of management judgment and the estimation of future cash repayments. The Parent Company's disclosure about the transaction and recoverability of the amounts are included in Note 20 to the financial statements.

Our Response

Our audit procedures focused on the evaluation of management's assessment on the recoverability of the advances to a stockholder. We obtained confirmation from the stockholder for the acknowledgement of the liability to the Parent Company, the purpose of the advances, and repayment terms that covers the timing of future cash flows and manner of payment.

Key Audit Matter 3

Fair Value of Biological Assets

The Parent Company's biological assets are accounted for at fair value. The carrying value of the Parent Company's biological assets amounted P49,488,553 as at December 31, 2022 and the Parent Company's fair value adjustment on biological assets for the year then ended in the statement of comprehensive income amounted to P7,643,425. The valuation of biological assets is significant to our audit because the estimation process involves significant management estimate. The key assumptions for the fair value of the biological assets include the agricultural products future selling prices, estimated yield and future growing costs.

The disclosures on the fair value of biological assets are included in Notes 4 and 14 to the notes to Parent Company financial statements.

Our Response

We obtained an understanding of management's fair value measurement methodology and their process in valuing the biological assets. We tested the key assumptions used in the valuation, which include the future selling prices, estimated yield and future growing costs, by comparing them to external data such as selling prices in the principal market and historical information. We also assessed the adequacy of the related disclosures on the assumptions underlying the measurement of these biological assets.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022, but does not include the financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and to 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 Parent Company'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 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 Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. Future events or conditions may cause the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on the Supplementary Information Required Under Revenue Regulation 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information under Revenue Regulations 15-2010 and 19-2011 in Notes 29 and 30 to the financial statement is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the Management of **AGRINURTURE, INC.** The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as whole.

The engagement partner on the audit resulting in this independent auditors' report is **REAN G. ABALOS**.

R.S. BERNALDO & ASSOCIATES

BOA/PRC No. 0300

Valid until May 28, 2024

SEC Group A Accredited

Accreditation No. 0300-SEC

Valid until 2024 audit period

BSP Group B Accredited

Accreditation No. 0300-BSP

Valid until 2026 audit period

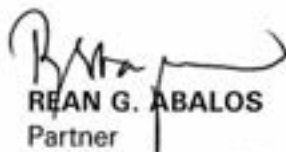
BIR Accreditation No. 08-007679-000-2023

Valid from January 31, 2023 until January 30, 2026

IC Group A Accredited

Accreditation No. 0300-IC

Valid until 2026 audit period



REAN G. ABALOS

Partner

CPA Certificate No. 126203

SEC Group A Accredited

Accreditation No. 126203-SEC

Valid until 2025 audit period

BSP Group C Accredited

Accreditation No. 126203-BSP

Valid until 2025 audit period

BIR Accreditation No. 08-007679-002-2020

Valid from October 20, 2020 until October 19, 2023

Tax Identification No. 271-226-260

PTR No. 9567812

Issued on January 4, 2023 at Makati City

April 5, 2023

Makati City, Metro Manila

AGRINURTURE, INC.
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2022	2021
ASSETS			
Current Assets			
Cash	6	61,048,892	46,022,124
Trade and other receivables – net	7	386,668,576	359,592,716
Due from related parties – net	20	1,321,093,655	1,321,589,782
Inventories	8	45,506,258	52,337,732
Prepayments and other current assets	9	129,405,293	122,141,871
Total Current Assets		1,943,722,674	1,901,684,225
Noncurrent Assets			
Investment in subsidiaries – net	10	1,037,137,690	1,037,137,690
Property and equipment – net	11	256,748,892	272,810,381
Right-of-use assets – net	22	59,242,274	79,126,459
Biological assets	13	49,488,553	41,845,128
Deposits and investments	14	620,212,402	619,549,121
Computer software – net	12	19,956	3,104
Total Noncurrent Assets		2,022,849,767	2,050,471,883
		3,966,572,441	3,952,156,108
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	15	97,857,708	72,265,076
Borrowings	16	811,554,708	926,228,860
Due to related parties	20	90,924,076	18,176,443
Income tax payable		329,126	1,273,454
Total Current Liabilities		1,000,665,618	1,017,943,833
Noncurrent Liabilities			
Borrowings – net of current portion	16	-	29,053,571
Deferred taxes – net	23	14,467,352	24,316,714
Retirement benefit liability	21	15,571,842	13,000,884
Total Noncurrent Liabilities		30,039,194	66,371,169
Total Liabilities		1,030,704,812	1,084,315,002
Equity			
Capital stock P1 par value			
Common shares - P1 par value			
Authorized – 1,600,000,000 and 2,000,000,000 shares in			
Subscribed – 1,024,446,888 shares in 2022 and 2021			
(net of subscription receivable at par value of			
P191,615,200 in 2022			
and P193,672,800 in 2021)			
	24	832,831,688	832,831,688
Preferred shares - P0.10 par value			
Authorized – 400,000,000 shares and nil in 2022			
and 2021, respectively			
Subscribed – 400,000,000 shares and nil in 2022			
and 2021, respectively			
	24	40,000,000	-
Additional paid-in capital	24	3,602,050,960	3,602,050,960
Deficit		(1,595,184,577)	(1,628,045,535)
Revaluation surplus – net	11	58,378,205	64,066,295
Net cumulative remeasurement gain/loss			
on retirement benefits	21	(2,208,647)	(3,062,302)
Total Equity		2,935,867,629	2,867,841,106
		3,966,572,441	3,952,156,108

See accompanying Notes to Parent Company Financial Statements.

AGRINURTURE, INC.
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2022	2021
NET REVENUE	17	1,486,712,450	1,877,012,914
COST OF SALES	18	1,310,468,167	1,703,669,638
GROSS INCOME		176,244,283	173,343,276
GENERAL AND ADMINISTRATIVE EXPENSES	19	112,706,447	109,452,495
OPERATING INCOME		63,537,836	63,890,781
OTHER INCOME (CHARGES)			
Other income		2,325,656	3,451,542
Rental income	22	1,228,069	1,155,469
Interest income	6	11,920	21,787
Reversal of allowance for impairment	7	-	68,867,752
Gain on change in fair value of biological asset	13	7,643,425	11,845,128
Foreign exchange loss – net	26	5,043,808	(3,446,542)
		16,252,878	81,895,136
FINANCE COSTS	16	57,310,305	41,087,552
INCOME BEFORE INCOME TAX		22,480,409	104,698,365
INCOME TAX EXPENSE (BENEFIT)	23		
Current		4,420,687	8,328,692
Deferred		(7,217,116)	(524,355)
		(2,796,429)	7,804,337
NET INCOME		25,276,838	96,894,028
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Not reclassifiable to profit or loss</i>			
Revaluation Surplus	11	(7,584,120)	56,297,557
Deferred income tax benefit	23	1,896,030	(12,618,181)
		(5,688,090)	43,679,376
remeasurement gain (loss) on retirement benefits – net	21	853,655	(3,694,005)
		(4,834,435)	39,985,371
TOTAL COMPREHENSIVE INCOME		20,442,403	136,879,399

See accompanying Notes to Parent Company Financial Statements.

AGRINURTURE, INC.
PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2022	2021
CAPITAL STOCK	24		
<i>Common shares - P1 par value</i>			
Balance at beginning and end of year		832,831,688	830,774,088
Paid-up during the year		-	2,057,600
Balance at end of year		832,831,688	832,831,688
<i>Preferred shares - P0.10 par value</i>			
Balance at beginning and end of year		-	-
Paid-up during the year		40,000,000	-
Balance at end of year		40,000,000	-
ADDITIONAL PAID-IN CAPITAL	24		
Balance at beginning of year		3,602,050,960	3,567,071,761
Additions during the year		-	34,979,199
Balance at end of year		3,602,050,960	3,602,050,960
DEFICIT			
Balance at beginning of year		(1,628,045,535)	(1,732,953,936)
Net income		25,276,838	96,894,028
Other comprehensive income	11	7,584,120	8,014,373
Balance at end of year		(1,595,184,577)	(1,628,045,535)
REVALUATION SURPLUS - NET OF DEFERRED TAX	11		
Balance at beginning of year		64,066,295	20,386,919
Other comprehensive income (loss)		(5,688,090)	43,679,376
Balance at end of year		58,378,205	64,066,295
NET CUMULATIVE REMEASUREMENT LOSS ON RETIREMENT BENEFITS	21		
Balance at beginning of year		(3,062,302)	631,703
Remeasurement gain (loss)		853,655	(3,694,005)
Balance at end of year		(2,208,647)	(3,062,302)
TOTAL EQUITY		2,935,867,629	2,867,841,106

See accompanying Notes to Parent Company Financial Statements.

AGRINURTURE, INC.
PARENT COMPANY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		22,480,409	104,698,365
Adjustments for:			
Finance cost	16	57,310,305	41,087,552
Depreciation and amortization	18,19	37,757,477	38,620,652
Retirement benefit	19,21	2,688,397	2,403,177
Net unrealized foreign exchange loss	26	(7,602,079)	3,017,705
Interest income	6	(11,920)	(21,787)
Gain on change in fair value of biological asset	13	(7,643,425)	(11,845,128)
Reversal of impairment losses	7	-	(68,867,752)
Operating income before working capital changes		104,979,164	109,092,784
Changes in operating assets and liabilities:			
Decrease (Increase) in:			
Trade and other receivables		(20,240,005)	(93,554,308)
Inventories		6,831,474	(22,191,483)
Prepayments and other current assets		(9,870,351)	(13,108,912)
Increase (Decrease) in trade other payables		23,273,921	(3,735,100)
Net cash provided by (used in) operations		104,974,203	(23,497,019)
Interest paid	16	(54,991,594)	(43,266,237)
Income taxes paid		(2,758,086)	(8,687,544)
Interest received	6	11,920	21,787
Net cash flows provided by (used in) operating activities		47,236,443	(75,429,013)
CASH FLOWS FROM INVESTING ACTIVITIES			
Collections from:	20		
Stockholders		52,779,458	200,347,993
Related parties		33,148,346	39,507,184
Additions to deposits and investments	14	-	(87,144,005)
Disposal of property and equipment	11	-	283,700
Acquisition of biological assets	13	-	(30,000,000)
Additions to computer software	12	(23,036)	-
Additions to property and equipment	11	(1,805,619)	(869,823)
Advances to:	20		
Stockholders		(19,630,094)	(81,230,255)
Related parties		(65,801,583)	(160,338,629)
Net cash used in investing activities		(1,332,528)	(119,443,835)
CASH FLOWS FROM FINANCING ACTIVITIES			
Advances received from:	20		
Stockholders		45,761,220	5,714,043
Related parties		27,251,558	-
Payments to:	20		
Stockholders		(65,550)	-
Related parties		(199,595)	(710,809)
Proceeds from availments of loans	16	187,300,000	334,600,000
Issuance of shares of stock	24	40,000,000	2,057,600
Additional paid-in capital	24	-	34,979,199
Payments of borrowings	16	(331,027,723)	(154,247,252)
Net cash flows provided by (used in) financing activities		(30,980,090)	222,392,781
EFFECTS OF EXCHANGE RATE CHANGES ON CASH			
	6,26	102,943	3,590
NET INCREASE IN CASH		15,026,768	27,523,523
CASH AT BEGINNING OF YEAR	6	46,022,124	18,498,601
CASH AT END OF YEAR	6	61,048,892	46,022,124

See accompanying Notes to Parent Company Financial Statements.

Reconciliation of Retained Earnings Available for Dividend Declaration

As at December 31, 2022

(In Philippine Peso)

AGRINURTURE, INC.

Makati City

Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning of the year		(1,628,045,535)
Add: Net income actually earned/realized during the period		
Net income during the period closed to Retained Earnings	25,276,838	
Less: Non-actual/unrealized income net of tax:		
Net deferred tax assets	-	
Accrued rent resulting from straight-line recognition of rent income under PFRS 16, Leases	-	
Unrealized actuarial gain	7,602,079	
Fair value adjustment (market-to-market gains)	-	
Fair value adjustment of Biological Assets resulting to gain	7,643,425	
Adjustment due to deviation from PFRS/GAAP- gain	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	-	
Sub-total	15,245,504	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	5,688,090	
Adjustment due to deviation from PFRS/GAAP- loss	-	
Loss on fair value adjustment of investment property (after tax)	-	
Sub-total	5,688,090	
Net income actually earned during the period		15,719,424
Add (Less):		
Dividend declarations during the period	-	
Appropriations of Retained Earnings during the period	-	
Reversals of appropriations	-	
Effects of prior period adjustments	-	
Treasury shares	-	
Sub-total		-
TOTAL RETAINED EARNINGS, END OF THE YEAR AVAILABLE FOR DIVIDEND		(1,612,326,111)

AGRINURTURE, INC.

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(Amounts in Philippine Pesos)

1. Corporate Information

AgriNuture, Inc. (the "Parent Company") was registered with the Philippine Securities and Exchange Commission (SEC) on February 4, 1997 to engage in corporate farming, in all its branches for the planting, growing, cultivating and producing of crops, plants and fruit bearing trees, of all kinds and in connection to engage in agri-tourism and other pleasurable pursuits for the enjoyments and appreciation of mother nature and ecology and to engage in the establishment, operation and maintenance of equipment, structures and facilities for the preservation, conservation and storage of foods, grains and supplies, like cold storage and refrigeration plants.

The Parent Company's secondary purpose includes, among others, to purchase, acquire, lease, sell and convey real properties such as lands, buildings, factories and warehouses and machines, equipment and other personal properties as may be necessary or incidental to the conduct of the corporate business, and to pay in cash, shares of capital stock, debentures and other evidences of indebtedness, or other securities, as may be deemed expedient for any business or property acquired by the Parent Company.

The Parent Company has been incurring operating losses in prior years which resulted to accumulated losses amounting to P1,595,184,577 and P1,628,045,535 as at December 31, 2022 and 2021, respectively. To recover from losses, the Parent Company continuously expands its core business and increase coverage in the distribution

(fruits and vegetables, rice) and export sales channels. Its retail arm is expanding the franchise network with plans to cover not only the Philippines but overseas as well. The Parent Company has started an active campaign to gain new markets and recover clients through marketing and selling activities in the Philippines and overseas. Part of these activities includes looking for more opportunities in the greater Middle East, China and Asian market. Moreover, most loans were already converted to term loans in order to increase the flexibility of the Parent Company's capital and minimize the immediate impact on operational cash flows. Furthermore, the Parent Company shall continue the rationalization, consolidation, and reorganization of operations to improve efficiency, lower cost of sales and operating expenses. Further, the Parent Company launched its own e-commerce platform through its mobile application and ANI Express website where customers can order fresh produce, canned beverages, rice and other essential goods for delivery to customers.

On March 27, 2023, the Parent Company's application for equity restructuring to wipe-out the deficit as of December 31, 2021 in the amount of P1,628,045,535 against the additional paid-in capital (APIC) of P3,602,050,960 was approved considering that all the requirements have been complied with provided that the remaining APIC of P1,974,005,425 cannot be applied for future losses that may be incurred by the Parent Company without prior approval of the SEC.

The ability of the Parent Company to continue as a going concern will depend greatly on the immediate implementation of its projects and eventual start of operations involving these projects. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

The following are the recent developments to continuous business expansion:

- On December 20, 2019 and September 9, 2020, the Board and the Shareholders of the Parent Company, respectively, have approved the issuance of shares to Plentex Philippines, Inc. ("Plentex"). Plentex has subscribed for 6,172,800 shares and the Parent Company has agreed to issue the same at a value of P18.00 per share which is to be paid through the issuance of 30,000,000 shares of Plentex Limited.

Plentex is a Philippine Corporation that is developing a substantial large scale agri-business center in Tacloban, Leyte. Plentex is a subsidiary of Plentex Limited, unlisted Australian public company in Victoria, Australia.

As at date of report, the 6,172,800 shares were subscribed and 2,057,600 shares were paid.

- On February 1, 2021, the Parent Company entered into a Memorandum of Agreement ("MOA") with the Unified Bagobo-Tagabawa Tribe ("UBTT") and the National Commission on Indigenous Peoples ("NCIP") to promote inclusive agricultural and economic growth by pursuing land productivity thru the development of rice and corn plantation in Bansalan, Davao del Sur. The Parent Company will invest in the development, operation and management of the rice and corn plantation, while the UBTT will be entitled to an annual royalty fee and annual net profit share in the project. Further, all employment and labor requirements of the project shall be primarily sourced from the UBTT. NCIP shall monitor and evaluate compliance of the parties in the terms and conditions of the MOA. The Parent Company, along with the project shall develop programs on health, skills development and alternative livelihood for the communities. The parties, in collaboration with other national government agencies, shall likewise conduct tree planting activities in at least two thousand (2,000) hectares of land.

As at date of report, the parties have complied with the requirements to fully execute the agreement, including but not limited to the Free and Prior Informed Consent (FPIC), as indicated by the issuance of a Certification Precondition by the NCIP.

- On May 12, 2021, the Parent Company received a Medium Green Rating from Cicero Shades of Green for its Green Bond offering. Cicero Shades of Green is a subsidiary of the climate research institute CICERO. It provides independent, research-based evaluations of green bond investment frameworks to determine their environmental strength.

The Parent Company has previously secured the authority to issue long term Green Bonds of up to 75 million euro with maturity of up to 7 years, including the issuance of commercial papers, with terms and conditions to be recommended by management and to be approved by the BOD. The issuance shall fund the agricultural project expansion of the Parent Company geared towards climate change adaptation and minimized environmental footprint.

As at reporting date, the Parent Company is completing the documentary requirements and securing necessary board approval for the incorporation of a wholly-owned foreign subsidiary for the issuance of green bonds.

- On March 20, 2020, the Parent Company's BOD approved the amendment in the terms and conditions of the following issuances and listing of warrants:

- a. Issuance and listing of up to 10,000,000 stock warrants in favor of the Parent Company's employees credit cooperative as approved by the BOD on February 12, 2018.

The warrants shall have the exercise price of a discounted rate of 5% of the weighted average volume of trade 30 days prior to date of expiration, to be exercised after 5 years from date of issuance. The ratio shall be 1 warrant equivalent to 1 underlying common share upon conversion. Expiry date and other relevant terms and conditions shall be determined by the BOD, subject to the approval of the SEC.

- b. Issuance and listing of stock warrants in favor of existing stockholders as of record date as approved by the BOD on February 12, 2018.

The warrants shall have the exercise price of a discounted rate of 5% of the weighted average volume of trade 30 days prior to date of expiration, to be exercised after 5 years from date of issuance. Existing stockholders owning 10 common shares as of record date, shall be entitled to 1 warrant. The ratio shall be 1 warrant equivalent to 1 underlying common share upon conversion. Record date, expiry date and other relevant terms and conditions shall be determined by the BOD.

- c. Issuance and listing of stock warrants in favor of current directors as approved by the BOD on February 12, 2018.

The warrants shall have the exercise price of a discounted rate of 5% of the weighted average volume trade of 30 days prior to date of expiration, to be exercised after 5 years from date of issuance. The ratio shall be 1 warrant equivalent to 1 underlying common share upon conversion. Expiry date and other relevant terms and conditions shall be determined by the BOD. Each director serving at the time of issuance is entitled to up to 100,000 warrants.

- d. Issuance and listing of 10,000,000 stock warrants in favor of ANI Foundation as approved by the BOD on April 30, 2018.

The warrants shall have the exercise price of a discounted rate of 5% of the weighted average volume of trade 30 days prior to date of expiration, to be exercised after 5 years from date of issuance. The ratio shall be 1 warrant equivalent to 1 underlying common share upon conversion. Expiry date and other relevant terms and conditions shall be determined by the BOD. The issuance and listing of the warrants shall be for the purpose of generating funds for the corporate social responsibility programs of the Parent Company.

On October 10, 2020 and November 5, 2021, the Group's BOD and shareholders, respectively, approved the amendment/s to the terms and conditions of the issuance of warrants to existing shareholders to be bundled to the Company's Stock Rights Offering. The issuance to shareholders participating in the Stock Rights Offering, with every shareholder availing of three (3) Stock Rights, shall be entitled to one (1) warrant. The ratio shall be one (1) warrant equivalent to one (1) underlying common share upon conversion. The warrants shall have the exercise price of a discounted rate of 5% of the volume weighted average price of trade fifteen (15) days prior to maturity, to be exercised after five (5) years from date of listing.

On October 10, 2020 and November 5, 2021, the BOD and the shareholders of the Parent Company, respectively, approved the increase of the Parent Company's authorized capital stock from P2,000,000,000.00 to up to P5,000,000,000.00. The increase is intended for any future capital raising activities. This is also in anticipation of the issuance of warrants and stock rights offer of 288,000,027 common shares from the Parent Company's existing capital stock.

- On May 5, 2020, the Parent Company has entered into a MOA with the Department of Agriculture (DA). Under the Agreement, the Parent Company shall be an official program partner-participant of DA's e-KADIWA ni Ani at Kita Program. As such, ANI becomes an online seller of agricultural products.

The DA's KADIWA ni Ani at Kita Program is a market system which facilitates the selling of major agricultural goods at reasonably low prices to the consuming public through partnership with Local Government Units and the Private Sectors. To further the services of the KADIWA ni Ani at Kita Program, the DA has launched the e-KADIWA, an online market portal or platform whereby buyers and sellers of agricultural and fishery products can transact online.

As at reporting date, the Parent Company is actively participating in the foregoing program through its ANI Express online platform.

- On November 26, 2020, the Parent Company entered into a MOA with the Philippine International Trading Corporation ("PITC") to collaborate on the importation of raw materials to provide healthier and more affordable "BigMa" Bigas-Mais (rice-corn) blend to the Filipino consumers. The Parent Company is set to locally produce with its corn contract growers and include in its product portfolio the "BigMa" brand. The "BigMa" or Bigas-Mais blend is a Low Glycemic and rich in dietary fiber staple food alternative for the Filipino consumers.

With the production of BigMa, the Parent Company will be able to reduce carbon foot print, provide more livelihood to local farmers as the source of "Mais", help the country achieve food-staple sufficiency faster, while providing a healthier and affordable option to the public.

As at reporting date, the Parent Company made its initial shipment through the foregoing collaboration during the 1st quarter of 2021.

- On October 13, 2018, the Parent Company entered into a joint venture agreement for a development of the property, located in Taytay Rizal, bisected by the Manggahan Floodway. The property covers 859 hectares more or less of which is covered by titles under different names, all of which are either directly or indirectly under the third-party individual. Each square meter is valued at 1,500. The joint venture shall include but not limited to the formation of the following: Phase 1 - Transportation Hub, Phase 2 - Food Terminal and Phase Property Development Corporation. As at December 31, 2022, the Parent Company has made deposits totaling P508,700,000 for the acquisition to the 859 hectares, corresponding to portions thereof. As at reporting date, the third party is still completing the titling of the whole portion of the property until end of the third quarter to fully execute the joint venture agreement. The parties are in the process of executing the projects under the Joint Venture Agreement. Also, the masterplan for the design of the food terminal were already completed (see Note 14).
- On October 25, 2018 the Board of Directors of the Parent Company authorizes the expansion of business operations in Australia through acquisition of existing companies. Accordingly, on December 28, 2018 the Parent Company made a deposit amounted to AUD172,000 or P6,300,000 to BSK Pty Ltd (see Note 14). The main activity of the Australian operations is primarily processing of fruit and vegetables for distribution to food processors, schools, restaurants, mining sites and airlines. As at reporting date, it is already in the process of finalizing the acquisition agreement.

- On November 8, 2018 the Parent Company has signed a 1.9 billion deal with a Chinese Company for the purchase of various agriculture produce particularly tropical fruits. The contract was signed with SinoChem Group (SinoChem), a Beijing based conglomerate engaged in the production and trading of chemicals, fertilizers and other agricultural products. Under the agreement, SinoChem will buy tropical fruits from the Parent Company's contract growers in the Philippines in the next three years. SinoChem will also provide support through the supply of affordable fertilizers. The deal aims to provide support to local farmers and boost country's market access to China.

Due to the health and mobility restrictions brought about by the COVID-19 pandemic, both parties opted to defer the implementation of the agreement in 2021 and plan to finalize the terms thereof in 2022. The parties intend to utilize this deal in the Big-Ma (rice-corn mix) Project and expansion of banana plantation.

- On December 20, 2019, the Board of Directors of the Parent Company approved joint venture or any similar engagement with Department of Justice through Bureau of Corrections for the development of at least 2,000 hectares of integrated Agri-Tourism corn plantation in Palawan. The Parent Company will fund the development while the Bureau of Corrections will provide the land. The proposed joint venture is intended to expand the Parent Company's business through corn production and agri-tourism. As at reporting date, the Bureau of Corrections is awaiting the endorsement of the agreement by the Department of Justice to finalize the transaction. Also, due to the health and mobility restrictions brought about by the COVID-19 pandemic, the implementation of the agreement in 2020 was deferred. As of reporting period, the Parent Company has yet to receive the opinion from the Bureau of Justice.

On February 24, 2020, the Board has approved the decrease in the par value of the shares of the Parent Company from one peso (P1.00) to ten centavos (P0.10). The Board has likewise approved the reclassification of 40,000,000 unissued common shares with par value of one peso (P1.00) per share or an aggregate par value of 40,000,000 to 400,000,000 voting preferred shares with par value of ten centavos (P0.10) per share or an aggregate par value of 40, 000,000 subject to the approval of the SEC.

Upon approval of the SEC, the Parent Company's authorized capital stock will increase to 20,000,000,000 shares for a total par value of 2,000,000,000 shall be divided into the following:

- a. Common shares, consisting of 19,600,000,000 shares with a par value of ten centavos (P0.10) per share for a total par value of 1,960,000,000;
- b. Preferred shares, consisting of 400,000,000 shares with a par value of ten centavos (P0.10) per share for a total par value of 40,000,000;

The preferred shares shall have the following rights, privileges, limitations and restrictions which shall also appear on the Certificates of the Preferred Shares of the Corporation:

- a. The right to vote and be voted for;
- b. The right to receive, out of unrestricted retained earnings of the Parent Company, participating dividends at the rate as may be deemed proper by the BOD under the prevailing market conditions or such other relevant factors as the BOD may consider. Said dividend may be declared and payable at the discretion of the BOD after taking into account the Parent Company's earning, cash flows, financial conditions and other factors as the BOD may consider relevant; and

- c. In the liquidation, dissolution and winding up the Parent Company, whether voluntary or otherwise, the right to be paid in full or ratably, insofar as the assets of the Parent Company will permit, the par value or face value of each preferred share as the BOD may determine upon their issuance, plus unpaid and accrued dividends up to the current dividend period, before any assets of the Parent Company shall be paid or distributed to the holders of the common shares;

The common shares shall possess all the rights, privileges and prerogatives provided by law, including the right to vote and be voted for.

The stockholders of the Parent Company shall have no pre-emptive right to subscribe to or purchase any or all issues or dispositions of shares of any class of the Parent Company.

The change in par value is intended to increase the number of shares of the Parent Company that will give more trading opportunities to the shareholders and investors. The decrease in par value will make the shares more affordable to small investors, hence will be more marketable and liquid in the market.

The reclassification is intended for any future capital raising activities. The amount to be raised shall be used as additional working capital and funding for the Parent Company's expansion project particularly the creation of the Agricultural Ecosystem to benefit local farmers.

As at reporting date, the approval for the decrease in the par value of the shares was deferred by the stockholders.

On November 5, 2021, the Parent Company's BOD confirmed the approval of the reclassification of the Parent Company's 40,000,000 unissued common shares with par value of P1.00 per share or an aggregate par value of P40,000,000 to 400,000,000 voting preferred shares with par value of P0.10 per share or an aggregate par value of P40,000,000, to be subscribed by Earthright Holdings, Inc.

On November 16, 2022, the reclassification was likewise approved by the SEC.

The Parent Company's registered principal office address is No. 54 National Road, Dampol II-A, Pulilan, Bulacan.

Authorization for Issuance of the Parent Company Financial Statements

The Parent Company's financial statements as at and for the year ended December 31, 2022 and 2021 were authorized for issuance by the Board of Directors (BOD) on April 5, 2023.

2. Basis of Preparation

The financial statements of the Parent Company have been prepared using the historical cost basis, except for certain financial instruments carried at amortized cost, inventories carried at the lower of cost or net realizable value, biological assets which is presented at fair value less cost to sell, and property and equipment which is presented using revaluation model.

The financial statements are presented in Philippine Pesos, which is the Parent Company's functional and reporting currency under Philippine Financial Reporting Standards (PFRS). All values are rounded to the nearest peso, except when otherwise indicated.

The Parent Company also prepares and issues consolidated financial statements for the same period as the Parent Company financial statements present, in compliance with PFRS, which may be obtained from the SEC.

Statement of Compliance

The accompanying Parent Company financial statements have been prepared in compliance with PFRS. PFRS includes statements named PFRS and Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Philippines Financial and Sustainability Reporting Standards Council (FSRSC) and adopted by the SEC.

3. Adoption of New and Revised Accounting Standards

The Philippines Financial and Sustainability Reporting Standards Council (FSRSC) approved the issuance of new and revised Philippine Financial Reporting Standards (PFRS). The term "PFRS" in general includes all applicable PFRS, Philippine Accounting Standards (PAS), and Interpretations issued by the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the FSRSC and adopted by SEC.

These new and revised PFRS prescribe new accounting recognition, measurement and disclosure requirements applicable to the Company. When applicable, the adoption of the new standards was made in accordance with their transitional provisions, otherwise the adoption is accounted for as change in accounting policy under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

3.01 New and Revised PFRSs Applied with No Material Effect on the Financial Statements

The following new and revised PFRSs have been adopted in these financial statements. The application of these new and revised PFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to PFRS 16, COVID-19-Related Rent Concessions beyond June 30, 2021

The following are the amendments to PFRS 16:

- permit a lessee to apply the practical expedient regarding COVID-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022 (rather than only payments originally due on or before June 30, 2021);
- require a lessee applying the amendment to do so for annual reporting periods beginning on or after April 1, 2021;
- require a lessee applying the amendment to do so retrospectively, recognizing the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment; and
- specify that, in the reporting period in which a lessee first applies the amendment, a lessee is not required to disclose the information required by paragraph 28(f) of PAS 8.

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

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

The following are the amendments in reference to the conceptual framework:

- update PFRS 3 so that it refers to the 2018 Conceptual Framework instead of 1989 Framework;
- add to PFRS 3 a requirement that, for transactions and other events within the scope of PAS 37 or IFRIC 21, an acquirer applies PAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and
- add to PFRS 3 an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The amendments are effective for annual periods beginning on or after January 1, 2022, permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds before Intended Use*

The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.

The amendments are effective for annual periods beginning on or after January 1, 2022. An entity applies the amendments retrospectively only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract*

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments are effective for annual periods beginning on or after January 1, 2022. Entities apply the amendments to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated.

- Annual Improvements to PFRS Standards 2018-2020 Cycle

Amendments to PFRS 1, *Subsidiary as a first-time adopter* - The amendment permits a subsidiary that applies paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to PFRSs.

Amendments to PFRS 9, *Fees in the '10 per cent' test for derecognition of financial liabilities* - The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of PFRS 9 in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

Amendments to PFRS 16, *Lease Incentives* - The amendment to Illustrative Example 13 accompanying PFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

Amendments to PAS 41, *Taxation in fair value measurements* - The amendment removes the requirement in paragraph 22 of PAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in PFRS 13.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022.

3.02 New and Revised PFRSs in Issue but Not Yet Effective

The Parent Company will adopt the following standards and interpretations enumerated below when they become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended PFRS, to have significant impact on the financial statements.

3.02.01 Standard Adopted by FSRSC and Approved by the Board of Accountancy (BOA)

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

The amendments to PAS 1 are the following:

- clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments defer the effective date of the January 2020 Classification of Liabilities as Current or Non-Current (Amendments to PAS 1) to annual reporting periods beginning on or after January 1, 2023. Earlier application of the January 2020 amendments continues to be permitted.

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

The definition of accounting estimates has been amended as follows: accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The amendment also clarifies the following:

- Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.
- A change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

- A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognized as income or expense in the current period. The effect, if any, on future periods is recognized as income or expense in those future periods.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period.

- Amendments to PAS 1 and PFRS Practice Statement 2, Disclosure Initiative – Accounting Policies

The amendments to PAS 1 are the following:

- an entity is now required to disclose its material accounting policy information instead of its significant accounting policies;
- several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;

The amendments also clarify the following:

- accounting policy information may be material because of its nature, even if the related amounts are immaterial;
- accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and
- if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

In addition, PFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information in order to support the amendments to PAS 1.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023.

- Amendment to PAS 12, "Deferred tax related to assets and liabilities arising from a single transaction"

The amendments introduce an exception to the initial recognition exemption (IRE) in PAS 12. Additional exclusions have been added to the IRE, detailed in paragraphs 15(b)(iii) and 24(c) for deferred tax liabilities and assets respectively. The effects of these amendments essentially mean that the IRE is not available for transactions which involve the recognition of both an asset and liability – which in turn leads to equal and opposite temporary differences – such that deferred taxes are calculated and booked for both temporary differences, both at initial recognition and subsequently. Applying this exception, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

The initial recognition exemption was initially included within PAS 12 to prevent a lack of reporting transparency for transactions which are not business combinations and, at the time of the transaction, do not affect either accounting or taxable profits. Under this exemption, deferred tax assets/liabilities would neither be recognized at initial recognition of the underlying asset/liability, nor subsequently.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, the amendments also apply to taxable and deductible temporary differences associated with right-of-use assets and lease liabilities, and decommissioning obligations and corresponding amounts recognized as assets at the beginning of the earliest comparative period presented.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early application of the amendments is permitted.

- Amendment to PFRS 17, "Initial Application of PFRS 17 and PFRS 9—Comparative Information"

The amendment is a transition option relating to comparative information about financial assets presented on initial application of PFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and Insurance contract liabilities, and therefore Improve the usefulness of comparative information for users of financial statements.

PFRS 17 incorporating the amendment is effective for annual reporting periods beginning on or after January 1, 2025.

- PFRS 17, *Insurance Contracts*

PFRS 17 sets out the requirements that an entity should apply in reporting information about insurance contracts it issues and reinsurance contracts it holds. It requires an entity that issues insurance contracts to report them on the balance sheet as the total of the fulfilment cash flows and the contractual service margin. It requires an entity to provide information that distinguishes two ways insurers earn profits from insurance contracts: the insurance service result and the financial result. It requires an entity to report as insurance revenue the amount charged for insurance coverage when it is earned, rather than when the entity receives premium. It requires that insurance revenue to exclude the deposits that represent the investment of the policyholder, rather than an amount charged for services. Similarly, it requires the entity to present deposit repayments as settlements of liabilities rather than as insurance expense.

PFRS 17 is effective for annual periods beginning on or after January 1, 2025. Early application is permitted for entities that apply PFRS 9 Financial Instruments and PFRS 15 Revenue from Contracts with Customers on or before the date of initial application of PFRS 17.

An entity shall apply PFRS 17 retrospectively unless impracticable, except that an entity is not required to present the quantitative information required by paragraph 28(f) of PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and an entity shall not apply the option in paragraph B115 for periods before the date of initial application of PFRS 17. If, and only if, it is impracticable, an entity shall apply either the modified retrospective approach or the fair value approach.

- Amendments to PFRS 17, *Insurance Contracts*

The amendments cover the following areas:

- Insurance acquisition cash flows for renewals outside the contract boundary;
- Reinsurance contracts held—onerous underlying insurance contracts;
- Reinsurance contracts held—underlying insurance contracts with direct participation features; and
- Recognition of the contractual service margin in profit or loss in the general model.

The amendments are effective to annual reporting periods beginning on or after January 1, 2025.

3.02.02 Deferred

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments clarify the treatment of the sale or contribution of assets between an investor and its associate and joint venture. This requires an investor in its financial statements to recognize in full the gains and losses arising from the sale or contribution of assets that constitute a business while recognize partial gains and losses if the assets do not constitute a business (i.e. up to the extent only of unrelated investor share).

On January 13, 2016, the FSRSC decided to postpone the original effective date of January 1, 2016 of the said amendments until the IASB has completed 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. Summary of Significant Accounting and Financial Reporting Policies

Principal accounting and financial reporting policies applied by the Parent Company in the preparation of its financial statements are enumerated below and are consistently applied to all the years presented, unless otherwise stated.

4.01 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid or transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value the Parent Company takes into consideration the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement assumes that the transaction to sell the asset or liability is exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions. In addition, it assumes that the transaction takes place either: (a) in the principal market; or (b) in the absence of a principal market, in the most advantageous market.

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

A fair value measurement assumes that a financial or non-financial liability or an entity's own equity instruments (e.g. equity interests issued as consideration in a business combination) is transferred to a market participant at the measurement date. The transfer of a liability or an entity's own equity instrument assumes the following:

- A liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date.
- An entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.

The Parent Company 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.

The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

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

4.02 Financial Assets

4.02.01 Initial Recognition and Measurement

The Parent Company recognizes a financial asset in its statements of financial position when, and only when, the Parent Company becomes a party to the contractual provisions of the instrument.

Except for trade receivables that do not have a significant financing component, at initial recognition, the Parent Company measures a financial asset at its fair value plus, in the case of financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset.

At initial recognition, the Parent Company measures trade receivables that do not have a significant financing component at their transaction price.

4.02.02 Classification

➤ Financial Asset at Amortized Cost

A financial asset shall be measured at amortized cost if both of the following conditions are met:

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

The Parent Company's financial assets measured at amortized cost include cash in banks, trade and other receivables (except advances to employees), due from related parties, due from stockholders and guaranty deposit presented under 'prepayments and other current assets'.

a) Cash in Banks

Cash in banks pertain to cash deposits held at call with bank that are subject to insignificant risk of change in value. This shall be measured at the undiscounted amount of the cash or other consideration expected to be paid or received.

b) Trade and Other Receivables, Due from Related Parties and Due from Stockholders

Trade and other receivables (except advances to employees), due from related parties and due from stockholders are recognized initially at the transaction price and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of the foregoing receivables is established when there is objective evidence that the Parent Company will not be able to collect all amounts due according to the original terms of the receivables.

c) Guaranty Deposit

Guaranty deposits pertain to amount the amount surrendered to the Parent Company's lessor as part of the lease agreement. This amount will be refunded upon termination of the contract. This is measured at amortized cost using the effective interest method, less any impairment.

The Parent Company does not have financial assets measured at fair value either through profit and loss or through other comprehensive income in both years.

4.02.03 Reclassification

When, and only when, the Parent Company changes its business model for managing financial assets it shall reclassify all affected financial assets in accordance with Note 4.02.02. If the Parent Company reclassifies financial assets, it shall apply the reclassification prospectively from the reclassification date. The Parent Company shall not restate any previously recognized gains, losses (including impairment gains or losses) or interest.

4.02.04 Effective Interest Method

Interest income is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for: purchased or originated credit-impaired financial assets and financial assets that are not purchased or originated credit-impaired but subsequently have become credit-impaired.

4.02.05 Impairment

The Parent Company measures expected losses of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable assumption that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

The Parent Company adopted the following approaches in accounting for impairment.

- Simplified Approach

The Parent Company always measures the loss allowance at an amount equal to lifetime expected credit losses for trade receivables. The Parent Company determines that a financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the counterparty;
- A breach of contract, such as a default or past due event;
- The lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider; and
- It is becoming probable that the counterparty will enter bankruptcy or other financial reorganization.

- General Approach

The Parent Company applies general approach to cash in banks, other receivables, due from related parties, due from stockholders and guaranty deposit presented under prepayments and other current assets. At each reporting date, the Parent Company measures the loss allowance for a financial asset at an amount equal to the lifetime expected credit losses if the credit risk on that financial asset has increased significantly since initial recognition. However, if the credit risk has not increased significantly, the Parent Company measures the loss allowance equal to 12-month expected credit losses.

The Parent Company compares the risk of default occurring as at the reporting date with the risk of a default occurring as at the date of initial recognition and consider the macro-economic factors such as GDP, interest, and inflation rates, the performance of the counterparties' industry, that is available without undue cost or effort, to determine whether there is a significant increase in credit risk or not since initial recognition.

The Parent Company determines that there has been a significant increase in credit risk when there is a significant decline in the factors. The Parent Company assumes that the credit risk on cash in banks has not increased significantly since initial recognition because the financial instrument is determined to have low credit risk at the reporting date.

The Parent Company did not apply the 30 days past due rebuttable presumption because based on the Company's historical experience, credit risk has not increased significantly even the amounts are past due for more than 30 days.

If the Parent Company has measured the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date, that the credit quality improves (i.e. there is no longer a significant increase in credit risk since initial recognition), then the Company shall measure the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date.

The Parent Company recognizes in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

The Parent Company performs the assessment of significant increases in credit risk on an individual basis by considering information that is indicative of significant increases in credit risk.

The Parent Company did not apply the 90 days past due rebuttable presumption in determining whether a financial asset is credit impaired and does not consider a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Parent Company may also consider a financial asset to be in default when internal or external information indicates that the Parent Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Parent Company.

The Parent Company determines that a financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the counterparty;
- A breach of contract, such as a default or past due event;
- The lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; and
- It is becoming probable that the counterparty will enter bankruptcy or other financial reorganization.

4.02.06 Derecognition

The Parent Company derecognizes a financial asset when, and only when the contractual rights to the cash flows of the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition. The difference between the carrying amount and the consideration received is recognized in profit or loss.

4.02.07 Write-off

The Parent Company directly reduces the gross carrying amount of a financial asset when the Parent Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event.

4.03 Inventories

Inventories are stated at the lower between cost and net realizable value. Cost is determined using the first-in, first-out method. The cost of inventories comprises cost of purchase, direct labor, other direct costs and appropriate portion of fixed and variable overhead expenses. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognized immediately in profit or loss.

When the circumstances that previously caused inventories to be impaired no longer exist or when there is clear evidence of an increase in selling price less costs to complete and sell because of changed economic circumstances, a reversal of the impairment is recognized so that the new carrying amount is the lower of the cost and the revised selling price less costs to complete and sell. Any impairment reversal is recognized in profit or loss but is limited to the amount of the original impairment loss recognized.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

4.04 Prepayments and Other Current Assets

4.04.01 Prepayments

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

These are classified in the statements of financial position as current assets when the expenses are expected to be incurred within one (1) year or the Company's normal operating cycle, whichever is longer. Otherwise, these are classified as other non-current assets.

4.04.02 Input VAT

Input VAT arises from the purchase of goods or services.

For regular sales, input VAT is applied against output VAT. The remaining balance is recoverable in future periods. This is carried at cost less allowance for impairment loss, if any. Impairment loss is recognized when input VAT can no longer be recovered.

For zero rated sales, input VAT is initially recorded as an asset and measured at the amount of cash paid. Subsequently, the Parent Company may apply within two (2) years after the close of the taxable quarter when such sale was made for the tax refund of creditable input tax due or paid attributable to sales that are zero-rated or effectively zero-rated.

4.05 Investment in Subsidiaries

A subsidiary is an entity, including an unincorporated entity such as a partnership, which is controlled by another entity known as parent. Control is the exposure or rights, to variable returns from the involvement with an investee and the ability to affect those returns through its power over an investee.

Investments in subsidiaries are accounted under the cost method. Under the cost method, the Parent Company recognizes as income the dividends received that are distributed from net accumulated earnings of the investee since the date of acquisition by the investor. Dividends received that are in excess of the earnings subsequent to the date of acquisition are not income and therefore considered as return or reduction of investment.

The Parent Company's subsidiaries are as follows:

Subsidiary	Ownership	
	2022	2021
Best Choice Harvest Agricultural Corporation (BCH)	100%	100%
First Class Agriculture Corporation (FCAC)	100%	100%
Agrinurture HK Holdings Ltd (ANI HK)	100%	100%
M2000 IMEX Company, Inc. (IMEX)	100%	100%
Fruitilicious Company, Inc. (FI)	100%	100%
The Big Chill, Inc. (TBC)	80%	80%
Farmville Farming Co., Inc. (FFCI)	51%	51%
Zongshan Fucang Trade Co., Ltd. (ZFT)	51%	51%

If the Parent Company loses control of a subsidiary, the Parent Company recognizes any investment retained in the former subsidiary at its fair value at the date when control is lost or recognizes any resulting difference as a gain or loss in profit or loss attributable to the Parent Company.

4.06 Interests in Joint Arrangement

A joint arrangement is a contractual arrangement whereby the Company and other parties have agreed sharing of control of an arrangement, which exist only when decisions about relevant activities require the unanimous consent of the parties sharing. The sharing of control is also known as joint control. A joint arrangement can either be a joint venture or a joint operation.

4.06.01 Joint Venture

A joint venture is a joint arrangement whereby the Parent Company and other parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Parent Company reports its interests in a joint venture using equity method, except when the investment is classified as held for sale, in which case it is accounted for in accordance with PFRS 5, Non-current Assets Held for Sale and Discontinued Operations.

Under the equity method, an investment in joint venture is initially recognized in the statements of financial position at cost and adjusted thereafter to recognize the Parent Company's share of the profit or loss and other comprehensive income of the associate.

When the Parent Company's share of losses of a joint venture exceeds the Parent Company's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Parent Company's net investment in the joint venture), the Parent Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Parent Company has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Any excess of the cost of acquisition over Parent Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the joint venture recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Parent Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

Where the Parent Company transacts with its jointly controlled entities, unrealized profits and losses are eliminated to the extent of the Parent Company's interest in the joint venture.

When the equity method is discontinued Parent Company recognizes its retained interest at fair value. The difference between the carrying amount of the investment at the time the equity method was discontinued and the fair value of retained interest plus any proceeds from disposing of a part of interest is recognized in profit or loss. Amounts that were previously recognized in other comprehensive income in relation to the investment are accounted on the basis as would have been required if the investee had directly disposed of the related assets or liabilities.

4.07 Property and Equipment

Property and equipment are initially measured at cost. The cost of an asset consists of its purchase price and costs directly attributable to bringing the asset to its working condition for its intended use. Subsequent to initial recognition property and equipment are carried at revalued amount less accumulated depreciation and accumulated impairment losses.

Subsequent expenditures relating to an item of property and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Parent Company. All other subsequent expenditures are recognized as expenses in the period in which those are incurred.

Property and equipment are stated in the statements of financial position at their revalued amounts, being the fair value at the date of revaluation, determined from market-based evidence by appraisal undertaken by professional appraisers, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from that which would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on the revaluation of such property and equipment is credited to the properties revaluation surplus, except to the extent that it reverses a revaluation decrease for the same asset previously recognized as an expense, in which case the increase is credited to the profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such revalued assets is charged as an expense to the extent that it exceeds the balance, if any, held in the revaluation surplus relating to a previous revaluation of those assets. Revaluation surplus is transferred directly to retained earnings as the asset is being used by the Parent Company.

Land is not depreciated. Depreciation is computed on the straight-line method based on the estimated useful lives of the assets as follows:

Building	15 years
Store and warehouse equipment	3 to 5 years
Delivery and transportation equipment	3 to 12
Machinery and equipment	3 to 12
Office furniture and fixtures	3 to 12

Leasehold improvements are depreciated over the shorter between the improvements' useful life of five (5) years or the lease term.

The property and equipment's residual values, useful lives and depreciation method are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Depreciation on revalued assets is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings.

An item of property and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

4.08 Computer Software

Computer software acquired separately is initially carried at cost. Subsequently, computer software with definite useful life is carried at cost less accumulated amortization and accumulated impairment losses. Amortization of computer software is recognized on a straight-line basis over its estimated useful life of five (5) years.

The estimated useful life, residual value and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

A computer software is derecognized on disposal or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss.

4.09 Deposits and Investments

4.09.01 Deposit for Land Acquisition

Deposit for land acquisition which represents mainly the usufruct rights over a property are initially stated at actual amount paid and subsequently recognized at cost less any impairment.

4.09.02 Deposit for Business Acquisition

Deposit for business acquisitions which are paid in view of call for the future investments are initially stated at actual amount paid and subsequently recognized at cost less any impairment.

4.09.03 Advances to Projects

Advances to projects pertains to unliquidated expenditures made for the processing fees in connection with the investment of the Parent Company to a foreign company. This is initially stated at actual amount paid and subsequently recognized at cost less any impairment.

4.10 Impairment of Assets

At each reporting date, the Parent Company assesses whether there is any indication that any assets other than deferred tax assets, inventories, biological assets, and financial assets that are within the scope of PFRS 9, *Financial Instruments* may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized as an expense.

When an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income.

4.11 Biological Assets

Biological assets or agricultural produce are recognized only when the Parent Company controls the assets as a result of past events, it is probable that future economic benefits associated with the assets will flow to the entity; and the fair value or cost of the assets can be measured reliably.

The Parent Company measures its biological assets on initial recognition and at each reporting date at their fair value less estimated costs to sell. Estimated costs to sell include commissions to brokers and dealers, levies by regulatory agencies and commodity exchanges, and transfer taxes and duties.

Harvested agricultural produce are also carried at fair value less estimated costs to sell at the point of harvest.

The Parent Company classifies its biological assets between consumable and bearer biological assets. Consumable biological assets are those that are to be harvested as agricultural produce or sold as biological assets. The Company further classifies its bearer biological assets between mature or immature biological assets.

Gains or losses arising on initial recognition of a biological asset at fair value less estimated costs to sell and from a change in fair value less estimated costs to sell of a biological asset are included in profit or loss for the period in which they arise.

4.12 Borrowing Costs

Borrowing costs are recognized in profit or loss in the period in which they are incurred.

4.13 Financial Liabilities

4.13.01 Initial Recognition and Measurement

The Parent Company shall recognize a financial liability in its statements of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument.

At initial recognition, the Parent Company shall measure a financial liability at its fair value minus, in the case of financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the liability.

4.13.02 Classification

The Parent Company shall classify all financial liabilities as subsequently measured at amortized, except for:

- financial liabilities at fair value through profit or loss;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate;
- contingent consideration recognized by an acquirer in a business combination.

The Parent Company's financial liabilities measured at amortized cost include trade and other payables (excluding customers' deposit and government payables), borrowings and due to related parties.

The Parent Company does not have financial liabilities at fair value through profit or loss in both years.

4.13.03 Derecognition

The Parent Company removes a financial liability (or part of a financial liability) from its statements of financial position when, and only when, it is extinguished (i.e., when the obligation in the contract is discharged or cancelled or expired).

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4.14 Contract Liability

The Parent Company's obligation to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from the customer.

These are initially recorded as liability and measured at cost. Subsequent to initial recognition, revenue is recognized when (or as) the Parent Company satisfies a performance obligation by transferring a promised good or services to a customer.

4.15 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Parent Company are recognized at the proceeds received, net of direct issue costs.

Ordinary shares are classified as equity.

4.15.01 Additional Paid-in Capital

Additional paid-in capital represents the proceeds and/or fair value of consideration received in excess of the par value of the shares issued.

4.16 Employee Benefits

4.16.01 Short-term Benefits

The Parent Company recognizes a liability, net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Parent Company to its employees include salaries and wages, direct labor, SSS, HDMF, PhilHealth employer contributions and 13th month bonus.

4.16.02 Post-employment Benefits

The Parent Company has an unfunded, non-contributory defined benefit retirement plan. This benefit defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The cost of providing benefits is determined using the Projected Unit Credit Method (PUCM) which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Post-employment expenses include current service cost, past service cost, and net interest on defined benefit asset/liability. Remeasurements which include cumulative actuarial gains and losses return on plan assets, and changes in the effects of asset ceiling are recognized directly in other comprehensive income and are also presented under equity in the statements of financial position.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognized immediately in profit or loss.

The liability recognized in the statements of financial position in respect of defined benefit pension plans is the present value of the accrued retirement benefits at the end of the reporting period. The accrued retirement benefits is calculated annually by an independent actuary using the PUCM. The present value of the accrued retirement benefits is determined by discounting the estimated future cash outflows using interest rates based on the market yields on government bonds as of the valuation dates that have terms to maturity approximating to the terms of the related pension obligation.

The Parent Company's retirement plan is still unfunded, benefit claims under the plan are paid directly by the Parent Company when they become due.

4.17 Provisions and Contingencies

4.17.01 Provisions

Provisions are recognized when the Parent Company has a present obligation, whether legal or constructive, as a result of a past event, it is probable that the Parent Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4.17.02 Contingent Liabilities and Assets

Contingent liabilities and assets are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Parent Company.

Contingent liabilities are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are disclosed only when an inflow of economic benefits is probable.

4.18 Revenue Recognition

The Parent Company shall recognize revenue when (or as) the Parent Company satisfies a performance obligation by transferring a promised good or service (i.e. asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

4.18.01 Performance Obligations Satisfied at a Point in Time

The Parent Company derives its revenue from sale of fruits, vegetables and beverages. The Parent Company recognizes revenue at point in time, this is when:

- The Company has a present right to payment for goods;
- The Company has transferred physical possession of the goods;
- The customer has accepted the goods; and
- The customer has the significant risks and rewards of ownership of the asset.

4.18.02 Principal versus Agent Considerations

The Parent Company should determine whether it is a principal or an agent in a transaction through the nature of its promise in a performance obligation.

The Parent Company determines whether the nature of its promise is a performance obligation to provide a specified service itself (i.e., the Parent Company is a principal) or to arrange for the other party to provide those services (i.e., the Parent Company is an agent).

The Parent Company is a principal if it controls a promised service before it transfers the service to a customer. It recognizes revenue in the gross amount of consideration to which it expects to be entitled in exchange for those services transferred.

The Parent Company is an agent if its performance obligation is to arrange for the provision of services by another party. It recognizes revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the other party to provide its services.

4.18.03 Interest Income

Interest income is recognized when it is probable that the economic benefits will flow to the Parent Company and the amount of revenue can be measured reliably. Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

4.18.04 Rental Income

The Company's policy for recognition of revenue from leases is disclosed in Note 4.20.01.

4.19 Expense Recognition

Expense encompasses losses as well as those expenses that arise in the course of the ordinary activities of the Parent Company.

The Parent Company recognizes expenses in the statements of comprehensive income when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

4.20 Leases

4.20.01 The Company as Lessor

Rental income from leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging a lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

4.20.02 The Parent Company as a Lessee

A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the Parent Company assesses whether the contract meets three key evaluations which are whether:

- a. the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Parent Company
- b. the Parent Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- c. the Parent Company has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Right-of-Use (ROU) Asset

At the commencement date, the Parent Company measures the ROU asset at cost, which comprises of:

- initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any incentives received;
- any initial direct costs incurred by the Parent Company;

- an 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. The Parent Company incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

Subsequent to initial recognition, ROU asset is carried at cost less accumulated depreciation and accumulated impairment losses.

The Parent Company depreciates the ROU asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The Parent Company also assesses the ROU asset for impairment when such indicators exist.

The Parent Company has elected to account for short-term leases and low-value assets using the practical expedients. Instead of recognizing ROU asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

ROU asset is presented as a separate line item on the statements of financial position.

Lease Liability

At the commencement date, the Parent Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or if not, the Parent Company uses the incremental borrowing rate.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- fixed payments (including in-substance fixed payments), less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under the residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Parent Company measures the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect in-substance fixed lease payments.

The Parent Company recognizes the amount of remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is further reduction in the measurement of the lease liability, the Parent Company recognizes any remaining amount of the remeasurement in profit or loss.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

Lease liabilities are presented as a separate line item on the statements of financial position.

4.21 Foreign Currency Transactions

In preparing the financial statements of the Parent Company, transactions in currencies other than the Parent Company's functional currency, i.e., foreign currencies, are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences are recognized in profit or loss in the period in which they arise.

4.22 Related Parties and Related Party Transactions

A related party is a person or entity that is related to the Parent Company that is preparing its financial statements. A person or a close member of that person's family is related to Company if that person has control or joint control over the Parent Company, has significant influence over the Parent Company, or is a member of the key management personnel of the Company or of a parent of the Company.

An entity is related to the Parent Company if any of the following conditions applies:

- The entity and the Parent Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both entities are joint ventures of the same third party.
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- The entity is a post-employment benefit plan for the benefit of employees of either the Parent Company or an entity related to the Parent Company. If the Parent Company is itself such a plan, the sponsoring employers are also related to the Company.
- The entity is controlled or jointly controlled by a person identified above.
- A person identified above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- Management entity providing key management personnel services to a reporting entity.

Close members of the family of a person are those family members, who may be expected to influence, or be influenced by, that person in their dealings with the Parent Company and include that person's children and spouse or domestic partner; children of that person's spouse or domestic partner; and dependents of that person or that person's spouse or domestic partner.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

4.23 Taxation

Income tax expense represents the sum of current and deferred taxes.

4.23.01 Current Tax

The current tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the statements of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Parent Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

4.23.02 Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, carry forward of unused tax credits from excess Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax (RCIT) and unused Net Operating Loss Carry-over (NOLCO), to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and carry forward of unused MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction that affects neither the accounting profit nor taxable profit or loss.

Deferred tax liabilities are recognized for taxable temporary differences. Deferred tax assets arising from deductible temporary differences are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Parent Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

4.23.03 Current and Deferred Taxes for the Period

Current and deferred taxes are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss, whether in other comprehensive income or directly in equity, in which case the tax is also recognized outside profit or loss.

4.23.04 Impact of Change in Tax Regime

Components of tax expense include any adjustments recognized in the period for current tax of prior period and the amount of deferred tax expense (income) relating to changes in tax rates. The provision for current income tax during the year include the difference between income tax per prior year financial statements and prior year income tax return.

Deferred tax assets and liabilities as of reporting period is remeasured using the new tax rates. The impact of remeasurement is recognized in profit or loss (i.e., provision for/benefit from deferred income tax), unless it can be recognized in other comprehensive income or another equity account as provided for in PAS 12.61A.

Any movement in deferred taxes arising from the change in tax rates that will form part of the provision for/benefit from deferred taxes will be included as well in the effective tax rate reconciliation.

4.24 Events after the Reporting Period

The Parent Company identifies subsequent events as events that occurred after the reporting period but before the date when the financial statements were authorized for issue. Any subsequent events that provide additional information about the Parent Company's position at the reporting period, adjusting events, are reflected in the financial statements, while subsequent events that do not require adjustments, non-adjusting events, are disclosed in the notes to financial statements when material.

4.25 Changes in Accounting Policies

The adoption of the new and revised standards and as disclosed in Note 3.01 was made in accordance with their transitional provisions, otherwise the adoption is accounted for as change in accounting policy under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

5. Significant Accounting Judgments and Estimates

The preparation of the Parent Company's financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from such estimates.

The effect of any changes in estimates will be recorded in the Parent Company's financial statements when determinable.

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

Judgments

In the process of applying the Parent Company's accounting policies, management has made the following judgments, apart from those involving estimations which have the most significant effect on the amounts recognized in the financial statements:

- *Determination of Control*
The Parent Company determines control when it is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the equity. The Parent Company controls an entity if and only if the Parent Company has all of the following:
 - a. Power over the entity;
 - b. Exposure, or rights, to variable returns from its involvement with the entity; and,
 - c. The ability to use its power over the entity to affect the amount of the Parent Company's returns.

The Parent Company regularly reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. The Parent Company determined that it exercises control on all of its subsidiaries as it has all the elements of control listed above.

- *Determination of Functional Currency*
Based on the economic substance of the underlying circumstances relevant to the Parent Company, the functional currency of the Parent Company has been determined to be the Philippine Pesos.

The Company has determined that its functional currency is the Philippine Peso. Functional currency is the currency of the primary economic environment in which the Company operates. The Company's functional currency is evidenced by its costs of labor, and other costs of providing services and majority of its sales prices which are denominated and settled in Philippine Peso.

- *Classification of Financial Instruments and Measurement Criteria*
The Parent Company's classification of financial assets at initial recognition depends on the financial assets contractual cash flows characteristics of the Company's business model for managing them. The financial liability is classified in accordance with the substance of the contractual agreement and the definition of financial liability. The substance of financial liability, rather than its legal form, governs its classification in the statements of financial position.

The Parent Company determines the classification at initial recognition and reevaluates this designation at every reporting date.

- ***Determination of Fair Value of Financial Instruments***
The Parent Company carries certain instruments at fair value and discloses also the fair values of financial instruments, which requires extensive use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Parent Company utilized different valuation methodologies and assumptions. Any changes in fair value of these financial assets and liabilities would affect profit or loss and equity.

The summary of the carrying values and fair values of the Parent Company's financial instruments as at December 31, 2022 and 2021 is shown in Note 25.

- ***Identification of Contract with Customers***
The Parent Company applied PFRS 15 guidance to a portfolio of exports and local distribution groups with similar characteristics as the Parent Company reasonably expects that the effects on the financial statements of applying this guidance to the portfolio would not differ materially from applying this guidance to the individual contracts with the same contract provisions.
- ***Identifying Performance Obligation***
The Parent Company identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the Parent Company's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract. The Parent Company delivers the best quality produce by exporting and locally distributing all kinds of fruits and vegetables and other agro products but its main products are banana, mango, and coconut water. The Parent Company determined that the delivered various agro products are capable of being distinct and therefore considered as separate performance obligations.
- ***Determining the Classification of Leases - The Company as a Lessor***
The Company classifies leases in accordance with the substance of the contractual agreement and the transfer of the risks and benefits incidental to the ownership of the leased property. Leases, where management has determined that the risks and rewards related to the leased property are transferred to the Company, are classified as finance leases. On the other hand, leases entered into by the Company, where management has determined that the risks and rewards of the leased property are retained with the lessor, are accounted for as operating leases.

The Company entered into an operating lease agreement as a lessor. As a lessor, the Company has determined that it retains substantially all the risks and rewards of ownership of the assets being leased out under operating lease agreements.

Rental income from lease of properties amounted to P1,228,069 and P1,155,469 in 2022 and 2021, respectively, as disclosed in Note 22.

- ***Assessment of Principal-Agency Arrangement***
When another party is involved in providing goods or services to a customer, the Parent Company shall determine whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e., the entity is a principal) or to arrange for the other party to provide those goods or services (i.e., the entity is an agent).

In 2022 and 2021, the Parent Company assessed that it is acting as a principal and recognized commission expense from agency relationship amounting to P11,594,982 and P10,020,207, respectively, as disclosed in Note 18.

- *Assessment of Joint Control*
 Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. An entity has a control when it is exposed, or has rights to variable returns from involvement with the arrangement and has the ability to affect those returns through their power over the arrangement.

In both years, Management assessed that the contractual arrangement with a third party and the landowners he represents gives both parties joint control since decision about the relevant activities requires the unanimous consent of both parties sharing control.
- *Classification of Joint Arrangement as a Joint Venture*
 The joint arrangement is classified into joint operations and joint ventures. The joint operations are a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement while the joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The joint arrangement agreed by the Parent Company and a third party and the landowners he represents was mutually classified by both parties as a joint venture.

Management believes that a joint venture arrangement will maintain the parties' rights to net assets.
- *Assessment of 30 days Rebuttable Presumption*
 The Parent Company determines when a significant increase in credit risk occurs on its financial assets based on the credit Management practice of the Parent Company. Management believes that the 30 days rebuttable presumption on determining whether there is a significant increase in credit risk in financial assets is not applicable because based on the Company's historical experience, credit risk has not increased significantly even the amounts are past due for more than 30 days.
- *Assessment of 90 days Rebuttable Presumption*
 The Company determines when a default occurs on its financial assets based on the credit Management practice of the Parent Company. Management believes that the 90 days rebuttable presumption on determining whether financial assets are credit impaired is not applicable because based on the Parent Company's historical experience and aging schedules, past due amounts even over 90 days are still collectible.
- *Determining whether or not a Contract Contains a Lease*
 Management assessed that the lease of machinery, transportation equipment qualified as a lease since each contract contains an identified asset, the Parent Company has the right to obtain substantially all of the economic benefits, and the Parent Company has the right to direct the use of the identified asset throughout the period of use.
- *Determining whether or not it is Reasonably Certain that an Extension Option will be Exercised and Termination Option will not be Exercised*
 Lease term is the non-cancellable period for which the Parent Company has the right to use an Lease term is the non-cancellable period for which the Parent Company has the right to use an underlying asset including optional periods when the Parent Company is reasonably certain to exercise an option to extend (or not to terminate) a lease. The Company considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option when determining the lease term and the enforceability of the option. The option to extend the lease term should be included in the lease term if it is reasonably certain that the lessee will exercise the option and the option is enforceable. The Group is required to reassess the option when significant events or changes in circumstances occur that are within the control of the lessee.

For lease contracts entered into in both years, most are renewable by mutual agreement, except for contracts which does not contain a provision on renewal option. Management assessed that these lease contracts cannot be extended beyond the non-cancelable lease period since such are not enforceable under the Philippine law.

In both years, the Management used the lease term of four (4) to seven (7) years in the computation of right-of-use-assets and lease liabilities.

- *Assessment of Provision and Contingency*
Judgement is exercised by Management to distinguish between provisions and contingencies. Policies on recognition of provision and contingencies are discussed in Note 4.17 and disclosure on relevant provisions and contingencies are presented in Note 7.

Estimates

The key assumptions concerning the future and other sources of estimation uncertainty at the end of financial reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in below and in the succeeding pages:

- *Estimation of Allowance for Impairment of Financial Assets*
The Parent Company applies general approach for determining the expected credit losses of cash in banks, nontrade receivables, due from related parties and stockholders, and guaranty deposit. A credit loss is the difference between the cash flows that are expected to be received discounted at the original effective interest rate and contractual cash flows in accordance with the contract. The loss allowance for financial assets is based on the assumptions about risk of default and expected loss rates.

No allowance for impairment of cash in banks and guaranty deposit was recognized at December 31, 2022 and 2021.

In 2021, the Management decided to reverse the total amount of allowance recognized on other receivables since this is guaranteed by a stockholder. Allowance for impairment loss recognized on due from related parties amounted to P5,317,809 as at December 31, 2022 and 2021 (see Note 20).

The Company applies the PFRS 9 simplified approach in trade receivables to measure ECL which uses a lifetime expected loss allowance for all receivables and financial asset at amortized costs. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Detailed information regarding the Company's impairment of financial assets is discussed in Note 26.

Allowance for impairment losses on trade receivables as at December 31, 2022 and 2021 amounted P26,169,178 (see Note 7).

- *Estimation of Net Realizable Value of Inventories*
The Parent Company determines the net realizable value of inventories annually in accordance with the accounting policy stated herein. In determining the net realizable value, the Parent Company considers the current selling price of the product and the estimated cost to sell.

As of December 31, 2022 and 2021, inventories amounted to P45,506,258 and P52,337,732, respectively, as disclosed in Note 8.

- *Estimation of Allowance for Inventory Obsolescence*

Provision is established based on specific identification of slow-moving, damaged and obsolete inventories and charged to operations. In case there is write-off or disposal of slow-moving items during the year, a reduction in the allowance for obsolescence is made. Any increase in allowance for obsolescence would increase operating expenses and decrease inventory. An item that is determined to have zero recoverable value is written-off to expense.

In both years, Management believes the net realizable value of inventories approximate their costs, thus, no allowance for decline in value was recognized. As of December 31, 2022 and 2021, inventories amounted to P45,506,258 and P52,337,732, respectively, as disclosed in Note 8.

- *Fair Value of Biological Assets*

The Parent Company has adopted the fair value approach in determining the carrying value of its biological assets. The Parent Company determines its fair value based on recent prices of similar assets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices. The amounts and timing of recorded changes in fair value for any period would differ if the Company made different judgments and estimates or utilized different basis for determining fair value.

The fair value of biological assets was derived using the market approach.

As of December 31, 2022 and 2021, the carrying amounts of biological assets amounted to P49,488,553 and P41,845,128, respectively, as disclosed in Note 13.

- *Estimating Useful Lives of ROU Assets, Property and Equipment and Computer Software*

Useful lives of ROU assets, property and equipment and computer software are estimated based on the period over which these assets are expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and 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 asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. Any reduction in the estimated useful lives of property and equipment would increase the Parent Company's recorded operating expenses and decrease on the related asset accounts.

Based on management's assessment, there were no significant changes in the estimated useful lives of these assets in 2022 and 2021.

As of December 31, 2022 and 2021, the carrying amounts of the Company's ROU assets, depreciable property and equipment and computer software amounted to P164,011,122 and P199,939,944, respectively, as disclosed in Notes 11, 12 and 22.

- *Estimating Impairment Losses on Property and Equipment*

The Parent Company assesses impairment on property and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Parent Company considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

These assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss would be recognized whenever evidence exists that the carrying value is not recoverable. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Parent Company is required to make estimates and assumptions that can materially affect the financial statements.

An impairment loss is recognized and charged to earnings if the discounted expected future cash flows are less than the carrying amount. Fair value is estimated by discounting the expected future cash flows using a discount factor that reflects the market rate for a term consistent with the period of expected cash flows.

No impairment loss on property and equipment were recognized in 2022 and 2021. As of December 31, 2022 and 2021, the carrying amounts of property and equipment amounted to P256,748,892 and P272,810,381, respectively, as disclosed in Note 11.

- *Estimation of Impairment on Investment in a Subsidiary*

The Parent Company determines at the end of each reporting period whether there is any objective evidence that the investment in a subsidiary is impaired. If this is the case, the Parent Company calculates the amount of impairment being the difference between the fair value of the investment and the acquisition cost and recognizes the amount in the Parent Company's profit or loss.

As of December 31, 2022 and 2021, the carrying amounts of investment in subsidiaries amounted to P1,037,137,690, respectively, as disclosed in Note 10.

- *Evaluation of Impairment of other Nonfinancial Assets*

Impairment review is performed on advances to employees presented under "trade and other receivables", prepayments and other current assets (except guaranty deposit), deposits and investments, ROU assets, and computer software when certain impairment indicators are present.

Determining the value of the assets requires estimation of future cash flows expected to be generated from the continued use and ultimate disposition of such assets and requires the Parent Company to make estimates and assumptions that can materially affect the Parent Company's financial statements. Future events could cause the Parent Company to conclude that the assets are impaired. Any resulting impairment loss could have a material adverse impact on the Parent Company's financial condition and results of operations. Any increase in allowance for impairment would increase the Parent Company's operating expense and decrease the related asset.

No allowance for impairment is provided as at December 31, 2022 and 2021 as Management has not identified any indicators of impairment.

As of December 31, 2022 and 2021, the carrying amounts of aforementioned assets amounted to P837,878,494 and P850,530,854, respectively, as disclosed in Notes 7, 9, 12, 14 and 22.

- *Estimating of Retirement and Other Benefits*

The determination of the Parent Company's obligation and cost for pension and other retirement benefits is dependent on management's selection of certain assumptions used by actuaries in calculating such amounts. The assumptions for pension costs and other retirement benefits are described in Note 21, and include among others, discount and salary increase rates. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the Parent Company's recognized expense and recorded obligation in such future periods. While Management believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in Management assumptions may materially affect the Parent Company's pension and other retirement obligations.

The Parent Company also estimates other employee benefits obligation and expense, including the cost of paid leaves based on historical leave availments of employees, subject to the Parent Company's policy. These estimates may vary depending on the future changes in salaries and actual experiences during the year.

Retirement benefits expense charged in the statements of comprehensive income amounted to P2,688,397 and P2,403,177 for the years ended December 31, 2022 and 2021, respectively, as disclosed in Notes 19 and 21. Retirement benefit liability amounted to P15,571,842 and P13,000,884 as of December 31, 2022 and 2021, respectively, as disclosed in Note 21. Remeasurement gain and loss, net of related tax, as of December 31, 2022 and 2021, amounted to P853,655 and P3,694,004, respectively, as disclosed in Notes 21 and 23.

Key assumptions and additional information are shown in Note 21.

- *Estimating of Deferred Tax Assets and Deferred Tax Liabilities*

Deferred income tax assets are recognized for all deductible differences to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences can be utilized. Significant management judgment is required to determine the amount of deferred income tax asset that can be recognized, based upon the likely timing and level of future taxable profit together with future tax planning strategies. Deferred tax liability is also reviewed at end of financial reporting period to determine if this will eventually result to actual liability. Any changes in estimate would increase or decrease the amount recognized as deferred tax assets or liabilities and amount recognized in profit or loss or other comprehensive income.

In 2021, no deferred tax asset was recognized in the Parent Company's financial statements as Management believes that these could not be utilized prior to its expiration. However, in 2022, the Management assess that the Parent Company will be able to generate sufficient taxable profit to utilize the deferred tax assets due to the recent developments to continuous business expansion, as disclosed in Note 1.

As of December 31, 2022 and 2021, the carrying amounts of recognized deferred tax assets amounted to P11,764,707 and nil, respectively, as disclosed in Note 23.

- *Estimating Contingencies*

The Parent Company has contingent liabilities which are either pending decision by the courts or being contested, the outcome of which is not presently determinable. In the opinion of management and its legal counsel, the eventual liability under these claims, if any, will not have material or adverse effect on the financial statements. The information usually required by PAS 37, Provisions, Contingent Liabilities and Contingent Assets, is not disclosed on the grounds that it can be expected to prejudice the outcome or the Parent Company's position with respect to these matters.

No provision for contingent liabilities is recognized in 2022 and 2021.

- *Fair Value of Property and Equipment*

The valuation has been carried out on January 6, 2021, in accordance with the Santos Knight Frank, Inc. incorporating the International Valuation Standards of the International Valuation Standards Council (IVSC), and the Philippine Valuation Standards (PVS). In valuing the land Market Approach was used which is the most common technique for valuing land, and is the most preferred method when comparable sales are available. With this method, sales of similar property or parcels of land are analyzed, compared, and adjusted to provide a value indication for the property being appraised. The comparison process is based on an analysis of the similarity or dissimilarity of the comparable. Cost Approach was used for the improvements while a combination of the Market and Cost Approach was used for the machinery and equipment. The Cost Approach generally involves the following steps: (a) The value of the subject land is normally estimated by the Market Data or Sales Comparison Approach. In instances where available market data is sufficient, the Income Approach (Residual Method) can be used, (b) The depreciated cost of the subject improvement is estimated by calculating the direct cost of reproducing or replacing the improvement, deducting accrued depreciation from all sources, and adding the indirect costs attributed to the improvement. Combining the estimates shown above results in the indicated value of the subject property by the Cost Approach.

As of December 31, 2022 and 2021, the carrying amounts of property and equipment at revalued amount are P256,748,892 and P272,810,381, respectively, as disclosed in Note 11.

6. Cash

This account consists of:

		2022		2021
Cash on hand	P	135,000	P	30,132,418
Cash in banks		60,913,892		15,889,706
	P	61,048,892	P	46,022,124

Cash in banks earn interest at the prevailing bank deposit rates of less than 1% annually. This includes check on hand undeposited as at year-end. Interest income earned from cash in banks, net of final taxes withheld, amounted to P11,920 and P21,787 in 2022 and 2021, respectively.

The Parent Company has cash in banks denominated in foreign currency which are translated at December 31, 2022 and 2021 closing rates. In 2022 and 2021, unrealized foreign exchange gain amounted to P102,943 and P3,590, respectively, as disclosed in Note 26.

7. Trade and Other Receivables – net

This account consists of:

		2022		2021
Trade (Note 17)				
Third parties	P	302,565,835	P	264,568,007
Related party (Note 20)		6,803,378		14,929,895
Advances to employees		35,774,212		36,441,299
Others		67,694,329		69,822,693
		412,837,754		385,761,894
Less allowance for impairment losses:				
Trade (Note 17)		26,169,178		26,169,178
	P	386,668,576	P	359,592,716

Trade receivables are noninterest-bearing and are generally settled through cash collections or application of customer's deposit which are collectible on 15-day to 30-day terms.

Advances to employees pertain to noninterest-bearing cash advances which are subject to liquidation.

Other receivables include noninterest-bearing receivables from sale of scraps and rejected products by supermarkets, which are sold to the wet market at a lower price and generally collectible on 15-day to 30-day terms. It also includes receivable from a third-party amounting to P64,655,714 which is included in an ongoing criminal action initiated by M2000 IMEX Company, Inc., a fully owned subsidiary of the Parent Company, to recover the said receivable among others. The amount is guaranteed by a stockholder in the event of an adverse result of the ongoing case. In the resolution dated January 29, 2021, the Office of the City of Prosecutor of Makati finds and sufficient ground to engender a well-founded belief that the crime of Estafa under Article 315, paragraph 2 (a) was committed by respondent Emmanuel V. Duenas. The Parent Company provided allowance for impairment amounting to P32,316,857 as of December 31, 2020. In 2021, the Management decided to reverse the allowance for impairment since the amount is guaranteed by a stockholder.

The Parent Company has trade receivables denominated in foreign currency which are translated at December 31, 2022 and 2021 closing rates (see Note 26).

Movements in the allowance for impairment losses of receivables are as follows:

		2022		2021
Balance at beginning of year	P	26,169,178	P	95,036,930
Reversal of impairment		-		(68,867,752)
Balance at the end of year	P	26,169,178	P	26,169,178

None of the Parent Company's receivables were pledged to any of its liabilities.

8. Inventories

This account consists of:

		2022		2021
Packaging materials and other supplies	P	32,153,100	P	23,897,635
Beverages		8,626,610		22,458,893
Fruits and vegetables		4,160,922		5,298,812
Vegan products		565,626		682,392
	P	45,506,258	P	52,337,732

The cost of inventories recognized as part of "Cost of Sales" in profit or loss amounted to P1,310,468,167 and P1,703,669,638, in 2022 and 2021, respectively. (see Note 18).

The carrying amounts of the total inventories as at December 31, 2022 and 2021 approximate their NRVs.

There were no purchase commitments, accrued net losses and provisions for impairment losses on inventories in 2022 and 2021. Also, none of the Parent Company's inventories were used as collateral to any of its liabilities.

The Parent Company's inventories are expected to be recovered within twelve (12) months from the reporting dates.

9. Prepayments and Other Current Assets

This account consists of:

		2022		2021
Prepaid expenses	P	519,203	P	161,146
Input VAT – net		118,948,632		113,839,740
Guaranty deposit (Note 22)		6,775,643		6,731,000
Deposits to suppliers		3,161,815		1,409,985
	P	129,405,293	P	122,141,871

Prepaid expenses include vehicles and equipment insurance, rental and IT services.

Input VAT arises from purchase of goods and services. Purchase of goods include packaging and other supplies while purchase of services include but not limited to tolling and professional fees and other contracted services.

Guaranty deposit pertains to refundable deposit made in connection with the finance lease with a leasing company which already ended as at December 31, 2020. The guaranty deposit is yet to be refunded as of the reporting periods.

Deposits to suppliers are advance payment for future delivery of goods and services.

10. Investment in Subsidiaries – net

The details of the costs of investment in subsidiaries are as follow:

		2022		2021
BCH	P	753,775,000	P	753,775,000
ZFT		338,820,706		338,820,706
TBC		264,210,000		264,210,000
ANI HK		254,039,701		254,039,701
FCAC		175,519,790		175,519,790
IMEX		89,050,000		89,050,000
FI		58,576,016		58,576,016
FFCI		5,510,000		5,510,000
Total		1,939,501,213		1,939,501,213
Less allowance for impairment		902,363,523		902,363,523
	P	1,037,137,690	P	1,037,137,690

The Parent Company has various investments in companies that are engaged in trading of agricultural goods, export and other related industries. Its direct investments and their respective principal place and nature of business and percentages (%) of ownership and control are as follows:

	Principal place of business	Nature of business	2022	2021
BCH	Philippines	Farm management	100%	100%
ANI HK	Hongkong	Holding	100%	100%
FCAC	Philippines	Trading of agricultural goods	100%	100%
IMEX	Philippines	Manufacturing and export of agricultural goods	100%	100%
FI	Philippines	Manufacturing/ processing/ trading frozen agricultural products	100%	100%
TBC	Philippines	Food and beverage retailing and franchising	80 %	80%
FFCI	Philippines	Trading merchandise and farming	51%	51%
ZFT	China	Agri commodities trading with investment in real estate development	51%	51%

Allowance for impairment losses follow:

		2022		2021
BCH	P	753,775,000	P	753,775,000
ANI HK		148,588,523		148,588,523
Balances at end of year	P	902,363,523	P	902,363,523

11. Property and Equipment – net

The rollforward analysis of this account follows:

	Land	Building	Store and warehouse equipment	Delivery and transportation equipment	Machinery and equipment	Office furniture and fixtures	Leasehold improvement	Total
January 1, 2021								
Cost	P 122,875,830	P 73,494,227	P 10,461,637	P 9,993,734	P 68,644,115	P 10,882,757	P 7,679,365	P 304,031,665
Revaluation surplus	29,124,170	-	-	-	-	-	-	29,124,170
Appraised value	152,000,000	73,494,227	10,461,637	9,993,734	68,644,115	10,882,757	7,679,365	333,155,835
Accumulated depreciation - cost	-	(23,698,883)	(7,214,150)	(8,495,547)	(50,690,707)	(9,035,849)	(7,373,865)	(106,509,001)
Carrying amount	152,000,000	49,795,344	3,247,487	1,498,187	17,953,408	1,846,908	305,500	226,646,834
Movements during 2021								
Balance, January 1, 2021	152,000,000	49,795,344	3,247,487	1,498,187	17,953,408	1,846,908	305,500	226,646,834
Additions	-	-	194,696	146,605	19,643	349,714	159,165	869,823
Gain on revaluation surplus	-	42,901,145	2,797,878	1,290,761	15,467,747	1,591,203	263,196	64,311,930
Disposal	-	-	-	-	-	-	(283,700)	(283,700)
Depreciation	-	(2,391,279)	(864,693)	(840,852)	(5,720,479)	(897,300)	(3,530)	(10,720,133)
Cost	-	(1,100,029)	(279,788)	(860,507)	(5,155,916)	(530,401)	(87,732)	(8,014,373)
Revaluation surplus	-	(1,100,029)	(279,788)	(860,507)	(5,155,916)	(530,401)	(87,732)	(8,014,373)
Balance, December 31, 2021	152,000,000	89,205,181	5,093,580	1,234,194	22,564,403	2,360,124	352,899	272,810,381
December 31, 2021								
Cost	122,875,830	73,494,227	10,656,333	10,140,339	68,663,758	11,232,471	7,554,830	304,617,788
Revaluation surplus	29,124,170	42,901,145	2,797,878	1,290,761	15,467,747	1,591,203	263,196	93,436,100
Appraised value	152,000,000	116,395,372	13,454,211	11,431,100	84,131,505	12,823,674	7,818,026	398,053,888
Accumulated depreciation	-	(26,090,162)	(8,080,843)	(9,336,399)	(56,411,186)	(9,933,149)	(7,377,395)	(117,229,134)
Cost	-	(1,100,029)	(279,788)	(860,507)	(5,155,916)	(530,401)	(87,732)	(8,014,373)
Revaluation surplus	-	(1,100,029)	(279,788)	(860,507)	(5,155,916)	(530,401)	(87,732)	(8,014,373)
Carrying amount	P 152,000,000	P 89,205,181	P 5,093,580	P 1,234,194	P 22,564,403	P 2,360,124	P 352,899	P 272,810,381

[Balance Forwarded]

[Continued]

	Land	Building	Store and warehouse equipment	Delivery and transportation equipment	Machinery and equipment	Office furniture and fixtures	Leasehold improvement	Total
Movements during 2022								
Balance, January 1, 2022	P 152,000,000	P 89,205,181	P 5,093,580	P 1,234,194	P 22,564,403	P 2,360,124	P 352,899	P 272,810,381
Additions	-	-	781,240	71,339	-	506,160	446,880	1,805,619
Depreciation	-	(2,391,279)	(909,642)	(456,941)	(5,684,666)	(779,159)	(61,301)	(10,282,988)
Cost	-	(1,100,029)	(279,788)	(430,254)	(5,155,916)	(530,401)	(87,732)	(7,584,120)
Revaluation surplus	-	-	(279,788)	-	-	-	-	-
Balance, December 31, 2022	152,000,000	85,713,873	4,685,390	418,338	11,723,821	1,556,724	650,746	256,748,892
December 31, 2022								
Cost	122,875,830	73,494,227	11,437,573	10,211,678	68,663,758	11,738,631	8,001,710	306,423,407
Revaluation surplus	29,124,170	42,901,145	2,797,878	1,290,761	15,467,747	1,591,203	263,196	93,436,100
Appraised value	152,000,000	116,395,372	14,235,451	11,502,439	84,131,505	13,329,834	8,264,906	399,859,507
Accumulated depreciation	-	(28,481,441)	(8,990,485)	(9,793,340)	(62,095,852)	(10,712,308)	(7,438,696)	(127,512,122)
Cost	-	(2,200,058)	(559,576)	(1,290,761)	(10,311,832)	(1,060,802)	(175,464)	(15,598,493)
Revaluation surplus	-	-	-	-	-	-	-	-
Carrying amount	P 152,000,000	P 85,713,873	P 4,685,390	P 418,338	P 11,723,821	P 1,556,724	P 650,746	P 256,748,892

Land and building located in Pulilan, Bulacan with carrying value of P237,713,873 and P241,205,181 as at December 31, 2022 and 2021, respectively, are used as collateral for the long-term liabilities (see Note 16).

As at December 31, 2021, the Parent Company's property and equipment were measured at revalued amount based on the valuation report dated January 6, 2021. The fair value of the Parent Company's land has been determined by independent firm of appraisers accredited by SEC. The valuation has been carried out by Santos Knight Frank, Inc. incorporating the International Valuation Standards of the International Valuation Standards Council (IVSC), and the Philippine Valuation Standards (PVS). In valuing the land Market Approach was used which is the most common technique for valuing land, and is the most preferred method when comparable sales are available. With this method, sales of similar property or parcels of land are analyzed, compared, and adjusted to provide a value indication for the property being appraised. The comparison process is based on an analysis of the similarity or dissimilarity of the comparable. Cost Approach was used for the improvements while a combination of the Market and Cost Approach was used for the machinery and equipment.

The Cost Approach generally involves the following steps: (a) The value of the subject land is normally estimated by the Market Data or Sales Comparison Approach. In instances where available market data is sufficient, the Income Approach (Residual Method) can be used, (b) The depreciated cost of the subject improvement is estimated by calculating the direct cost of reproducing or replacing the improvement, deducting accrued depreciation from all sources, and adding the indirect costs attributed to the improvement. Combining the estimates shown above results in the indicated value of the subject property by the Cost Approach.

All additions to property and equipment in 2022 and 2021 were paid in cash.

The Parent Company's commitment to acquire property is discussed in Note 14.

Depreciation of property and equipment were charged to the following:

	2022	2021
Cost of sales (Note 18)	P 13,404,969	P 14,052,350
General and administrative expenses (Note 19)	4,462,139	4,682,156
	P 17,867,108	P 18,734,506

If the property and equipment carried at revalued amounts were measured using cost model, its cost and carrying amount would have been the following:

	2022	2021
Land	P 122,875,830	P 122,875,830
Building	45,012,786	47,404,065
Store and warehouse equipment	2,447,088	2,575,490
Delivery and transportation equipment	418,338	803,940
Machinery and equipment	6,567,906	12,252,572
Office furniture and fixtures	1,026,323	1,299,322
Leasehold improvement	563,014	177,435
	P 178,911,285	P 187,388,654

The Parent Company's management had reviewed the carrying values of property and equipment as at December 31, 2022 and 2021 for any impairment. Based on the evaluation, there are no indications that the property and equipment might be impaired.

12. Computer Software – net

The rollforward analysis of this account follows:

	2022	2021
Cost:		
Balance at beginning of year	P 2,315,737	P 2,315,737
Additions during the year	23,036	-
Balance at end of year	2,338,773	2,315,737
Accumulated amortization		
Balance at beginning of year	2,312,633	2,310,672
Amortization during the year	6,184	1,961
Balance at the end of year	2,318,817	2,312,633
Net carrying value	P 19,956	P 3,104

Amortization of computer software is recognized under "General and administrative expenses" account in profit or loss (see Note 19).

The Parent Company has no contractual commitment to purchase computer software.

The computer software was not pledged as collateral to any of the Parent Company's debt.

The remaining useful life of the computer software is 0.6 years and 1.6 years as of December 31, 2022 and 2021, respectively.

The carrying value of computer software is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. No impairment loss is recognized in 2022 and 2021.

13. Biological Assets

Consumable biological asset includes corns located in Bansalan, Davao del Sur with carrying amount of P49,488,553 and P41,845,128 as of December 31, 2022 and 2021, respectively, these are matured plants and are to be harvested as agricultural produce.

The movements in the carrying amounts of the biological assets are shown below:

Year incurred		2022		2021
Balance, January	P	41,845,128	P	-
Increases due to purchases		-		30,000,000
Gain arising from changes in fair value less costs to sell		7,643,425		11,845,128
Balance, December 31	P	49,488,553	P	41,845,128

14. Deposits and Investments

This account consists of:

		2022		2021
Deposit for land acquisition (Note 14.01)	P	508,700,000	P	508,700,000
Deposit for business acquisitions (Note 14.02)		107,444,301		106,781,020
Advances to producers (Note 14.03)		4,068,101		4,068,101
	P	620,212,402	P	619,549,121

Details of deposits and investments are as follows:

14.01 Deposit for Land Acquisition

On December 28, 2018, the Parent Company and a third-party individual entered into an agreement to form a joint venture to develop a property located in Taytay Rizal. Relative to this, the Parent Company made a deposit amounting to P300,000,000 to acquire a portion of the 859 hectares, or a corresponding portion thereof, of titled and untitled parcels of land.

In 2019, the Parent Company made additional deposit amounting to P208,700,000 which was advanced by one of its stockholders. The parties are in the process of executing the projects under the Joint Venture Agreement. The joint venture shall include but not limited to the formation of the following: Phase 1 - Transportation Hub, Phase 2 - Food Terminal and Phase Property Development Corporation. As of reporting period, the masterplan for the design of the food terminal were already completed.

As of December 31, 2022 and 2021, deposit for land acquisition amounted to P508,700,000.

14.02 Deposit for Business Acquisitions

14.02.01 Freshness First Pty Ltd.

On December 28, 2018, the Parent Company made a deposit amounting to AUD172,000 or P6,349,435 to acquire existing business operation in Australia.

In 2021, the Parent Company made additional deposit amounting to AUD563,866 or P20,824,104.

This deposit was translated at December 31, 2022 and 2021 closing rates. Unrealized foreign exchange gain amounted to P663,281 and P69,849 in 2021 (see Note 26).

As of reporting period, the investment to Freshness First Pty. Ltd. was still undergoing finalization of legal documents.

As of December 31, 2022 and 2021, deposit amounted to P27,817,501 and P27,154,220, respectively.

14.02.02 Plentex Philippines, Inc.

On December 20, 2019 and September 9, 2020, the BOD and the shareholders of the Parent Company, respectively, have approved the issuance of shares to Plentex Philippines, Inc. (Plentex). Plentex has subscribed for 6,172,800 shares and the Parent Company has agreed to issue the same at a value of P18 per share which is to be paid through the issuance of 30,000,000 shares of Plentex Limited.

Plentex is a Philippine Corporation that is developing a substantial large scale agri-business center in Tacloban, Leyte. Plentex is a subsidiary of Plentex Limited, unlisted Australian public company in Victoria, Australia.

The subscription agreements have no definite timeline and are based on the mutual agreement of both parties.

In 2021, the first batch of the issuance of shares pertaining to the subscription agreement with Plentex Philippines, Inc. were made resulting to an increase in subscribed and paid-up capital amounting to P2,057,600 and additional paid-in capital amounting P34,979,199, as disclosed in Note 24.

As of December 31, 2022 and 2021, deposit amounted to P73,376,800.

14.02.03 Agricultural Bank of the Philippines, Inc.

On June 13, 2018, the Parent Company made a deposit amounting to P6,250,000 to a local bank to acquire 2,500,000 common shares of another company representing 12.5% ownership. The said investment is still for approval of SEC and Bangko Sentral ng Pilipinas (BSP). As of reporting period, the investment was already approved by the BSP, however still pending approval from the SEC.

As of December 31, 2022 and 2021, deposit amounted to P6,250,000.

14.03 Advances to Producers

In 2020, the Parent Company has agreements with various owners of mango farm lots to provide farm inputs in the growing mangoes such as fertilizers and pesticides, in exchange for share in the produce. Advances as of December 31, 2022 and 2021 amounted to P4,068,101.

15. Trade and Other Payables

This account consists of:

		2022		2021
Trade payables	P	66,362,697	P	37,784,985
Nontrade payables		8,125,514		8,847,063
Customers' deposit (Note 17)		12,692,067		22,152,014
Accrued expenses		8,696,164		2,235,780
Government payables		1,859,755		1,123,723
Refundable deposit (Note 22)		121,511		121,511
	P	97,857,708	P	72,265,076

Trade payables are noninterest-bearing and are generally settled within 30 days after invoice date.

Non-trade payables arise from delivery, marketing and other expense of the Company.

Customers' deposit pertains to advanced payments of customers for goods to be purchased.

Accrued expenses include accrual of interest amounting to P3,167,840 and P849,129, as of December 31, 2022 and 2021, respectively, as disclosed in Note 16, association dues, security services, salaries and wages and professional fees.

Government payables include payables for expanded withholding taxes, withholding taxes on compensation, final taxes, SSS, PhilHealth and HDMF payables which are paid within twelve months from the end of the reporting period.

Refundable deposit is received from lessee of the Parent Company refundable upon end of lease term.

All other payables are noninterest-bearing.

16. Borrowings

Details of this account are as follow:

		2022		2021
Long-term (Note 16.01)				
Bank 1 (Note 16.01.01)	P	29,053,571	P	104,267,857
Bank 2 (Note 16.01.02)		-		6,214,574
		29,053,571		110,482,431
Less: noncurrent portion		-		29,053,571
Current portion	P	29,053,571	P	81,428,860
Short-term (Note 16.02)				
Bank 3 (Note 16.02.01)	P	290,942,137	P	392,200,000
Bank 4 (Note 16.02.02)		231,600,000		255,600,000
Bank 5 (Note 16.02.03)		110,000,000		197,000,000
Bank 6 (Note 16.02.04)		99,959,000		-
Bank 7 (Note 16.02.05)		50,000,000		-
	P	782,501,137	P	844,800,000

The rollforward analysis of borrowings follows:

	2022	2021
Balance at beginning of the year	P 955,282,431	P 774,929,683
Availments during the year	187,300,000	334,600,000
Payments during the year	(331,027,723)	(154,247,252)
Balance at end of year	P 811,554,708	P 955,282,431

In 2022 and 2021, foreign exchange adjustment pertains to realized foreign exchange loss amounting to nil and P138,555 arising from the settlement of foreign currency loan.

16.01 Long-term Borrowings

16.01.01 Bank 1

The Parent Company has various loans, which pertain to its Short-term Loan Line (STLL), Export Packing Credit Line (EPCL), Trust Receipt Lines (TR Lines) and other bank loans that are currently maturing as of the end of the reporting period. The loans bear interest rate of 6.91% per annum, with the interest payable on a monthly basis.

The loans are secured by an existing real estate mortgage over its land and building located in Pulilan, Bulacan. The aggregate amount of net book values of the land and building mortgage amounted to P237,713,873, and P241,205,181 as at December 31, 2022 and 2021, respectively (see Note 11).

16.01.02 Bank 2

The Parent Company has a current loan facility with loan bearing interest rate of 8.0% per annum, with interest payable on a monthly basis. The loan has a term of 32 months, and is payable via 24 monthly amortization of principal and interest, payable from January 2016 to December 2017, inclusive of a grace period of 8 months on the payment of the principal from May 2015 to December 2015. On June 30, 2017 the loan was restructured and has a remaining term of 60 months, principal payable every month starting October 2017. The loan is secured by pledge on shares of stocks of the Parent Company and continuing suretyship with a stockholder. The loan was fully paid in 2021.

16.02 Short-term Borrowings

16.02.01 Bank 3

In both years, the Parent Company availed various short-term, unsecured loans, bearing an interest rate of 8.50% per annum, with the interest payable on a monthly basis. The loan is to be repriced every 30 to 180 days upon mutual agreement of both parties.

16.02.02 Bank 4

In both years, the Parent Company availed unsecured, short-term loans with interest rate of 7.75% per annum, payable in three (3) months.

16.02.03 Bank 5

In both years, the Parent Company availed unsecured, short-term loans with interest rate ranging from 8.25% to 8.50% per annum, payable in six (6) months.

16.02.04 Bank 6

In 2022, the Parent Company availed unsecured, short-term loans with interest rate of 6.50% per annum, payable in six (6) months.

16.02.05 Bank 7

In 2022, the Parent Company availed unsecured, short-term loans with interest rate of 6.80% per annum, payable in six (6) months.

Finance cost incurred on the above borrowings is as follows:

		2022		2021
Long-term borrowings	P	51,493,767	P	13,050,437
Short-term borrowings		5,816,538		28,037,115
	P	57,310,305	P	41,087,552

Movements of accrued interest as disclosed in Note 15 are as follows:

		2022		2021
Accrued interest, beginning	P	849,129	P	3,027,814
Interest incurred		57,310,305		41,087,552
Interest paid		(54,991,594)		(43,266,237)
Accrued interest, ending	P	3,167,840	P	849,129

The maturity profile for the Parent Company's borrowings as at December 31, 2022 and 2021 is as follows:

Maturity Profile		2022		2021
Due within one (1) year	P	811,554,708	P	926,228,860
Due beyond one (1) year but not more than five (5) years		-		29,053,571
	P	811,554,708	P	955,282,431

The borrower does not require any ratios and threshold to be maintained by the Parent Company.

The Parent Company is in compliance with terms and conditions of the borrowings in both years.

17. Revenue

The table shows the analysis of revenues of the Parent Company by major sources for the years ended December 31, 2022 and 2021:

Category	2022		
	Export	Local	Total
Geographical			
China	P 1,236,487,751	P -	P 1,236,487,751
Philippines	-	200,571,204	200,571,204
HongKong	23,560,421	-	23,560,421
USA	18,800,837	-	18,800,837
Macau	5,240,775	-	5,240,775
Japan	1,009,398	-	1,009,398
Middle east	983,553	-	983,553
Canada	53,951	-	53,951
Hawaii	4,560	-	4,560
Total	1,286,141,246	200,571,204	1,486,712,450
Major Goods/Services Line			
Banana	1,205,866,447	-	1,205,866,447
Fruits and vegetables	870,815	139,394,012	140,264,827
Frozen and puree	60,431,898	508,165	60,940,063
Rice	-	50,080,000	50,080,000
Coco water	18,972,086	3,694,770	22,666,856
Sales commission	-	6,340,836	6,340,836
Vegan	-	293,719	293,719
Scrap	-	10,837	10,837
Others	-	248,865	248,865
Total	P 1,286,141,246	P 200,571,204	P 1,486,712,450

Category	2021		
	Export	Local	Total
Geographical			
China	P 1,477,259,805	P -	P 1,477,259,805
Philippines	-	326,378,948	326,378,948
Hong Kong	5,430,718	-	5,430,718
Middle east	3,021,474	-	3,021,474
Others	64,921,969	-	64,921,969
Total	1,550,633,966	326,378,948	1,877,012,914
Major Goods/Services Line			
Banana	1,441,095,650	-	1,441,095,650
Rice	-	200,000,000	200,000,000
Fruits and vegetables	2,558,710	116,366,579	118,925,289
Coco water	63,168,434	2,696,914	65,865,348
Others frozen/puree	42,064,470	-	42,064,470
Mango	1,746,702	152,980	1,899,682
Scrap	-	158,482	158,482
Vegan	-	87,504	87,504
Sales commission	-	6,916,489	6,916,489
Total	P 1,550,633,966	P 326,378,948	P 1,877,012,914

Performance Obligations

The Parent Company delivers the best quality produce by exporting and locally distributing all kinds of fresh produce fruits and vegetables and other agri-products such as banana, mango and coconut water. The performance obligation of the Parent Company is satisfied at a point in time upon delivery and sale of the goods.

Contract Balances

	2022	2021
Trade receivables (see Note 7)		
Export	P 261,624,667	P 210,031,406
Local	21,575,368	43,297,318
	P 283,200,035	P 253,328,724
Customers' deposit (see Note 15)		
Export	P 12,692,067	P 22,152,014

18. Cost of Sales

This account consists of:

	2022	2021
Inventories at beginning of year	P 52,337,732	P 30,146,249
Purchases and conversion of costs	1,303,636,693	1,725,861,121
Cost of goods available for sale	1,355,974,425	1,756,007,370
Less inventories at end of year (Note 8)	45,506,258	52,337,732
	P 1,310,468,167	P 1,703,669,638

Purchases and conversion costs consist of:

	2022	2021
Agricultural produce and beverages	P 1,195,643,201	P 1,578,966,891
Freight and handling costs	53,497,461	47,676,679
Depreciation and amortization (Notes 11 and 22)	33,289,154	33,936,535
Retailer's margin	11,594,982	10,020,207
Packaging supplies	7,781,058	43,195,426
Tolling fees (Note 20)	1,772,717	12,065,383
Direct labor	58,120	-
	P 1,303,636,693	P 1,725,861,121

19. General and Administrative Expenses

This account consists of:

	2022	2021
Personnel costs	P 49,104,532	P 46,747,673
Taxes and licenses	17,907,191	17,894,403
Representation and entertainment	8,028,603	8,683,368
Depreciation and amortization (Notes 11 and 12)	4,468,323	4,684,117
Repairs and maintenance	4,090,764	1,389,625
Freight and handling costs	3,914,733	3,725,407
Advertising	3,197,042	2,976,560
Professional fees	3,011,414	5,431,007
Communication, light and water	2,973,998	3,595,165
Retirement benefits (Note 21)	2,688,397	2,403,177
Penalties and charges	2,606,931	648,925
Contracted services	2,105,812	1,715,739
Transportation and travel	1,978,810	1,359,471
Rentals (Note 22)	1,285,480	1,156,157
Office and farm supplies	1,032,146	929,798
Production supplies	429,879	25,427
Dues and subscription	350,401	987,106
Bank charges	124,048	311,755
Insurance	67,734	159,476
Others	3,340,209	4,628,139
	P 112,706,447	P 109,452,495

Others pertains to trainings and seminars, pest controls, mails and postages, printing, and miscellaneous expense.

Personnel cost are as follows:

	2022	2021
Salaries and wages	P 45,703,411	P 43,782,873
Other employee benefits	3,401,121	2,964,800
	P 49,104,532	P 46,747,673

Other employee benefits include SSS, HDMF, Philhealth employer contributions and 13th month bonus.

20. Related Party Transactions

The Parent Company has the following transactions with related parties:

- Unsecured and noninterest-bearing cash advances to/from its related parties for investing activities and working capital purposes. These are collectible/payable on demand and usually settled in cash or other forms of assets.
- The Parent Company sells fruits and vegetables and purchases puree to its related parties. Also, a subsidiary provides tolling fees to the Parent Company.
- A stockholder personally guaranteed several bank loans with its real estate property, shares of stock and continuing suretyship of a stock (see Note 16).
- Details of related party balances follow:

	2022	2021
Due from		
Subsidiaries (Note 20.01)	P 968,758,996	P 964,227,986
Stockholders (Note 20.02)	116,423,993	149,573,357
Affiliates/Entity under common ownership (Note 20.02)	235,910,666	207,788,439
	P 1,321,093,655	P 1,321,589,782
Due to		
Subsidiaries (Note 20.01)	P 19,880,395	P -
Stockholders (Note 20.02)	58,538,186	12,842,516
Affiliates/Entity under common ownership (Note 20.03)	12,505,495	5,333,927
	P 90,924,076	P 18,176,443

The rollforward analysis of related party accounts follow:

	2022	2021
Due from related parties:		
Balance at beginning of year	P 1,326,907,591	P 1,325,193,884
Advances made	85,431,677	240,568,884
Collections/liquidation	(85,927,804)	(238,855,177)
Balance at end of year	1,326,411,464	1,326,907,591
Allowance for impairment	(5,317,809)	(5,317,809)
Net carrying value	P 1,321,093,655	P 1,321,589,782
Due to related parties:		
Balance at beginning of year	P 18,176,443	P 13,173,209
Advances received	73,012,778	5,714,043
Payments made	(265,145)	(710,809)
Balance at end of year	P 90,924,076	P 18,176,443

20.01 Subsidiaries

Details of transactions with subsidiaries are as follows:

	December 31, 2022		December 31, 2021	
	Amounts/ Volume	Outstanding Balances	Amounts/ Volume	Outstanding Balances
Subsidiaries				
<u>Receivable</u>		P 968,758,996		P 964,227,986
Advances made	P 37,041,426		P 59,834,424	
Collections	(32,510,416)		(15,711,881)	
<u>Revenue</u>	8,921,597	6,803,378*	3,624,825	14,929,895*
<u>Payable</u>		(19,880,395)		-
Advances received	(19,880,395)		-	
<u>Cost of sales</u>		-		-
Tolling fees	(1,772,717)		(12,065,383)	

*Included in trade and receivables (see Note 7)

The following are the nature, terms and conditions:

- Receivable – pertain to advances used to finance the daily working capital requirement of the subsidiaries. These are non-interest bearing, unsecured, collectible on demand and will be settled in cash. No guarantees have been received. Allowance for impairment losses in respect to the amount owed by subsidiaries amounted to P5,317,809, as of December 31, 2022 and 2021.
- Revenue – pertain to sale of goods to subsidiaries. These are non-interest bearing, unsecured, collectible within 15 to 30 days and will be settled in cash. No guarantees have been received. No provisions have been made for expected credit losses in respect of the amounts owed by subsidiaries.
- Payable – pertain to advances used to finance the working capital requirements of the Company. These are non-interest bearing, unsecured, payable on demand and will be settled in cash. No guarantees have been given in respect of the amount owed to subsidiaries.
- Cost of sales – pertain to tolling fees from canning services rendered by M2000 Imex Company, Inc. These are non-interest bearing, unsecured, collectible within 30 days and will be settled in cash. No guarantees have been given in respect of the amount owed to subsidiaries.

20.02 Stockholders

Details of transactions with stockholders are as follows:

	December 31, 2022		December 31, 2021	
	Amounts/ Volume	Outstanding Balances	Amounts/ Volume	Outstanding Balances
Stockholders				
<u>Receivable</u>		P 116,423,993		P 149,573,357
Advances made	P 19,630,094		P 81,230,255	
Collections	(52,779,458)		(200,347,993)	
<u>Payable</u>		(58,538,186)		(12,842,516)
Advances received	(45,761,220)		(5,714,043)	
Payments	65,550		-	

The following are the nature, terms and conditions:

- Receivable – pertain to advances to the Parent Company's President to be used in the Agri-Sector Digitalization Program in partnership with government agencies (see Note 1). These are non-interest bearing, unsecured, collectible on demand and will be settled in cash. No guarantees have been received. No provisions have been made for expected credit losses in respect of the amounts owed by the stockholders.
- Payable – pertain to advances used to finance the working capital requirements of the Company. These are non-interest bearing, unsecured, payable on demand and will be settled in cash. No guarantees have been given in respect of the amount owed to stockholders.

20.03 Affiliates/Entity under common ownership

Details of transactions with affiliates/entity under common ownership are as follows:

		December 31, 2022		December 31, 2021	
		Amounts/ Volume	Outstanding Balances	Amounts/ Volume	Outstanding Balances
Affiliates					
<u>Receivable</u>			P 235,910,666		207,788,439
Advances made	P	28,760,157		P 100,504,205	
Collections		(637,930)		(23,795,303)	
<u>Payable</u>			(12,505,495)		(5,333,927)
Advances received		(7,371,163)		-	
Payments		199,595		710,808	

The following are the nature, terms and conditions:

- Receivable – pertain to advances used to finance the daily working capital requirement of the affiliates. These are non-interest bearing, unsecured, collectible on demand and will be settled in cash. No guarantees have been received. No provisions have been made for expected credit losses in respect of the amounts owed by the affiliates.
- Payable – pertain to advances used to finance the working capital requirements of the Company. These are non-interest bearing, unsecured, payable on demand and will be settled in cash. No guarantees have been given in respect of the amount owed to affiliates.

20.04 Remuneration of Key Management Personnel

The Parent Company considers its President, Chief Finance Officer, Assistant Vice President as key management personnel. Total remuneration of key management personnel, composed mainly of short-term employee benefits and provision for retirement benefits for executive officers, were included under "Personnel Costs" and "Retirement Benefits" in the general and administrative expenses in profit or loss.

Details on the remuneration of key management personnel, as disclosed in Note 1, are as follows:

	2022		2021	
Short-term employee benefits	P	10,370,052	P	11,864,508
Post-employment benefits		567,744		609,924
	P	10,937,796	P	12,474,432

21. Retirement Benefit Liability

The Parent Company has unfunded, noncontributory defined benefit pension plans covering substantially all of its qualified employees. The following table summarizes the components of retirement liability recognized in profit or loss and other comprehensive income:

		2022		2021
Charged to profit or loss				
Current service cost	P	1,749,733	P	2,129,790
Net interest cost		938,664		273,387
		2,688,397		2,403,177
Recognized in other comprehensive income				
Net actuarial loss - defined benefit obligation		(117,439)		3,694,005
	P	2,570,958	P	6,097,182

Reconciliation of retirement benefit liability recognized in the Parent Company statements of financial position are as follows:

		2022		2021
Balance at beginning of year	P	13,000,884	P	6,903,702
Retirement benefit expense (Note 19)		2,688,397		2,403,177
Remeasurement loss		(117,439)		3,694,005
Balance at end of year	P	15,571,842	P	13,000,884

The reconciliation of other comprehensive gain - net as at December 31, 2022 and 2021 follows:

		2022		2021
Balance at beginning of year	P	3,062,302	P	(631,703)
Remeasurement loss during the year		(117,439)		3,694,005
Tax effect		(736,216)		-
Balance at end of year	P	2,208,647	P	3,062,302

There are no unusual or significant risks to which the retirement plan exposes the Parent Company. However, in the event a benefit claim arises, it shall be immediately due and payable from the Parent Company.

There was no plan amendment, curtailment, or settlement recognized as at December 31, 2022 and 2021.

The cost of defined benefit pension plans and other post-employment medical benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions.

The principal assumptions used in determining pension and post-employment benefit obligations for the defined benefit plans is as follows:

	2022	2021
Discount rate	7.22%	5.20%
Projected salary increase rate	5.20%	5.00%

The Parent Company's latest actuarial valuation report is as at and for the year ended December 31, 2021.

The sensitivities regarding the principal assumptions used to measure the defined benefit liability is as follows:

	Impact on Defined Benefit Obligation		
	Changes in assumption	Increase in assumption	Decrease in assumption
December 31, 2022			
Discount rate	+/-1.00%	Decrease by 3.94%	Increase by 5.52%
Projected salary increase rate	+/-1.00%	Increase by 12.05%	Decrease by 10.85%
December 31, 2021			
Discount rate	+/-1.00%	Decrease by 6.20%	Increase by 4.20%
Projected salary increase rate	+/-1.00%	Increase by 6.00%	Decrease by 4.00%

All other assumptions are held constant in determining the sensitivity results above.

Asset-Liability Matching (ALM) strategies to manage risks since the Parent Company does not have a retirement fund, the ALM study is not applicable.

The estimated average remaining working lives of employees is 14 years for the years ended December 31, 2022 and 2021.

22. Lease Agreements

Parent Company as Lessor

The Parent Company has an operating lease arrangement of its property to Huayou Construction Development Philippines Corporation.

The lease has a term of one (1) year commencing from January 1, 2018 subject to an annual review and renewable upon mutual agreement of the parties. The lease contract was renewed in 2022 and 2021 for another twelve (12) months from date of renewal. Refundable deposit pertaining to this lease amounted to P121,511 (see Note 15).

Rental income recognized from this lease amounted to P1,228,069 and P1,155,469 in 2022 and 2021, respectively.

The lease agreement includes clause requiring the lessee to be liable when the property has been subjected to excess wear-and-tear during the lease term. This strategy minimizes the risk exposure to residual value of the underlying asset.

Parent Company as Lessee

The Company leases machinery and transportation equipment from third parties under finance lease agreements ranging from four (4) to seven (7) years.

I. Right-of-use asset

The balance and movements of ROU assets relating to the lease of machinery and transportation equipment is as follows:

	2022		2021	
Cost:				
Balance at beginning and end of year	P	138,779,014	P	138,779,014
Accumulated depreciation:				
Balance at beginning of year		59,652,555		39,768,370
Depreciation during the year (Note 18)		19,884,185		19,884,185
Balance at end of year		79,536,740		59,652,555
Net carrying value	P	59,242,274	P	79,126,459

II. Refundable Deposit

Relative to the lease, the Company made a guaranty deposit amounting to P6,731,000 as at December 31, 2022 and 2021, respectively. The refundable deposit is presented under "Prepayments and other current assets" in the Parent Company statements of financial position as at December 31, 2022 and 2021 (see Note 9).

III. Short-term Leases

The Parent Company leases office spaces and warehouses under lease agreements usually for a period of one (1) year, renewable subject to the mutual consent of the lessor and the lessee without any escalation clause. In 2022 and 2021, rental expense amounted to P1,285,480 and P1,156,157, respectively, as disclosed in Note 19. Security deposit related to short-term leases amounted to P44,643 and nil, respectively, as disclosed in Note 9.

23. Income Taxes

23.01 Income Tax Recognized in Profit or Loss

Components of income tax expense (benefit) for the years ended December 31, 2022 and 2021 are as follows:

		2022		2021
Current tax expense	P	4,420,687	P	8,328,692
Deferred tax benefit		(7,217,116)		(524,355)
	P	(2,796,429)	P	7,804,337

Current tax expense consists of the following:

		2022		2021
Current tax expense during the year	P	4,420,687	P	9,448,224
Impact of change in tax rate on current tax expense		-		(1,119,532)
	P	4,420,687	P	8,328,692

The reconciliation of income tax expense (benefit) applicable to income before income tax computed at the statutory income tax rate to income tax expense as shown in the profit or loss follows:

		2022		2021
Income before income tax	P	22,480,409	P	104,698,365
Statutory tax rate		25%		25%
Income tax at statutory rate		5,620,102		26,174,591
Income tax effects of permanent reconciling items				
Non-deductible depreciation from piecemeal realization of revaluation surplus		1,896,030		2,003,593
Nondeductible expenses		801,238		163,593
Effect of change in tax rate due to CREATE		-		(1,119,532)
MCIT applied		-		(3,485,638)
Changes in unrecognized deferred tax assets		-		(15,926,825)
Interest income subjected to final tax		(2,980)		(5,445)
Recognition of deferred tax assets		(11,110,819)		-
	P	(2,796,429)	P	7,804,337

23.02 Deferred Taxes – net

Components of deferred taxes are as follows:

	2022	2021
Deferred tax assets (Note 23.02.01)	P 11,764,708 P	-
Deferred tax liabilities (Note 23.02.02)	(26,232,060) (24,316,714)	
	P (14,467,352) P (24,316,714)	

23.02.01 Deferred tax assets

The components of the Company's deferred tax assets and their respective movements are as follows:

	Allowance for impairment losses	Excess MCIT	Retirement liability	Unrealized foreign exchange Losses	Total
Unrecognized deferred tax assets					
Balance at January 1, 2021	P 30,106,422 P	3,485,638 P	2,071,111 P	78,129 P	35,741,300
Unrecognized in profit or loss	(17,216,938)	(3,485,638)	600,794	689,319	(19,412,463)
Unrecognized in other comprehensive income	-	-	923,501	-	923,501
Effect of change in tax rate due to CREATE – profit	(5,017,737)	-	(320,933)	(13,021)	(5,351,691)
Effect of change in tax rate due to CREATE – other comprehensive income	-	-	(24,252)	-	(24,252)
Balance at December 31, 2021	P 7,871,747 P	- P	3,250,221 P	754,427 P	11,876,395
Recognized deferred tax assets					
Balance at January 1, 2022	P	- P	- P	- P	-
Recognized in profit or loss	7,871,747	-	3,156,745	-	11,028,492
Recognized in other comprehensive income	-	-	736,216	-	736,216
Balance at December 31, 2022	P 7,871,747 P	- P	3,892,960 P	- P	11,764,708

In 2022, the Management assess that the Parent Company will be able to generate sufficient taxable profit to utilize the deferred tax assets due to the recent developments to continuous business expansion, as disclosed in Note 1.

23.02.02 Deferred tax liabilities

The components of the Company's deferred tax liabilities and their respective movements are as follows:

	Revaluation Increment	Gain on change in fair value of biological assets	Unrealized foreign exchange gain	Total
Balance at January 1, 2021	P 8,737,251	P -	-	P 8,737,251
Recognized in profit or loss	-	2,961,282	-	2,961,282
Recognized in other comprehensive income (Note 27)	14,074,389	-	-	14,074,389
Effect of change in tax rate due to CREATE Act	(1,456,208)	-	-	(1,456,208)
Balance at December 31, 2021	21,355,432	2,961,282	-	24,316,714
Recognized in profit or loss		1,910,856	1,900,520	3,811,376
Recognized in other comprehensive income (Note 27)	(1,896,030)	-	-	(1,896,030)
Balance at December 31, 2022	P 19,459,402	P 4,872,138	1,900,520	P 26,232,060

24. Issued Capital

The issued capital of the Parent Company are as follows:

		2022		2021
Capital stock	P	872,831,688	P	832,831,688
Additional paid-in capital		3,602,050,960		3,602,050,960
	P	4,474,882,648	P	4,434,882,648

Components of capital stock are as follows:

		2022		2021
Preference shares (Note 24.01)	P	40,000,000	P	-
Ordinary shares (Note 24.02)		832,831,688		832,831,688
	P	872,831,688	P	832,831,688

The movement in the Parent Company's subscribed and paid-up capital is shown below:

		2022		2021
Balance at beginning	P	832,831,688	P	830,774,088
Paid-up during the year		40,000,000		2,057,600
Balance at end of year	P	872,831,688	P	832,831,688

Rollforward analysis of subscribed capital at par value is shown below:

		2022		2021
Balance at beginning of year	P	1,024,446,888	P	1,024,446,888
Subscription during the year		40,000,000		-
Balance at end of year	P	1,064,446,888	P	1,024,446,888

The movement in the Parent Company's additional paid-in capital is shown below:

		2022		2021
Balance at beginning of year	P	3,602,050,960	P	3,567,071,761
Additions during the year (net of subscriptions receivable Of P307,481,882 in 2022 and 2021, respectively)*		-		34,979,199
Balance at end of year	P	3,602,050,960	P	3,602,050,960

*The subscription receivable will be credited to additional paid-in capital upon collection.

24.01 Preference Shares

The movements in the carrying amount of the Parent Company's preference shares are shown below.

	2022		2021	
	Shares	Amount	Shares	Amount
Authorized P0.10 par value	400,000,000	P 40,000,000	-	P -
Issued and fully paid				
Balance, January 1	-	-	-	-
Paid-up during the year	400,000,000	40,000,000	-	-
Balance, December 31	400,000,000	P 40,000,000	-	P -

At the annual meeting of the stockholders, held at its principal offices on September 9, 2022, at which meeting a quorum was present and acted throughout, the stockholders representing at least two-thirds (2/3) of the outstanding capital stock approved the reclassification of the Corporation's 40,000,000 unissued common shares with par value of One Peso (P1.00) per share, or an aggregate par value of P40,000,000, into 400,000,000 voting preferred shares with par value of Ten Centavos (P0.10) per share, or an aggregate par value of P40,000,000, with the following features:

The preferred shares shall have the following rights, privileges, limitations, and restrictions, which shall also appear on the Certificates of the Preferred Shares of the Corporation:

- i. The right to vote and be voted for;
- ii. The right to receive, out of unrestricted retained earnings of the Corporation, participating dividends at the rate as may be deemed proper by the Board of Directors under the prevailing market conditions or such other relevant factors as the Board of Directors may consider. Said dividend maybe declared and payable at the discretions of the Board of Directors after taking into account the Corporation's earning, cash flows, financial conditions and other factors as the Board of Directors may consider relevant; and
- iii. In the liquidation, dissolution and winding up the Corporation, whether voluntary or otherwise, the right to be paid in full or ratably, insofar as the assets of the Corporation will permit, the par value or face value of each preferred share as the Board of Directors may determine upon their issuance, plus unpaid and accrued dividends up to the current dividend period, before any assets of the Corporation shall be paid or distributed to the holders of the common shares.

The reclassification of shares was filed, and approved by the SEC on November 16, 2022.

24.02 Ordinary Shares

The movement in the Parent Company's authorized number of shares is shown below:

	2022		2021	
Balance at beginning	P	2,000,000,000	P	2,000,000,000
Reclassification to preferred shares		(400,000,000)		-
Balance at end of year	P	1,600,000,000	P	2,000,000,000

The movement in the Parent Company's subscribed and paid-up capital is shown below:

	2022		2021	
Balance at beginning	P	832,831,688	P	830,774,088
Paid-up during the year		-		2,057,600
Balance at end of year	P	832,831,688	P	832,831,688

Rollforward analysis of subscribed capital at par value is shown below:

	2022		2021	
Balance at beginning and end of year	P	1,024,446,888	P	1,024,446,888

The movement in the Parent Company's additional paid-in capital is shown below:

	2022		2021	
Balance at beginning of year	P	3,602,050,960	P	3,567,071,761
Additions during the year (net of subscriptions receivable of P307,481,882 in 2022 and 2021)*		-		34,979,199
Balance at end of year	P	3,602,050,960	P	3,602,050,960

*The subscription receivable will be credited to additional paid-in capital upon collection.

24.02.01 Subscription Agreement with Plentex Philippines, Inc.

In 2020, Plentex Philippines, Inc. and the Parent Company entered into a subscription agreement in which the former agreed to subscribe for and the latter has agreed to issue a total of 6,172,800 common shares of the Parent Company's authorized capital stock. The parties have agreed that Plentex will subscribe for the shares in three (3) separate batches each of 2,057,600 common shares at a price of P18 per share. The subscription agreements have no definite timeline and are based on the mutual agreement of both parties.

In 2021, the first batch of the issuance of shares pertaining to the subscription agreement with Plentex Philippines, Inc. were made resulting to an increase in subscribed and paid-up capital amounting to P2,057,600 and additional paid-in capital amounting P34,979,199.

25. Financial Instruments

25.01 Fair Value Determinations of Assets and Liabilities

Set out below is a comparison by category of carrying values and estimated fair values of Parent Company's financial instruments as at December 31, 2022 and 2021:

December 31, 2022	Notes	Carrying value	Fair value	Significant observable inputs (Level 2)
Financial assets at amortized cost				
Cash	6	P	P	P
Trade and other receivables – net*	7	350,894,364	350,894,364	350,894,364
Due from related parties – net	20	1,204,669,662	1,204,669,662	1,204,669,662
Due from stockholders	20	116,423,993	116,423,993	116,423,993
Guaranty deposit	9	6,775,643	6,775,643	6,775,643
		P	P	P
		1,739,812,554	1,739,812,554	1,739,812,554
Financial liabilities at amortized cost				
Trade and other payables**	15	P	P	P
Borrowings	16	83,305,886	83,305,886	83,305,886
Due to related parties	20	811,554,708	811,554,708	811,554,708
		P	P	P
		90,924,076	90,924,076	90,924,076
		P	P	P
		985,784,670	985,784,670	985,784,670
December 31, 2021				
Financial assets at amortized cost				
Cash	6	P	P	P
Trade and other receivables – net*	7	323,151,417	323,151,417	323,151,417
Due from related parties – net	20	1,172,016,425	1,172,016,425	1,172,016,425
Due from stockholders	20	149,573,357	149,573,357	149,573,357
Guaranty deposit	9	6,731,000	6,731,000	6,731,000
		P	P	P
		1,697,494,323	1,697,494,323	1,697,494,323
Financial liabilities at amortized cost				
Trade and other payables**	15	P	P	P
Borrowings	16	48,989,339	48,989,339	48,989,339
Due to related parties	20	955,282,431	955,282,431	955,282,431
		P	P	P
		18,176,443	18,176,443	18,176,443
		P	P	P
		1,022,448,213	1,022,448,213	1,022,448,213

*Excluding advances to employees subject to liquidation.

**Excluding government payables and customers' deposit.

Methods and Assumptions Used to Estimate Fair Value

The carrying values of cash, trade and other receivables, due from related parties and stockholders, guaranty deposit, trade and other payables, due to related parties and borrowings approximate their fair values due to the short-term nature of the transactions.

The fair value of financial assets and liabilities included in Level 2 which are not traded in an active market are determined based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);

25.02 Fair Value Determinations of Asset

The following provides an analysis of assets that are measured at fair value on a recurring basis subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which inputs to valuation techniques are observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e., derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

25.02.01 Fair Value Hierarchy

Shown below are the fair value of assets:

Recurring Fair Value Measurements

Level 3	2022	2021
Assets:		
Biological assets	P 49,488,553	P 41,845,128
Property and equipment	256,748,892	272,810,381
	P 306,237,445	P 314,655,509

25.02.02 Valuation Technique used to Derive Level 3 Fair Value

The following are the valuation techniques used to derive level 3 fair values of the following assets:

Assets:

Property and equipment: In valuing the land Market Approach was used which is the most common technique for valuing land, and is the most preferred method when comparable sales are available. With this method, sales of similar property or parcels of land are analyzed, compared, and adjusted to provide a value indication for the property being appraised. The comparison process is based on an analysis of the similarity or dissimilarity of the comparable. Cost Approach was used for the improvements while a combination of the Market and Cost Approach was used for the machinery and equipment. The Cost Approach generally involves the following steps: (a) The value of the subject land is normally estimated by the Market Data or Sales Comparison Approach. In instances where available market data is sufficient, the Income Approach (Residual Method) can be used, (b) The depreciated cost of the subject improvement is estimated by calculating the direct cost of reproducing or replacing the improvement, deducting accrued depreciation from all sources, and adding the indirect costs attributed to the improvement. Combining the estimates shown above results in the indicated value of the subject property by the Cost Approach.

Biological assets: The fair value was derived using the market approach. Market approach is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets. Under market approach, the most significant input into this valuation is the fair value less estimated costs to sell in an active market.

In both year, there were no transfers to and from Level 2 fair value measurements.

The Parent Company has no financial instruments that are carried at FVTPL.

26. Financial Risk Management Objectives and Policies

Financial Risk Management Objectives and Policies

The Parent Company has risk management policies that systematically view the risks that could prevent the Parent Company's from achieving its objectives. These policies are intended to manage risks identified in such a way that opportunities to deliver the Parent Company's objectives are achieved.

The Parent Company's risk management takes place in the context of day-to-day operations and normal business processes such as strategic planning and business planning. Management has identified each risk and is responsible for coordinating and continuously improving risk strategies, processes and measures in accordance with the Parent Company's established business objectives.

The Parent Company's principal financial instruments consist of cash, trade and other receivables and payables, net of nonfinancial assets and nonfinancial liabilities, guaranty deposit, borrowings, lease liability, and due to and from related parties. The main purpose of these financial investments is to finance the Parent Company's operations. The Parent Company has various other financial assets and financial liabilities such as receivables, and accounts payable and other liabilities which arise directly from its operations.

The main risks arising from the Parent Company's financial instruments are credit risk, liquidity risk and market risk.

The BOD reviews and agrees policies for managing each of these risks and they are summarized below:

- *Credit Risk*

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

- a. *Credit Risk Exposure*

Generally, the maximum credit risk exposure of the financial assets is the carrying amounts of the Parent Company's financial assets as summarized below:

	Notes	2022	2021
Cash in bank	6 P	60,913,892 P	15,889,706
Trade and other receivables – net*	7	350,894,364	323,151,417
Due from related parties – net	20	1,204,669,662	1,172,016,425
Due from stockholders	20	116,423,993	149,573,357
Guaranty deposit	9	6,775,643	6,731,000
		P 1,739,677,554 P	1,667,361,905

*Excluding advances to employees subject to liquidation.

b. Credit Quality of Financial Assets

Below is the credit quality by class of financial assets as at December 31, 2022 and 2021, gross of allowance for impairment losses.

2022						
	Neither past due nor impaired		Past due but not impaired		Total	
	High grade	Standard grade	High grade	Standard grade	Impaired	Total
Cash in bank	P 60,878,832	P 35,060	P	P	- P	60,913,892
Trade and other receivables						
Trade	-	53,392,859	229,807,176		26,169,178	309,369,213
Others*	-	67,694,329	-		-	67,694,329
Due from related parties	-	1,204,669,662	-		5,317,809	1,209,987,471
Due from stockholders	-	116,423,993	-		-	116,423,993
Guaranty deposit	-	6,775,643	-		-	6,775,643
	P 60,878,832	P 1,448,991,546	P 229,807,176	P	31,486,987 P	1,771,164,541

*Excluding advances to employees subject to liquidation.

2021						
	Neither past due nor impaired		Past due but not impaired		Total	
	High grade	Standard grade	High grade	Standard grade	Impaired	Total
Cash in bank	P 15,753,129	P 136,577	P	P	- P	15,889,706
Trade and other receivables						
Trade	-	100,304,177	179,193,725		26,169,178	305,667,080
Others*	-	69,822,693	-		-	69,822,693
Due from related parties	-	1,172,016,425	-		5,317,809	1,177,334,234
Due from stockholders	-	149,573,357	-		-	149,573,357
Guaranty deposit	-	6,731,000	-		-	6,731,000
	P 15,753,129	P 1,498,584,229	P 179,193,725	P	31,486,987 P	1,725,018,070

*Excluding advances to employees subject to liquidation.

Cash in banks classified as high grade are placed, invested or deposited with banks with good credit training and can be withdrawn anytime.

Standard grade accounts are active accounts with propensity of deteriorating to mid- range age buckets. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly. Trade and other receivables were assessed as standard grade in which receivables are collected after their due dates provided that the Parent Company made a persistent effort to collect them. Due from related parties and stockholders are due and demandable which are classified as standard grade since the related party is capable of repaying the amount due.

Below is the aging analysis of past due but not impaired receivable:

Trade	30 to 60 days	61 to 90 days	More than 90 days	Total
2022	P 28,729,075	P 68,248,012	P 65,519,311	P 162,496,398
2021	P 32,491,172	P 29,458,416	P 117,244,137	P 179,193,725

c. Risk Concentration of the Maximum Exposure to Credit Risk

Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Parent Company's performance to developments affecting a particular industry or geographical location. Such credit risk concentrations, if not properly managed, may cause significant losses that could threaten the Parent Company's financial strength and undermine public confidence.

The Parent Company is not exposed to large concentration of credit risks.

d. Impairment Assessment

The Parent Company applies general approach for determining ECL of cash in banks, nontrade receivables, due from related parties and stockholders, and guaranty deposit. A credit loss is the difference between the cash flows that are expected to be received discounted at the original effective interest rate and contractual cash flows in accordance with the contract. The loss allowance for financial assets is based on the assumptions about risk of default and expected loss rates. The management does not provide allowance for impairment on nontrade receivables as at December 31, 2022 and 2021. Allowance for impairment on due from related parties amounted to P5,317,808 as at December 31, 2022 and 2021 (see Note 20).

The Parent Company applies the PFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for trade receivables. To measure expected credit loss, receivables were grouped based on days past due and grouped the customers according to their profile. The expected loss rates are based on the historical credit losses within the period of time. The historical loss rates are adjusted to reflect current and forward-looking information affecting the ability of the customers to settle the receivables.

The Parent Company has identified GDP of Asia Pacific continent to which the principal entities of the Parent Company's customers for its export sales are based as the most relevant factor, and accordingly adjust historical loss rate based on the changes on GDP growth rates. The Parent Company has identified GDP of the Philippines as the most relevant factor for its local and related party sales.

Aside from the provision for ECL using the simplified approach, the management provided allowance for impairment losses for trade receivable that management has specifically assessed to be uncollectible. Allowance for impairment losses on trade receivables specifically identified by management amounted to P26,169,178 as at December 31, 2022 and 2021.

Based on the above basis, the loss allowance on the remaining receivables using the expected loss rates after specific identification as at December 31, 2022 and 2021 was determined as follows:

	2022			
	1 to 30 days past due	Over 30 to 60 days past due	Over 60 to 90 days past due	Over 90 days past due
Expected loss rate				
Export	0.00%	0.00%	0.00%	0.00%
Local	0.00%	0.00%	0.00%	0.00%
Related party	0.00%	0.00%	0.00%	0.00%

	2021			
	1 to 30 days past due	Over 30 to 60 days past due	Over 60 to 90 days past due	Over 90 days past due
Expected loss rate				
Export	0.00%	0.00%	0.00%	0.00%
Local	0.00%	0.00%	0.00%	0.00%
Related party	0.00%	0.00%	0.00%	0.00%

Total allowance for impairment losses on trade receivables from the simplified approach of measuring ECL amounted to P26,169,178 as at December 31, 2022 and 2021, respectively.

Total provision for impairment losses recognized under General and administrative account in profit or loss amounted to nil in 2022 and 2021, respectively (see Note 7).

- **Liquidity Risk**

Liquidity risk arises from the possibility that the Parent Company may encounter difficulties in raising funds to meet commitments from financial instruments. The Parent Company manages its liquidity based on business needs, tax, capital or regulatory considerations, if applicable, through numerous sources of finance in order to maintain flexibility. Its objective is to maintain sufficient funding to finance its operations through aggressive receivable collection. The Parent Company considers its available funds and its liquidity in managing its long-term financial requirements. For its short-term funding, the Parent Company's policy is to set guidelines on portfolio limit structures and to ensure that there are sufficient capital inflows to match repayments of short-term debts.

The table below summarizes the maturity profile of financial assets and liabilities as at December 31, 2022 and 2021 based on contractual undiscounted payments:

	2022				
	On demand	Less than three (3) months	Three (3) to Twelve (12) months	Due beyond one (1) year	Total
<i>Financial assets</i>					
Cash	P 61,048,892	P -	P -	P -	P 61,048,892
Trade receivables – net	6,803,378	81,519,868	159,936,501	34,940,288	283,200,035
Other receivables*	67,694,329	-	-	-	67,694,329
Due from related parties – net	1,204,669,662	-	-	-	1,204,669,662
Due from stockholders	116,423,993	-	-	-	116,423,993
Guaranty deposit	6,775,643	-	-	-	6,775,643
	P 1,463,415,897	P 81,519,868	P 159,936,501	P 34,940,288	P 1,739,812,554
<i>Financial liabilities</i>					
Trade and other payables**	P -	P 79,888,794	P 3,417,092	P -	P 83,305,886
Borrowings	-	276,612,571	534,942,137	-	811,554,708
Due to related parties	90,924,076	-	-	-	90,924,076
	P 90,924,076	P 356,501,365	P 538,359,229	P -	P 985,784,670

*Excluding advances to employees subject to liquidation.

**Excluding government payables and customers' deposit.

2021

	On demand	Less than three months	Three (3) to Twelve (12) months	Due beyond one (1) year	Total
Financial assets					
Cash	P 15,889,706	P	- P	- P	15,889,706
Trade receivables – net	14,929,895	147,323,870	72,877,109	18,197,850	253,328,724
Other receivables*	69,822,693	-	-	-	69,822,693
Due from related parties – net	1,172,016,425	-	-	-	1,172,016,425
Due from stockholders	149,573,357	-	-	-	149,573,357
Guaranty deposit	6,731,000	-	-	-	6,731,000
	P 1,428,963,076	P 147,323,870	P 72,877,109	P 18,197,850	P 1,667,361,905
Financial liabilities					
Trade and other payables**	P 44,821,786	P 4,046,042	P 121,511	- P	P 48,989,339
Borrowings	-	197,000,000	729,228,860	29,053,571	955,282,431
Due to related parties	18,176,443	-	-	-	18,176,443
	P 62,998,229	P 201,046,042	P 729,350,371	P 29,053,571	P 1,022,448,213

*Excluding advances to employees subject to liquidation.

**Excluding government payables and customers' deposit.

• **Market Risk**

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in foreign currency exchanges rates and interest rates.

• **Interest Rate Risk**

The Parent Company's exposure to interest rate risk arises from its cash deposits in banks which are subject to variable interest rates while its borrowings at fixed interest rates. The risk is managed by the Parent Company by maintaining appropriate fixed rate borrowings.

The interest rate risk arising from deposits with banks is managed by means of effective investment planning and analysis and maximizing investment opportunities in various local banks and financial institutions.

Net income for the years ended December 31, 2022 and 2021 would have been unaffected since the Parent Company has no borrowings at variable rates and interest rate risk exposure for its cash in bank, which is subject to variable rate, is very immaterial.

- **Foreign Currency Risk**

Foreign currency risk is the risk to earnings or capital arising from changes in foreign exchange rates. The Parent Company takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial statements and cash flows.

The Parent Company has transactional currency exposures. Such exposure generally arises from cash in banks, trade receivables, deposits, and borrowings in United States Dollar (US\$), Australian Dollar (AU\$) and Chinese Yuan (CNY). The Parent Company did not seek to hedge the exposure on the change in foreign exchange rates between the US\$, AU\$, CNY and the Philippine pesos. The Parent Company does not generally believe that active currency hedging would provide long-term benefits to stockholders.

The Parent Company's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines. The Parent Company believes that its profile of foreign currency exposure on its assets and liabilities is within conservative limits for an institution engaged in the type of business in which the Parent Company is involved.

The Company's foreign currency denominated monetary assets and liabilities as at December 31, 2022 and 2021 and their peso equivalents at closing rate follows:

		2022				
	Note	AU\$	Peso equivalent	US\$	Peso equivalent	CNY
Assets:						
Cash in banks	6	AU\$-	P-	US\$58,672	P3,292,687	CNY5,790
Trade receivables	7	-	-	4,821,517	271,039,108	-
Deposits	14	735,866	27,817,501	-	-	-
		AU\$735,866	P27,817,501	US\$4,880,189	P274,331,795	CNY5,790
						P228,980
2021						
	Note	AU\$	Peso equivalent	US\$	Peso equivalent	CNY
Assets:						
Cash in banks	6	AU\$-	P-	US\$77,542	P3,937,094	CNY5,790
Trade receivables	7	-	-	4,651,999	236,200,584	-
Deposits	14	735,866	27,154,220	-	-	-
		AU\$735,866	P27,154,220	US\$4,729,541	P240,137,678	CNY5,790
						P46,128

The balances have been restated at the following closing rates:

	2022	2021
USD	P56.12	P50.774
AUD	37.80	36.81
CNY	8.04	7.97

Details of net foreign exchange loss recognized in profit or loss follows:

	Note	2022	2021
Unrealized foreign exchange gain (loss)			
Trade receivables	7 P	6,835,855 P	(3,091,144)
Deposit for business acquisition	14	663,281	69,849
Cash in banks	6	102,943	3,590
Realized foreign exchange gain (loss)		(2,558,271)	(428,837)
	P	5,043,808 P	(3,446,542)

The Parent Company closely monitors the movements in the exchange rate and makes a regular assessment of future foreign exchange movements. The Parent Company then manages the balance of its foreign currency denominated assets and liabilities based on this assessment.

The following table demonstrates the sensitivity to a reasonable possible change in the Philippine peso - foreign exchange rate, with all variables held constant, to the Company's income before tax (due to changes in fair value of monetary assets and liabilities) on December 31, 2022 and 2021.

	2022		2021	
Reasonably possible changes in Philippine Peso – Foreign exchange Rates	Percentage increase/decrease in foreign currency	Effect on income before tax	Percentage increase/decrease in foreign currency	Effect on income before tax
USD	+1.66%	255,827,797	+0.99%	122,081,971
AUD	+2.13%	22,439,000	+2.60%	25,940,055
CNY	+1.30%	33,822	+1.30%	4,787
USD	-1.66%	(255,827,797)	-0.99%	(122,081,971)
AUD	-2.13%	(22,439,000)	-2.60%	(25,940,055)
CNY	-1.30%	(33,822)	-1.30%	(4,787)

Capital Management

The primary objective of the Parent Company's capital management is to ensure that the Parent Company has sufficient funds in order to support their business, pay existing obligations and maximize shareholder value.

The Parent Company's policy is to maintain sufficient capital to cover working capital requirements. The Parent Company obtains advances from related parties to cover inadequacy in working capital.

The Parent Company considers the following accounts as capital:

		2022		2021
Capital stock	P	872,831,688	P	832,831,688
Additional paid-in capital		3,602,050,960		3,602,050,960
Due to related parties		90,924,076		18,176,443
	P	4,565,806,724	P	4,453,059,091

The Parent Company's debt-to-equity ratio follows:

		2022		2021
Total liabilities	P	1,030,704,813	P	1,084,315,002
Total equity		2,935,867,629		2,867,841,106
		0.35:1		0.38:1

The Parent Company does not have externally imposed capital requirements.

27. Reclassification of Comparative Amounts

Certain amounts in the comparative financial statements and note disclosures have been reclassified to conform to the current year's presentation. The reclassifications of comparative amounts are as follows:

The foregoing reclassifications have an impact on the opening statement of financial position as of January 1, 2022 but did not have any impact on prior year's profit or loss and statement of cash flows.

Current Classification	Previous Classification	Amount as of December 31, 2021
Statement of financial position		
Due from related parties – net	Due from stockholders	
Due from stockholders	Due from stockholders	P 149,573,357
Statement of comprehensive income		
Finance costs	Other income (charges)	
Finance costs	Finance costs	57,310,305

Management believes that the above reclassifications resulted to a better presentation of accounts.

28. Events after Reporting Period

28.01 Equity Restructuring

On March 27, 2023, the Parent Company's application for equity restructuring to wipe-out the deficit as of December 31, 2021 in the amount of P1,628,045,535 against the additional paid-in capital (APIC) of P3,602,050,960 was approved considering that all the requirements have been complied with provided that the remaining APIC of P1,974,005,425 cannot be applied for future losses that may be incurred by the Parent Company without prior approval of the SEC.

29. Supplementary Information Required Under Revenue Regulations 15-2010

The following information on taxes, duties and license fees paid or accrued during the taxable year 2022 is presented for purposes of compliance with the disclosure requirements by the BIR as provided for in its RR 15-2010 and is not a required part of the basic financial statements in accordance with PFRS:

- a. Service Revenue/Receipts and output VAT declared in the Parent Company's VAT returns follows:

		Service revenue/receipts		Output VAT
Vatable sales	P	10,902,676	P	1,308,321
Zero-rated sales		1,029,942,208		-
Exempt sales		182,221,602		-

- b. Input VAT

Balance at beginning of the year	P	114,453,885
Current year's domestic purchases/payments for:		
Purchase of domestic services		3,426,367
Others		1,178,591
Total available input VAT		119,058,843
Less: Application against output VAT and other adjustments		(1,922,466)
Balance, December 31		117,136,377

- c. Withholding Taxes

Final income taxes withheld	P	6,463,623
Expanded withholding taxes		1,300,185
Withholding taxes on compensation and benefits		1,103,964
	P	8,867,772

- d. Taxes and licenses

License and permits fees	P	15,249,359
Documentary stamp tax		2,292,815
Excise tax		339,122
Notarial fee		25,895
	P	17,907,191

Documentary stamp tax pertains to payments for insurance policies, issuance of additional shares of stock, and new promissory notes for loans.

30. Supplementary Information Required Under Revenue Regulations 19-2011

Pursuant to Section 244 in relation to Section 6(H) of the National Internal Revenue Code of 1997 (Tax Code), as amended, these regulations are prescribed to revise BIR Form 1702 setting forth the following schedules. Below are the disclosures required by the said regulation:

a. Revenue

The Parent Company's revenue from sale of goods for the taxable year amounted to P1,486,712,450.

b. Cost of Sales

The following is the analysis of the Parent Company's cost of sales for the taxable year:

Inventories at beginning of year	P	52,337,732
Purchases and conversion of costs		1,297,948,603
Cost of goods available for sale		1,350,286,335
Less inventories at end of year		45,506,258
	P	1,304,780,077

Purchases and conversion costs consist of:

Agricultural produce and beverages	P	1,195,643,201
Freight and handling costs		53,497,461
Depreciation and amortization		27,601,064
Retailer's margin		11,594,982
Packaging supplies		7,781,058
Tolling fees		1,772,717
Direct labor		58,120
	P	1,297,948,603

c. Other Taxable Income

Below is an analysis of the Parent Company's other taxable income for the taxable year:

Rental income	P	1,228,069
Other income		2,325,656
	P	3,553,725

d. Itemized Deductions

Below is an analysis of the Parent Company's itemized deductions for the taxable year:

Personnel costs	P	49,104,532
Finance cost		57,307,325
Taxes and licenses		17,907,191
Representation and entertainment		7,433,562
Realized foreign exchange loss		5,575,976
Repairs and maintenance		4,090,764
Freight and handling costs		3,914,733
Advertising		3,197,042
Professional fees		3,011,414
Communication, light and water		2,973,998
Depreciation and amortization		2,572,293
Contracted services		2,105,812
Transportation and travel		1,978,810
Rentals		1,285,480
Office and farm supplies		1,032,146
Production supplies		429,879
Dues and subscription		350,401
Bank charges		124,048
Insurance		67,734
Others		3,340,209
	P	167,803,349

**INDEPENDENT AUDITORS' REPORT TO ACCOMPANY
INCOME TAX RETURN**

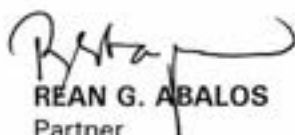
The Board of Directors and the Stockholders
AGRINURTURE, INC.
No. 54 National Road
Dampol II-A, Pulilan
Bulacan

We have audited the financial statements of **AGRINURTURE, INC.** as of December 31, 2022 and 2021 and for the years ended December 31, 2022, 2021 and 2020, on which we have rendered the attached report dated April 5, 2023.

In compliance with Revenue Regulation V-20, we are stating that we are not related by consanguinity or affinity to the president, manager or principal stockholders of the Company.

R.S. BERNALDO & ASSOCIATES

BOA/PRC No. 0300
Valid until May 28, 2024
SEC Group A Accredited
Accreditation No. 0300-SEC
Valid until 2024 audit period
BSP Group B Accredited
Accreditation No. 0300-BSP
Valid until 2026 audit period
BIR Accreditation No. 08-007679-000-2023
Valid from January 31, 2023 until January 30, 2026
IC Group A Accredited
Accreditation No. 0300-IC
Valid until 2026 audit period



REAN G. ABALOS

Partner
CPA Certificate No. 126203
SEC Group A Accredited
Accreditation No. 126203-SEC
Valid until 2025 audit period
BSP Group C Accredited
Accreditation No. 126203-BSP
Valid until 2025 audit period
BIR Accreditation No. 08-007679-002-2020
Valid from October 20, 2020 until October 19, 2023
Tax Identification No. 271-226-260
PTR No. 9567812
Issued on January 4, 2023 at Makati City

April 5, 2023
Makati City, Metro Manila

BOA /PRC No. 0300 • BIR Accredited • SEC Group A Accredited • BSP Group B Accredited • IC Accredited
18/F Cityland Condominium 10 Tower 1, 156 H.V. dela Costa Street, Ayala North, Makati City, Philippines 1226
Tel: +632 8812-1718 to 22 Email: rsbassoc@pkfrsbernaldo.com www.pkfrsbernaldo.com

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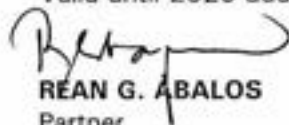
REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and the Stockholders
AGRINURTURE, INC.
 No. 54 National Road
 Dampol II-A, Pulilan
 Bulacan

We have issued our report dated April 5, 2023 on the basic financial statements of **AGRINURTURE, INC.** as of and for the year ended December 31, 2022. Our audit was conducted for the purpose of forming an opinion on the basic financial statements of **AGRINURTURE, INC.** taken as a whole. The information in Index to the Financial Statements and Supplementary Schedules as of and for the year ended December 31, 2022, which is not a required part of the financial statements, is required to be filed with the Securities and Exchange Commission. Such information is the responsibility of the Management of **AGRINURTURE, INC.** The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

R.S. BERNALDO & ASSOCIATES

BOA/PRC No. 0300
 Valid until May 28, 2024
 SEC Group A Accredited
 Accreditation No. 0300-SEC
 Valid until 2024 audit period
 BSP Group B Accredited
 Accreditation No. 0300-BSP
 Valid until 2026 audit period
 BIR Accreditation No. 08-007679-000-2023
 Valid from January 31, 2023 until January 30, 2026
 IC Group A Accredited
 Accreditation No. 0300-IC
 Valid until 2026 audit period


REAN G. ABALOS
 Partner

CPA Certificate No. 126203
 SEC Group A Accredited
 Accreditation No. 126203-SEC
 Valid until 2025 audit period
 BSP Group C Accredited
 Accreditation No. 126203-BSP
 Valid until 2025 audit period
 BIR Accreditation No. 08-007679-002-2020
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 18/F Cityland Condominium 10 Tower 1, 156 H.V. dela Costa Street, Ayala North, Makati City, Philippines 1226
Tel: +632 8812-1718 to 22 **Email:** rsbassoc@pkfrsberaldo.com **www.pkfrsberaldo.com**

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AGRINURTURE, INC.
INDEX TO THE SEPARATE FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2022

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Other Required Information		
III	Schedule of Financial Soundness Indicators <i>(Part 1 4E)</i>	10

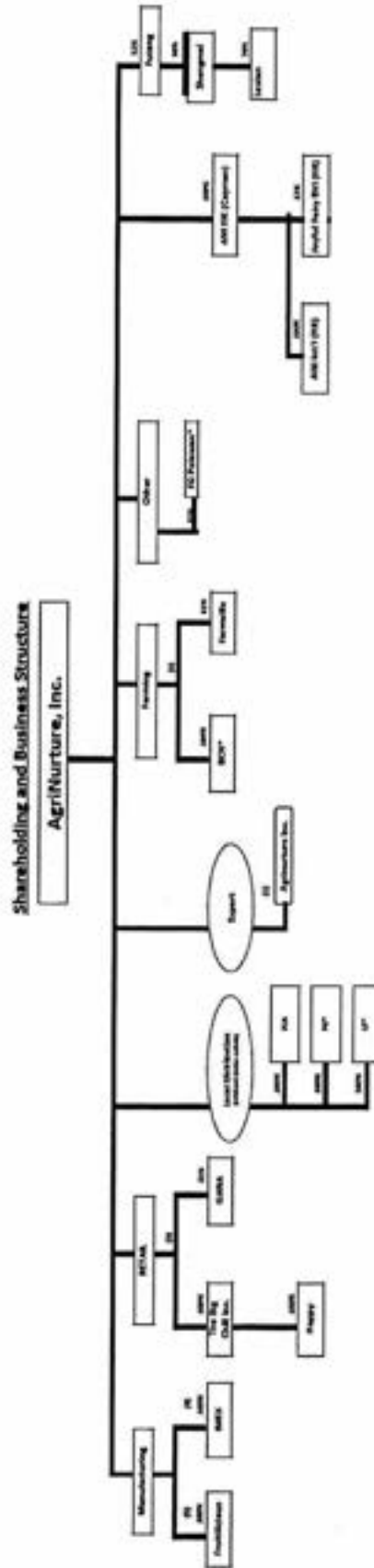
Schedule I

AGRINURTURE, INC.
SCHEDULE OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2022

Unappropriated Retained Earnings, Beginning	P	(1,628,045,535)
Net income based on the face of audited financial statements		25,276,838
Less Dividend declarations during the year - Property		-
Dividend declarations during the year - Cash		-
Derecognition of Dividend Income from an Associate		-
Unrealized foreign exchange loss - net (prior year)		-
Appropriations of retained earnings		-
Sub-total		-
Reissuance of treasury stock		-
Unrealized foreign exchange gain - net (current year)		7,602,079
Depreciation on revaluation increment (after tax)		(5,688,090)
Fair value adjustment of Biological Assets resulting to gain		7,643,425
Prior Year Adjustment		-
Sub-total		9,557,414
Net loss actual/realized		15,719,424
Unappropriated Retained Earnings, Ending	P	(1,612,326,111)

Schedule II

AGRINURTURE, INC.
MAP SHOWING RELATIONSHIPS BETWEEN AND AMONG
DIRECT AND INDIRECT SUBSIDIARIES
DECEMBER 31, 2022



Notes:
1. Ownership percentage of subsidiaries, including and among
2. Ownership percentage of subsidiaries, including and among
3. Ownership percentage of subsidiaries, including and among
4. Ownership percentage of subsidiaries, including and among
5. Ownership percentage of subsidiaries, including and among

AGRINURTURE, INC.
Schedule A - Financial Assets
DECEMBER 31, 2022

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds or notes	Amount shown on the balance sheet	Income accrued
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None to Report

AGRINURTURE, INC.**Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)****DECEMBER 31, 2022****Receivables**

Subsidiaries	968,758,996
Stockholders	116,423,993
Affiliates/Entity under common ownership	235,910,666
	1,321,093,655

ACERHURST, INC.
Schedule C - Receivable from Related Parties which are eliminated
during the consolidation of financial statements
DECEMBER 31, 2022

Name and Designation of Entity	Balance at beginning of period	Additions	Accounts collected	Amounts written off	Current	Non Current	Balance at the end of the period
Subsidiaries							
Due from Enroute	964,327,886	37,041,436	(33,818,416)	-	968,758,896	-	968,758,896
	14,329,838	8,921,337	37,628,114	-	8,803,378	-	8,803,378
	978,157,881	45,963,023	(15,462,302)	-	975,662,374	-	975,662,374

AGRIWORTURE, INC.
Schedule D - Long-Term Debt
DECEMBER 31, 2022

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet	Interest Rate %	Maturity Date
Loans with Land Bank of the Philippines	146,000,000	29,053,571	-	6%	2/28/2023

AGRINURTURE. INC.**Schedule E - Indebtedness to Related Parties****(Included in the consolidated financial statement of position)****DECEMBER 31, 2022****Payables**

Subsidiaries	19,880,395
Stockholders	58,538,186
Affiliates/Entity under common ownership	12,505,495
	90,924,076

AGRIKULTURE, INC.
Schedule F- Guarantees of Securities of Other Issuers
DECEMBER 31, 2012

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount of guaranteed and outstanding	Amount owned by person of which statement is filed	Nature of guarantee
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None to Report

AKKINVESTURE, INC.
Schedule II - Capital Stock
DECEMBER 31, 2021

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under the related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common stock - \$ 1 per value	1,600,000,000	833,831,688	10,631,467	209,004,169	37,316,291	515,888,761
Preferred stock - \$ 0.10 per value	400,000,000	40,000,000	-	40,000,000	-	-

AGRINURTURE, INC.
SCHEDULE IV - FINANCIAL SOUNDNESS INDICATORS
For the Years Ended December 31, 2022 and 2021

	2022	2021
A. SHORT-TERM LIQUIDITY RATIO		
CURRENT RATIO	1.94	1.87
<u>Current Assets</u>	<u>1,943,722,674</u>	<u>1,901,684,225</u>
<u>Current Liabilities</u>	<u>1,000,665,618</u>	<u>1,017,943,833</u>
WORKING CAPITAL TO ASSETS	0.24	0.22
<u>(Current Assets - Current Liabilities)</u>	<u>943,057,056</u>	<u>883,740,392</u>
<u>Total Assets</u>	<u>3,966,572,441</u>	<u>3,952,156,108</u>
B. LONG-TERM SOLVENCY		
ASSET TO EQUITY	1.35	1.38
<u>Total Asset</u>	<u>3,966,572,441</u>	<u>3,952,156,108</u>
<u>Shareholders' Equity</u>	<u>2,935,867,629</u>	<u>2,867,841,106</u>
DEBT TO EQUITY	0.35	0.38
<u>Total Liabilities</u>	<u>1,030,704,812</u>	<u>1,084,315,002</u>
<u>Shareholders' Equity</u>	<u>2,935,867,629</u>	<u>2,867,841,106</u>
LONG-TERM DEBT TO EQUITY	0.010	0.023
<u>Long-Term Debt</u>	<u>30,039,194</u>	<u>66,371,169</u>
<u>Shareholders' Equity</u>	<u>2,935,867,629</u>	<u>2,867,841,106</u>
FIXED ASSETS TO EQUITY	0.11	0.12
<u>(Fixed Assets - Accumulated Depreciation)</u>	<u>315,991,166</u>	<u>351,936,840</u>
<u>Shareholders' Equity</u>	<u>2,935,867,629</u>	<u>2,867,841,106</u>
CREDITORS EQUITY TO TOTAL ASSETS	0.26	0.27
<u>Total Liabilities</u>	<u>1,030,704,812</u>	<u>1,084,315,002</u>
<u>Total Assets</u>	<u>3,966,572,441</u>	<u>3,952,156,108</u>
FIXED ASSETS TO LONG-TERM DEBT	10.52	5.30
<u>(Fixed Assets - Accumulated Depreciation)</u>	<u>315,991,166</u>	<u>351,936,840</u>
<u>Long-Term Debt</u>	<u>30,039,194</u>	<u>66,371,169</u>

C. RETURN ON INVESTMENTS			
RATE OF RETURN ON TOTAL ASSETS		0.01	0.03
<u>Net Income</u>	25,276,838		96,894,028
Average Total Assets	3,959,364,275		3,762,553,646
RATE OF RETURN ON EQUITY		0.01	0.03
<u>Net Income</u>	25,276,838		96,894,028
Average Stockholders' Equity	2,901,854,368		2,776,875,821
D. PROFITABILITY RATIOS			
GROSS PROFIT RATIO		0.12	0.09
<u>Gross Income</u>	176,244,283		173,343,276
Revenues	1,486,712,450		1,877,012,914
OPERATING INCOME TO REVENUES		0.04	0.03
<u>Income from Operations</u>	63,537,836		63,890,781
Revenues	1,486,712,450		1,877,012,914
PRETAX INCOME TO REVENUES		0.02	0.06
<u>Pretax Income</u>	22,480,409		104,698,365
Revenues	1,486,712,450		1,877,012,914
NET INCOME TO REVENUE		0.02	0.05
<u>Net Income</u>	25,276,838		96,894,028
Revenues	1,486,712,450		1,877,012,914
E. INTEREST COVERAGE RATIO			
INTEREST COVERAGE RATIO		1.392	3.548
<u>Earnings Before Interest and Tax</u>	79,790,714		145,785,917
Interest Expense	57,310,305		41,087,552