

COVER SHEET

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SEC Registration Number

[illegible]

(Company's Full Name)

[illegible]

(Business Address: No. Street City/Town/Province)

Atty. Jose A. Bernas

(Contact Person)

631-8101

(Company Telephone
Number)

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3	1
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Month Day
(Calendar Year)

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(Form Type)

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Month Day
(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Not Applicable

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

	Total / Area

Domestic

of Borrowings

Foreign

To be accomplished by SEC Personnel concerned

[illegible]

File Number

LCU

[illegible]

Document ID

Cashier

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**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 11 OF THE SECURITIES
REGULATION CODE AND SRC RULE 11(a)-1(b)(2) THEREUNDER**

1. For the quarterly period ended 30 June 2019
2. SEC Identification Number AS094-005066
3. BIR Tax Identification No. 003-973-161
4. Exact name of registrant as specified in its charter: SWIFT FOODS, INC.
5. Philippines 6. _____ Industry Classification Code (SEC use only)
Province, Country, or other jurisdiction of incorporation or organization
7. 4F RFM Corporate Center, Sheridan cor. Pioneer Streets, Mandaluyong City 1603
Address of principal office Postal Code
8. 02 719-51-90 Registrant's telephone number, including area code
9. Not applicable Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 4 and 8 of the SRC

<u>Title of Each Class</u>	<u>Numbers of Shares of Common Stock Outstanding and Amount of Debt Outstanding</u>
Common Stock, P1 par value	1,818,436,953
Preferred Stock, P1 par value	48,633,664

11. Are any or all of these securities listed on the Philippines Stock Exchange?
Yes [x] No []

12. Check whether the registrant:

(a) has filed all reports required to be filed by Section 11 of the Securities Regulation Code (SRC) and SRC rule 11(a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports):

Yes [x] No []

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

Yes [x] No []

PART I – FINANCIAL INFORMATION

Item I. Financial Statements

Please refer to pages 21 to 26 of the attached report.

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

Results of Operations:

For the 2nd quarter of 2019, the company generated revenues of P14.603M. This is 4.45% higher compared to last year's 2nd quarter revenue of P13.953M.

The cost of goods sold as a percentage of sales for the 2nd quarter of 2019 is 90.80% vs. 92.79% for the cost of goods sold for the 2nd quarter of 2018. The decrease is due to the decrease in cost of day old chicks and better performance of contract growers.

Gross profits for the 2nd quarter of 2019 is 9.24% of its net sales as compared to 7.21% for the 2nd quarter of 2018. The increase in gross profit is due to a decrease in the cost of day old chicks. Other income for the 2nd quarter of 2019 is P2.3M. This is the same as the 2nd quarter of 2018. The other income represents the rental proceeds from the Tanay Farm.

Operating expenses for the 2nd quarter of 2019 is P3.535 compared to P1.903M for the 2nd quarter of 2018. The increase is due to the payment of storage fees, taxes and inclusion of compensation of executive.

In summary, the result of operations for the 2nd quarter of 2019 represents the Tanay rental and performance of the Palawan branch.

Financial Position:

The Company's assets as of 30 June 2019 amounted to P177.39 million. This is a decrease from 31 December 2018 assets of P177.67 million due to a decrease in cash. Current ratio as of 30 June 2019 is 28.31:1 against 28.99:1 in 31 December 2018. Cash & Cash Equivalents decreased by 2.02% due to the payment of various payables. Accounts receivables had a minimal decrease of 2.83%. Inventories decreased by P6.87M due to a decrease in buffer stock of feeds inventory and medicine and vaccine. Biological Assets (current portion) increased by 6.03% due to an increase in volume of livestock in Palawan. Accounts Payable & Accrued Expenses increased by 1.05% due to an increase in accrual of various expenses.

Summary of Significant Accounting and Financial Reporting Policies:

Basis of Preparation

The financial statements were prepared using historical cost basis, except for biological assets, agricultural produce and investment properties, which are carried at fair value. The financial statements are presented in Philippine peso (Peso), which is the Company's functional and presentation currency.

All values are rounded off to the nearest thousand (₱000), except for the number of shares and loss per share or when otherwise indicated.

Statement of Compliance

The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the amendments to PFRS, Philippine Accounting Standards (PAS) and annual improvements to PFRS which became effective on January 1, 2018, as shown below:

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. Entities are required to apply the amendments to: (a) share-based payment transactions that are unvested or vested but unexercised as of January 1, 2018, (b) share-based payment transactions granted on or after January 1, 2018 and to (c) modifications of share-based payments that occurred on or after January 1, 2018. Retrospective application is permitted if elected for all three amendments and if it is possible to do so without hindsight.

The Company has no share-based payment transaction. Accordingly, these amendments are not relevant on the Company's financial statements.

- PFRS 9, *Financial Instruments*

PFRS 9 replaces PAS 39, *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company has applied PFRS 9 using the modified retrospective approach, with the initial application date of January 1, 2018. The Company has not restated the comparative information, which continues to be reported under PAS 39, *Financial Instruments: Recognition and Measurement*.

The impact of the adoption is described below:

(a) Classification and measurement

Under PFRS 9, debt instruments are subsequently measured at fair value through profit or loss (FVPL), amortized cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payments of principal and interest (SPPI)" on the principal amount outstanding.

The assessment of the Company's business model was made as of the date of initial application, January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of PFRS 9 did not have a significant impact on the Company, except for cash in banks and cash equivalents and receivables, which were previously classified as loans and receivables as at December 31, 2017, qualify for held to collect contractual cash flows and give rise to cash flows representing SPPI. These are classified and measured as debt instruments at amortized cost beginning January 1, 2018.

The Company does not have any debt instruments and equity instruments at FVOCI or FVPL. Also, the Company has not designated any financial liabilities as at FVPL. There are no changes in the classification and measurement for the Company's financial liabilities.

(b) Impairment

The adoption of PFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Company to recognize an allowance for ECLs for all debt instruments not held at FVPL and contract assets.

The adoption of PFRS 9 did not have any significant impact on the Company's provision for impairment on its financial assets.

- *Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

The amendments are not applicable since the Company has no activities that are connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

PFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company adopted PFRS 15 using the modified retrospective method of adoption with the date of initial application on January 1, 2018. Under this method, the standard can be applied either to all contracts at date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts as at January 1, 2018.

The adoption of PFRS 15 did not change the timing of revenue recognition and amount of revenue to be recognized. However, the Company provided new disclosures to comply with the requirements of PFRS 15 such as disaggregated revenue information, among others.

- Amendments to PAS 28, *Investments in Associates and Joint Ventures, Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. Retrospective application is required.

These amendments did not have any significant impact to the Company.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of

a change in use. Retrospective application of the amendments is not required and is only permitted if this is possible without the use of hindsight.

These amendments did not have any significant impact to the Company.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transaction for each payment or receipt of advance consideration. Retrospective application of this interpretation is not required.

These amendments did not have any significant impact to the Company.

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on the financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

Under PFRS 9, a debt instrument can be measured at amortized cost or at FVOCI, provided that the contractual cash flows are solely payments of principal and interest (SPPI) on the principal amount outstanding (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

These amendments have no impact on the financial statements of the Company.

- PFRS 16, *Leases*

PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees - leases of “low-value” assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

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

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17. Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Company is currently assessing the impact of adopting PFRS 16.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Company.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This

clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. The amendments will not have a significant impact on its financial statements.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*, and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The Company is currently assessing the impact of this new interpretation.

- *Annual Improvements to PFRSs 2015-2017 Cycle*

- Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

These amendments are currently not applicable to the Company but may apply to future transactions.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after

January 1, 2019, with early application is permitted. These amendments have no significant impact on the Company's financial statements.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

These amendments have no significant impact on the Company's financial statements.

Effective beginning on or after January 1, 2020

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

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

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

These amendments will apply on future business combinations of the Company, if any, and is expected to have no significant impact to the financial statements.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*
The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted. These amendments have no significant impact on the financial statements.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

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

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

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

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted. This new accounting standard has no significant impact on the financial statements.

Deferred effectivity

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

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business,

however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

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

Summary of Significant Accounting Policies

The significant accounting policies that have been used in the preparation of the Company's financial statements are summarized below. These accounting policies have been consistently applied to all the years presented, unless otherwise stated.

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of up to three months or less from dates of acquisition and are subject to an insignificant risk of change in value. Interest income from bank deposits are recognized as interest accrues.

Fair Value Measurement

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

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The 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.

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level of input that is significant to the fair value measurement is directly or indirectly observable;

- Level 3 - Valuation techniques for which the lowest level of input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level of input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

As of December 31, 2018 and 2017, the Company's biological assets, agricultural produce and investment properties are carried at fair value and with recurring fair value measurements.

Financial Assets and Financial Liabilities

A financial instrument is any contract that gives rise to financial asset of one entity and a financial liability or equity instrument of another entity.

Accounting Policies Starting January 1, 2018

Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, FVOCI, and FVPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or which the Company has applied the practical expedient are measured at transaction price determined under PFRS 15. Refer to the *Accounting Policy in Section "Revenue Recognition"*.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are SPPI on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)

- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL

The Company has no financial assets at FVPL, financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments) and financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).

Financial assets at amortized cost (debt instruments). This category is most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective 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

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

As at December 31, 2018, the Company's financial assets at amortized cost includes cash and cash equivalents and receivables.

Impairment of financial assets

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

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

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a

provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual cash flows in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Accounting Policies Applicable to All Periods Presented

Classification and measurement of other financial liabilities

Other financial liabilities are liabilities that are neither held-for-trading nor designated at FVPL upon the inception of the liability. These are initially recognized at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization for any related premium, discount and any directly attributable transaction cost.

Gains and losses are recognized in the statement of income when these other financial liabilities are derecognized, as well as through the amortization process.

As of December 31, 2018 and 2017, other financial liabilities include accounts payable and other payables.

Derecognition of financial assets and liabilities

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

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

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of ownership of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company’s continuing involvement in the asset.

Financial liabilities. A financial liability is derecognized when the obligation under the liability has been discharged, cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position. The Company has currently enforceable right when if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- | | |
|--|--|
| Raw materials, packaging materials
and supplies | - purchase cost using the moving average
method. |
| Finished goods | - the initial cost of finished goods is the fair
value less costs to sell of agricultural
produce at point of harvest (see related
policy on Agricultural Produce). |

NRV is the selling price in the ordinary course of business, less the estimated costs necessary to make the sale. For raw materials, packaging materials and supplies, NRV is the current replacement cost.

Biological Assets and Agricultural Produce

The Company's biological assets include growing livestock (broilers before reaching harvestable weight) and goods in process (day-old chicks), which are grouped mainly according to their transformation capacity (growing or laying) as well as their particular stage in the production process. These biological assets are categorized according to their inherent characteristics in the production cycle.

The day-old chicks will be grown as livestock, which will either be sold as live chicken or transferred to the dressing plant for processing as dressed chicken.

Growing livestock and goods in process are carried at fair value less cost to sell and the live broilers harvested from the Company's biological assets are carried at fair value less estimated point-of-sale costs at the point of harvest.

The fair value of the biological assets and agricultural produce is determined based on the most recent market price at the point of harvest based on relevant market prices published by the Philippine Bureau of Agricultural Statistics (BAS). The Company, generally, does not maintain any inventory of agricultural produce at any given time as these are either sold as live chicken or are immediately transferred as live broilers to the Company's dressing plants for processing as dressed chicken.

Creditable Withholding Tax

Creditable withholding tax, which is included under “Other current assets” account in the balance sheet, represents the amount withheld by customers from income payments to the Company and may be applied against the Company’s income tax payable. Estimates of amounts that are potentially unrecoverable are provided with allowance for probable losses through charges to statement of income.

Creditable withholding tax that are expected to be realized for no more than 12 months after the reporting period are classified as current assets; otherwise, these are classified as other noncurrent assets.

Investment Properties

Investment properties, which mainly pertain to land and buildings held for capital appreciation or for rentals, are measured at fair value. These are measured initially at cost, including transaction costs. Fair value changes of investment property are included in the profit or loss in the period in which they arise.

The fair value of the land is determined based on appraisal reports conducted by an independent appraiser (duly accredited by the Philippine Securities and Exchange Commission or SEC) on the basis of recent sales of similar properties in the same areas as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made. The independent appraisers hold a recognized and relevant professional qualification and have a recent experience in the location and category of the investment properties being valued.

An investment property is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss in the derecognition on an investment property is recognized in the statement of income in the year of derecognition.

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are normally charged to income in the period in which the costs are incurred.

Transfers are made to investment properties when, and only when, there is a change in use, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of the Company’s occupation or commencement of development with a view to sale.

For a transfer from investment property to owner-occupied property, the deemed cost of the property for subsequent accounting is its fair value at the date of change in use. If an owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant, and equipment up to the date of change in use. The difference between the fair value of the property, plant and equipment transferred to investment property and its carrying value is credited to the revaluation increment account. In 2015, the Company’s land (classified as property, plant and equipment) was transferred to investment properties. Prior to the transfer in 2015, the Company’s land was measured initially at fair value as of January 1, 2004 as permitted by PFRS 1, *First Time Adoption of Philippine Financial Reporting Standards*. This fair value was the “deemed cost” of the land. The fair value of the land has been determined based on the appraisal reports conducted by independent appraisers and taking into account the economic conditions

prevailing at the time the valuations were made. The difference between the fair value of the land and the carrying value was credited to deficit.

Revenue Recognition

Accounting Policies Starting January 1, 2018

Revenue from contracts with customers is recognized when control of the goods are transferred to the customer at amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The Company has generally concluded that it is principal in its revenue arrangements because it typically controls the goods before transferring them to the customer.

Sale of goods

Revenue from the sale of goods is recognized at the point in time when control of the asset is transferred to the customer, generally when the goods are delivered to and accepted by the customer. The normal credit term is 30 to 60 days upon delivery.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Company considers the effects of variable consideration such as sales discounts, the existence of significant financing component, noncash considerations, and considerations payable to the customer, if any.

Fair valuation of agricultural produce

Gain from fair value change of agricultural produce is recognized at the point of harvest. Fair value is based on the most recent relevant market price (see related policy on Agricultural Produce) at transaction date

Contract Balances

Contract assets. A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Trade receivables. A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets under *Financial Assets and Financial Liabilities – Financial assets at amortized cost (debt instruments)*.

Contract liabilities. A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If the customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract.

Accounting Policies Prior to January 1, 2018

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding

discounts and output value-added tax (VAT). The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as principal in all of its revenue arrangements.

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

Sale of goods

Revenue from sale of goods is recognized when delivery has taken place and the significant risks and rewards of ownership have passed to the buyer and the amount of revenue can be measured reliably, which is normally upon delivery or acceptance by the customer. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of discounts.

Fair valuation of agricultural produce

Gain from fair value change of agricultural produce is recognized at the point of harvest. Fair value is based on the most recent relevant market price (see related policy on Agricultural Produce) at transaction date.

Costs and Expenses

Costs and expenses are recognized as incurred when decrease in future economic benefits related to a decrease in an asset or an increase of a liability, other than equity transactions with equity holders, has arisen that can be measured reliably.

Cost of goods sold

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

General, administrative, selling and marketing expenses

General and administrative expenses constitute costs of administering the business. Selling and marketing expenses are costs incurred to sell or distribute the merchandise. These expenses are expensed when incurred.

Other Comprehensive Income (Loss)

Other comprehensive income (loss) comprises items of income and expense (including items previously presented under the statement of changes in equity) that are not recognized in the statement of income for the year in accordance with PFRS.

Leases

The determination of whether the arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement depends on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease, only if any of the following applies:

- (a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
- (b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- (c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or (d) there is substantial change to the asset.

Where the reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c), or (d) above, and at the date of renewal or extension period for scenario (b).

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease expense is recognized in the statement of income on a straight-line basis over the terms of the lease agreements.

Company as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

Finance leases are capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and the reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the statement of profit or loss.

Operating lease is a lease other than a finance lease. Operating lease payments are recognized as an operating expense in the statement of income on a straight-line basis over the lease term, except for contingent rental payments which are expensed when they arise.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Rent income is recognized using the straight-line method over the term of the lease.

Retirement Benefits Cost

The Company accrues retirement benefits cost for all regular full-time employees based on the requirements of Republic Act (RA) No. 7641. Retirement benefits cost is actuarially determined using the projected unit credit method. This method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each separately to build up the final obligation.

Retirement benefit costs comprise the following:

- Service cost;
- Net interest on the net defined benefit liability or asset;

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in statement of income.

Re-measurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they occur and immediately credited to deficit. Re-measurements are not reclassified to the statement of income in subsequent periods.

The amount recognized as retirement benefits liability is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, if any, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Employee Leave Entitlement

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Foreign Currency-denominated Transactions

Transactions denominated in foreign currencies are initially recorded in Peso based on the exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are translated at the closing exchange rate at the reporting date. Exchange gains or losses arising from foreign currency transactions and balances are credited to or charged against current operations. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of initial transaction.

Income Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting period.

Deferred income tax

Deferred income tax is provided, using balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences, carryforward benefits of unused MCIT and NOLCO can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that sufficient future taxable profits will allow the deferred income tax assets to be recovered.

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

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of income.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at each balance sheet date.

Capital Stock

Capital stock is measured at par value for all shares issued. Common and preferred shares are classified as equity. The proceeds from the issuance of common shares and preferred shares are presented in equity as capital stock to the extent of the par value of issued shares. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to the "Capital in excess of par value" account.

Retained Earnings (Deficit)

Retained earnings (deficit) represent the cumulative balance of total comprehensive income (losses) and effects of changes in accounting policy. Retained earnings (deficit) includes the remeasurement gain (loss) on retirement benefits liability and the revaluation increment on the land when the Company adopted the deemed cost.

Shares Held in Treasury

The Company's own equity instruments reacquired are carried at cost and deducted from equity. No gain or loss is recognized in the statement of income on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

Basic/Diluted Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated through dividing the net income (loss) by the weighted average number of common shares issued and outstanding during the year.

Diluted earnings (loss) per share is calculated through dividing the net income (loss) by the weighted average number of common shares outstanding during the year, excluding treasury shares and adjusted for the effects of all potentially dilutive common shares, if any. Where the basic earnings (loss) per share effect of the assumed conversion of preferred shares on net income (loss) would be anti-dilutive, no diluted earnings per share is presented.

Provisions and Contingencies

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic

benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

Segment Reporting

For management reporting purposes, the Company considers the poultry and leasing business as its reportable operating segments. Such business segments are the basis upon which the Company reports its operating segment information. The operating segments are reported in a manner that is more consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the BOD that makes strategic decisions. The Company has no inter-segment sales and transactions.

Events After the Reporting Period

Events after the reporting period that provide additional information about the Company's position at balance sheet date (adjusting events) are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

Discussion and Analysis of Material Events/s and Uncertainties:

Being in the livestock or commodity business, the uncertainties come from the erratic volatility of both prices of the produce and the costs of the raw materials. The prices and costs have become even more unpredictable in recent years with the aggressive growth of commercial players and the influx of imports of leg quarters into the domestic market.

There are no material commitments for capital expenditures that would have an impact on future operations of the company.

Key Performance Indicators:

	2 nd Quarter 2019	2 nd Quarter 2018
Sales Revenue (Decline)	4.66%	10.75%
Operating Margin	-7.73%	16.36%
Net Income (Loss)	0.129M	1.43M
ROS	0.88%	10.27%
Current Ratio	28.31%	28.31%

$$\text{Sales Revenue Growth} = \left[\frac{\text{Sales this period}}{\text{Sales prior period}} \right] - 1$$

$$\text{Operating Margin} = \frac{\text{Income from operations}}{\text{Net Sales}}$$

$$\text{ROS} = \frac{\text{Net Income}}{\text{Net Sales}}$$

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Financial Risk Management Objectives and Policies:

The Company's principal financial instruments consist of cash and cash equivalents, receivables and accounts payable and other payables. The main purpose of these financial instruments is to ensure adequate funds for the Company's operations and capital expansion.

It is the Company's policy that no trading of financial instruments shall be undertaken.

The Company's management and the Board of Directors (BOD) review and approve policies for managing these risks. Management closely monitors the funds and financial transactions of the Company.

The Company recognizes the fact that their business operations are always exposed, in one way or the other, to some level of uncertainties or risks which, if not properly addressed and managed, could be detrimental to the profitability of the Company. Listed below are the financial risks the Company is exposed to:

Credit risk

Credit risk is the risk that the Company will incur a loss because its counterparties failed to discharge their contractual obligations. The Company manages credit risk by transacting only with a few recognized and creditworthy customers with whom it has already firmly established a good business relationship. It is the Company's policy that all customers who wish to contract on credit terms are subjected to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debt is not significant.

The Company controls credit risk through strict monitoring procedures and regular coordination with customers. All exceptions are noted and resolved with the concerned parties. Statements of accounts are issued out to customers and reconciled on a monthly basis.

Cash and cash equivalents are classified as *High grade* since these are deposited and invested with reputable banks and can be withdrawn anytime.

High grade receivables pertain to those receivables from clients or customers that consistently pay before the maturity date. *Standard grade* includes receivables that are collected on their due dates even without an effort from the Company to follow them up while receivables which are collected on their due dates provided that the Company made a persistent effort to collect them are included under *Sub-standard* receivables. Past due receivables and advances include those that are past due but are still collectible. The majority of these past due receivables are not considered to be impaired.

Collaterals held by the Company as securities for the payment of some outstanding receivables accounts are composed of real properties.

Repossessioned properties are made available for sale in an orderly fashion, with the proceeds used to reduce or repay the outstanding indebtedness.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its payment obligations when they fall under normal and stress circumstances. To limit risk, the Company manages its liquid funds through cash planning on a monthly and weekly basis. The Company uses historical figures and experiences and forecasts from its collections and disbursements, as well as projections based on the annual business plan. Likewise, the Company places excess funds in short-term cash investments. The Company also enters into restructuring agreements with creditor banks, as the need arises.

Interest rate risk

The Company's exposure to changes in interest rates relates primarily to the Company's bank loans, as well as interest on trust receipts and acceptances payable. Management manages its exposure to interest rate risk by closely monitoring the same with various banks and other financial institutions and maximizing borrowing period based on market volatility of interest rates.

Foreign currency risk

The Company is not exposed to significant foreign currency risk given that financial assets and financial liabilities and significant transactions involved in the Company's operations are denominated in the Company's functional currency, which is the Philippine peso.

Financial risk management related to agricultural activities

The Company is exposed to financial risk due to changes in the cost and supply of feed raw materials and also to the volatility of chicken selling price, and other products, which are determined by the supply and demand in the market. There are other factors, which contribute to this risk over which the Company has little control such as government regulations, climate and diseases that may affect the livestock. Such risks and mitigating factors are listed below.

Inherent risk to food manufacturing particularly in the fresh meat processing is spoilage and contamination. Generally, food manufacturing is being regulated by government agencies. The Company employs controls in its manufacturing processes to ensure that all finished products passed through rigid quality control. In addition, government representatives who are deployed to all the Company's dressing plants are always on the lookout to attest the quality of the finished product through issuance of corresponding certificates. The authorities, however, may impose additional regulatory requirements that may require significant capital investment at short notice. The Company ensures that this possibility is considered during the financial budgeting process.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code (SRC), the registrant has duly caused this report to be signed on its behalf by the undersigned thereto duly authorized.

SWIFT FOODS, INC.
Issuer



ALEJANDRO B. LOPEZ
Accounting Manager
6 August 2019



JOSE A. BERNAS
Corporate Secretary
6 August 2019

SWIFT FOODS, INC.
BALANCE SHEET
JUNE 30, 2019 & DECEMBER 31, 2018

	ASSETS	June 30, 2019 INTERIM	DEC. 31, 2018 AUDITED
Current Assets			
Cash & Cash Equivalents		10,447,140.22	10,662,773.28
Accounts Receivable		6,490,817.22	6,679,619.50
Biological Assets		2,720,221.74	2,565,466.11
Inventories		244,272.34	262,297.74
Other Current Assets (Prepaid Exp+Dep on Purch+Marginal)		235,593.69	235,593.69
Total Current Assets		20,138,045.21	20,405,750.32
Noncurrent Assets			
Investment Properties		157,054,450.00	157,054,450.00
Other Assets (Inv in Stocks/Def Chgs&HO/BR)		205,400.00	205,400.00
Total Noncurrent Assets		157,259,850.00	157,259,850.00
TOTAL ASSETS		177,397,895.21	177,665,600.32
LIABILITIES & STOCKHOLDER'S EQUITY			
Current Liabilities			
Accounts Payable & Accrued Expenses		71,134,334.71	70,394,188.54
Income Tax Payable			
Total Current Liabilities		71,134,334.71	70,394,188.54
Noncurrent Liabilities			
Retirement benefits obligations		4,281,283.38	4,160,607.78
Deferred income tax liabilities		46,876,035.23	46,876,035.23
Total Noncurrent Liabilities		51,157,318.61	51,036,643.01
Total Liabilities		122,291,653.32	121,430,831.55
Stockholder's Equity			
Capital Stock-Common		1,814,423,478.21	1,814,423,478.21
Capital Stock-Preferred		49,035,012.30	49,035,012.30
Capital in excess of par value		1,185,141,740.83	1,185,141,740.83
Treasury shares			
Total		3,048,600,231.34	3,048,600,231.34
Net Income		(1,128,526.88)	
Retained Earnings, Appropriated			
Retained Earnings, Unappropriated		(3,333,348,036.81)	(3,333,348,036.81)
Revaluation increment		340,982,574.24	340,982,574.24
Cumulative actuarial gains(losses)			
Total Retained Earnings		(2,993,493,989.45)	(2,992,365,462.57)
Total Stockholder's Equity		55,106,241.89	56,234,768.77
TOTAL LIAB. & STOCKHOLDER'S EQUITY		177,397,895.21	177,665,600.32

SWIFT FOODS, INC.**STATEMENTS OF INCOME**

(Amounts in Thousands, Except Basic Loss Per Share)

	Unaudited Jan-June, 2019	Unaudited Jan-June, 2018
NET SALES	26,499	25,800
COST OF GOODS SOLD	23,819	23,536
GROSS INCOME (LOSS)	2,680	2,264
OPERATING EXPENSES	(8,451)	(4,634)
OTHER INCOME (CHARGES)	4,643	4,653
INCOME (LOSS) BEFORE INCOME TAX	(1,129)	2,283
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current		
Deferred		
NET INCOME (LOSS)	(1,129)	2,283
Basic Earnings (Loss) Per Share	(0.0006)	0.0013
Common Stocks Outstanding	1,818,436,953	1,818,436,953

SWIFT FOODS, INC.**STATEMENTS OF INCOME**

(Amounts in Thousands, Except Basic Loss Per Share)

	Unaudited Apr-June, 2019	Unaudited Apr-June, 2018
NET SALES	14,604	13,954
COST OF GOODS SOLD	13,260	12,948
GROSS INCOME (LOSS)	1,344	1,006
OPERATING EXPENSES	(3,536)	(1,903)
OTHER INCOME (CHARGES)	2,321	2,330
INCOME (LOSS) BEFORE INCOME TAX	129	1,433
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current		
Deferred		
NET INCOME (LOSS)	129	1,433
Basic Earnings (Loss) Per Share	0.0001	0.0008
Common Stocks Outstanding	1,818,436,953	1,818,436,953

SWIFT FOODS, INC.**STATEMENTS OF INCOME**

(Amounts in Thousands, Except Basic Loss Per Share)

	Unaudited Jan-Mar, 2019	Unaudited Jan-Mar, 2018
NET SALES	11,896	11,846
COST OF GOODS SOLD	10,559	10,588
GROSS INCOME (LOSS)	1,336	1,258
OPERATING EXPENSES	(4,916)	(2,730)
OTHER INCOME (CHARGES)	2,321	2,323
INCOME (LOSS) BEFORE INCOME TAX	(1,258)	850
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current		
Deferred		
NET INCOME (LOSS)	(1,258)	850
Basic Earnings (Loss) Per Share	(0.0007)	0.0005
Common Stocks Outstanding	1,818,436,953	1,818,436,953

SWIFT FOODS, INC.
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED JUNE 2019 & 2018
(Amounts in Thousands)

	Unaudited June, 2019	Unaudited June, 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss)	(1,129)	2,283
Adjustments to Reconcile Net Income (Loss) to Net Cash Used in Operating Activities:		
Depreciation		
Changes in Assets & Liabilities:		
Decrease(Increase) in Assets:		
Accounts Receivable	189	(628)
Inventories	18	(1,180)
Biological Assets	(155)	(545)
Other Current Assets	(0)	(125)
Increase(Decrease) in Liabilities:		
Accounts Payable & Accrued Expenses	740	81
Net Cash Provided (Used)-Operating Activities	(336)	(113)
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase)/Decrease in:		
Property, Plant and equipment	-	-
Net Cash Provided (Used)-Investing Activities	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds(Payment) of:		
Retirement benefits obligations	121	120
Deferred income tax liabilities	-	-
Net Cash Provided (Used)-Financing Activities	121	120
Net Increase(Decrease) in Cash & Cash Equivalents	(216)	7
Cash & Cash Equivalents at Beg. of Period	10,663	9,787
Cash & Cash Equivalents at End of Period	10,447	9,793

SWIFT FOODS, INC.
STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY
JUNE 30, 2019 & 2018
in Thousand Pesos

CAPITAL STOCK	JUNE, 2019	JUNE, 2018
PREFERRED STOCK		
Balance, beginning of the year	59,732	59,732
Redemption of shares	-	-
Balance, June 30, 2019 & 2018	59,732	59,732
COMMON STOCK		
Issued	1,818,437	1,818,437
Payment of subscription receivable	-	-
Balance, June 30, 2019 & 2018	1,818,437	1,818,437
CAPITAL IN EXCESS OF PAR VALUE		
PREFERRED STOCK		
Balance, beginning of the year	414,519	414,519
Redemption of shares	-	-
Balance, June 30, 2019 & 2018	414,519	414,519
COMMON STOCK	866,895	866,895
Total Capital in excess of par value	1,281,414	1,281,414
RETAINED EARNINGS (DEFICIT)		
Balance, beginning	-3,333,348	-3,337,734
Net Income (loss)	-1,129	2,283
Revaluation increment	340,983	340,983
Cumulative actuarial gains(losses)		
Balance, June 30, 2019 & 2018	-2,993,494	-2,994,468

SWIFT FOODS, INC.,
AGING OF ACCOUNTS RECEIVABLE - TRADE
AS OF JUNE 30, 2019
(Amount in thousands)

Current	1,349
1 - 30	1,247
31 - 60	1,018
61 - 90	720
Over 90 days	600
TOTAL	4,934

The accompanying financial statements have been prepared in compliance with accounting principles generally accepted in the Philippines as set forth in the PFRS.

The principal accounting policies and methods of computation used in the annual financial statements were also followed in the preparation of the interim financial statements.

There are no issuances, repurchases, and repayments of debt and equity securities in the current interim period.

There are no dividends paid for both Common and Preferred shares in the current interim period.

The Company has no contingent assets or liabilities.

There are no material contingencies that are material to an understanding of the current interim period.

There are no material off-balance sheet transactions, arrangements, obligations and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

There are no material commitments for Capital Expenditures.

Segment Information - This is no longer applicable