

# COVER SHEET

for  
QUARTERLY 17-Q

SEC Registration Number

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## COMPANY NAME

A	G	R	I	N	U	R	T	U	R	E	,		I	N	C	.		A	N	D		S	U	B	S	I	D	I	A	
R	I	E	S																											

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

N	o	.		5	4		N	a	t	i	o	n	a	l		R	o	a	d	,		D	a	m	p	o	l			
I	I	-	A	,		P	u	l	i	l	a	n	,		B	u	l	a	c	a	n									

Form Type

1	7	Q-	2
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Department requiring the report

C	R	M	
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Secondary License Type, If Applicable

N	/	A	
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## COMPANY INFORMATION

Company's Email Address

[www.ani.com.ph](http://www.ani.com.ph)

Company's Telephone Number

(02) 997-5184

Mobile Number

N/A

No. of Stockholders

43

Annual Meeting (Month / Day)

06/30

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. 54 National Road, Dampol II-A, Pulilan, Bulacan

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

SECURITIES AND EXCHANGE COMMISSION

**SEC FORM 17 – Q**

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

1. For the quarterly period ended **June 30, 2019**
2. SEC Identification Number **A199701848**
3. BIR Tax Identification Code **200-302-092-000**
4. Name of Issuer as specified in its charter **AGRINURTURE, INC.**
5. **PHILIPPINES**  
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code: (SEC Use Only)
7. **NO. 54 NATIONAL ROAD, DAMPOL II-A, PULILAN, BULACAN PHILIPPINES3005**  
Address of issuer's principal office Postal Code
8. Issuer's telephone number, area code **044-815-6340**
9. Former name, former address and former fiscal year, if changed since last report **N. A.**
10. Securities registered pursuant to Section 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
<b>Common Shares,</b>	<b>1,018,274,088 shares</b> <b>(Authorized 2,000,000,000 shares</b> <b>at P1.00 Par value)</b>

- 
11. Are any or all the securities listed on the Philippine Stock Exchange?

Yes [ X ]                      No      [   ]

The company's common shares are listed in the Philippine Stock Exchange.

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12. Indicate by check mark whether the registrant:

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

Yes [ X ]                      No      [   ]

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

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Yes [ X ]                      No      [   ]

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**AGRINURTURE, INC. AND SUBSIDIARIES**  
**Securities and Exchange Commission Form 17 - Q**

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**Part I - FINANCIAL INFORMATION**

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**Item 1. Financial Statements**

The interim consolidated financial statements of AgriNurture, Inc. and subsidiaries (collectively referred to as the "Group") as of and for the period ended June 30, 2019 and with comparative figures as of June 30, 2019 and December 31, 2018 - are filed as part of this Form 17-Q as Exhibit A.

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

The following Management Discussion and Analysis should be read in conjunction with the attached interim consolidated financial statements of AgriNurture, Inc. and subsidiaries as of and for the six months ended June 30, 2019.

**Business Overview**

Incorporated on 04 February 1997, Agrinurture, Inc. (the "Company" or "ANI") started its business operations in the same year as an importer, trader and fabricator of post-harvest agricultural machineries intended to improve the productivity as well as increase the income of Filipino farmers. Formerly known as Mabuhay 2000 Enterprises, Inc., ANI was the first to bring into the Philippine market the Mega-Sun brand of grain dryers and thereafter established itself as one of the more reliable local supplier and manufacturer of conveyor systems and other rice mill equipment.

ANI eventually diversified into other various agro-commercial businesses, specifically focusing on the export trading of fresh Philippine Carabao Mangoes as its main revenue stream. Since then, ANI has become one of the Philippines' top fresh mango exporters to the world market. At present, ANI also supplies other home-grown fruits such as banana and pineapple to customers in Hong Kong, Mainland China, the Middle East and to the different European regions.

The following are the recent developments as regards continuous business expansion:

- With the passage of the Rice Import Liberalization Law, which opened the country's doors to unimpeded importation of rice, the Group is expecting to earn as much as ₱6.0 billion annually after it secured an exclusive deal to import rice from Vietnam's largest grains exporter. On September 17, 2018 the Group confirms that it has an agreement with Vietnam Southern Food Corporation - Joint Stock Company (VINAFOOD II), for the exclusive supply of up to two million metrics tons of long grain rice per year. The Group is currently coordinating with VINAFOOD II for the initial shipment. The Group already began its rice distribution to local customers starting June 2019 and it's expected to increase its volume sales in the next last two (2) quarters of 2019.
- On October 13, 2018, the Group entered into a joint venture agreement for a development of the property, located in Rizal. The joint venture shall include but not limited to the formation of the following: Phase 1 – Transportation Hub, Phase 2 – Food Terminal and Phase 3 – Property Development Corporation.

- On November 8, 2018 the Group has signed a ₱1.9 billion deal with SinoChem Group (SinoChem) for the purchase of various agricultural produce particularly tropical fruits. SinoChem is 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 Group'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.
- Zongshan Fucang Trade Co. Ltd. (Fucang), a subsidiary, acquired 70% ownership of Guangzhou Lexian Fruit Industry Co., Ltd. (Lexian), a foreign entity incorporated in China engaged in wholesale trade.
- On October 25, 2018 and the Board of Directors of the Parent Company authorizes the expansion of business operations in Australia through acquisition of existing companies. Accordingly, in December 28, 2018, the Parent Company made a deposit amounting to AU\$172,000 or ₱6.3 million to BSK PTY LTD. Additional deposits made during the first quarter of 2019 amounting to AU\$310,000 or ₱11.7 million. 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.
- On December 29, 2018, the SEC approved the increase in authorized capital stock of the Parent Company from one billion (₱1,000,000,000) divided into one billion (1,000,000,000) common shares to two billion (₱2,000,000,000) divided into two billion (2,000,000,000) common shares both with a par value of one peso (₱1) per share. Hence, this has given effect to the subscription of Earthright Holdings, Inc. to two hundred fifty million common shares (250,000,000), increasing the total subscribed shares from 668,003,686 in 2017 to 1,018,274,088 in 2018 and total issued and outstanding shares from 668,003,686 in 2017 to 830,774,088 in 2018. Subscription receivable at par value amounted to ₱187,500,000 in 2018.

The Company operates its agro-commercial businesses through operating divisions and wholly-owned or majority-owned subsidiaries that are organized into business segments.

#### REVENUE

(Philippine Pesos)	June 30, 2019	June 30, 2018
<b>Philippine Operations</b>		
Export	<b>1,005,795,473</b>	58,785,423
Local Distribution and Others	<b>62,153,247</b>	48,012,594
Retail & Franchising	<b>55,554,275</b>	50,758,329
<b>Sub-total</b>	<b>1,123,502,995</b>	157,556,436
<b>Foreign Operations</b>		
Hong Kong / China	<b>1,277,034,307</b>	688,756,566
<b>Total</b>	<b>2,400,537,302</b>	846,312,912

## **Results of Operations**

*Six Months ended June 30, 2019 versus June 30, 2018*

### **Net Sales**

The ANI Group generated a consolidated sale of goods and services of Php 2.4 billion for the six months ended June 30, 2019, 183.64% increase over the same period last year. For the first six months of 2019, Philippine operations contributed 47% while sales from Foreign operations accounted for 53% of consolidated sales. Sale of goods and services by business segment are as follows:

- Due to the stable selling prices of Banana and coco juice in the international market, constant supply of raw materials and increase in customers especially in China market, the Group's export sales resulted to Php1.005 billion, 1,610.96% higher compared to the same period in 2018. The group is expected to continue increasing its sales volume of banana in the succeeding quarters, on top of increased volume in shipments for mango and beverage products such as canned coconut water because of big potential of client in the United States of America.
- Local distribution sales posted an increase of 29.45% to Php 62.15 million for the six months ended June 30, 2019 from Php 48.01 million for the same period in 2018, mainly due to improvement in operations. With the approval of Rice Liberalization Law, ANI entered into a Memorandum of Agreement (MOA) with Vietnam Southern Food Corporation – VinaFood II (“VinaFood”), a state owned corporation duly designated and assigned by the Government of Vietnam to export rice and to help achieve food security in South East Asia. Under the MOA, VinaFood agrees to exclusively supply ANI up to Two Million (2,000,000) metric tons of long grain rice per year. The Group already has continued its rice distribution to local customers starting June 2019 and it's expected to increase its sales volumes in the next last two (2) quarters of 2019. Also, its distribution channel continues to gain profits from vegetable distribution operation in supermarket outlets during the period.
- Retail and franchising sales registered an increase of 9.45% amounting to Php55.55 million for the second quarter of 2019 from Php50.76 million for same period in 2018 despite closing of some sub performing outlets in the third and last quarter of 2018. The management is continuously improving the quality of products sold to different outlets, thus the increase in number of customers and franchisee during the period. Beginning 3<sup>rd</sup> quarter, the Group will continue to open 10-15 Company owned and franchise stores until the end of 2019.
- Combined Foreign trading operations posted an increase in sales amounting to Php1.28 billion for the second quarter of 2019 from Php688.76 million for same period in the previous year due to increase in sales of residential and commercial units as compared last year. The increase is also due to the consolidation of another subsidiary in China since the last quarter of 2018.

### **Cost of Sales**

Cost of sales consists of:

- Cost of purchasing fruits and vegetables and raw materials from growers and other traders and suppliers including freight in charges;
- Cost of real estate includes development cost for all properties to be sold, including shops, office buildings and hotels located in China
- Personnel expenses, which include salary and wages, employee benefits and retirement costs for employees involved in the production process;
- Repairs/maintenance costs, depreciation costs relating to production equipment, vehicles, facilities and buildings;
- Fuel and oil costs relating to the production and distribution process

For the six months ended June 30, 2019, ANI Group's cost of sales amounted to Php1.99 billion up by 237.74% from Php590.60 million for the same period in 2018, due to increase in purchases of materials relative to the increase in sales during the quarter.

### **Gross Profit**

Consolidated gross profit up by Php150.11 million or 59% to Php405.83 million for the six months ended June 30, 2019 from Php 255.72 million for same period last year. The increase was due to the increase in sales in exports, retail and distribution as well as the consolidation of Fucang's operations from sale of commodities and real estate properties.

### **Operating Expenses**

The Group's operating expenses consist of selling expenses and administrative expenses; which include the following major items:

- Taxes and licenses
- Salaries, wages and other employee benefits
- Advertising
- Rental
- Depreciation and amortization
- Freight out and handling cost

Consolidated operating expenses for the second quarter of 2019 amounted to Php 284.59 million up from Php210.93 million for the same period last year, due mainly to the consolidation of one of China's subsidiary's expenses and increase in taxes and licenses, advertising, personal costs, depreciation and representation and entertainment during the quarter.

### **Finance Costs**

Finance Costs for the second quarter of 2019 amounted to Php 27.41 million in 2019 while Php 22.97 million for the previous year.

### **Financial Condition**

#### **Assets**

ANI Group's consolidated total assets as of June 30, 2019 amounted to ₱4.93 billion a slight increase of 0.003% from ₱ 4.93 billion at December 31, 2018. The following explain the movements in the asset accounts:

- The Group's cash balance decreased by ₱13.13 million from ₱ 61.04 million in 2018 to ₱47.91 million in 2019 primarily due to payment of payables and loans and purchases of equipment needed in the operations during the quarter.
- Receivables increased by ₱119.81 million during the quarter from ₱525.08 million in 2018 to ₱644.89 million in 2019 mainly due to increase in sales.
- Advances to related parties decreased by ₱2.88 million due to collection of advances made from various subsidiaries during the quarter while advances to stockholder decreased by ₱156.70 million from ₱453.98 million in 2018 to ₱307.27 million in 2019 due to liquidation and collections during the quarter.
- Inventory balance increased from a year end 2018 balance of ₱946.05 million to ₱999.24 million due to reclassification of construction in progress into a residential and commercial inventory units at the same time increase in purchases of raw materials during the period due to growth in demand especially on banana and coco juice.
- Deposits for future investments include deposits made by Fucang to acquire 60% ownership of the subscriptions to Guangzhou Tianchen Real Estate Development Co., Ltd and 30% of Lushan Supply Chain Management (Shanghai) Co., Ltd., a company engaged in banana trading in China.
- Property, plant and equipment including intangibles decreased from ₱1.34 billion in December 31, 2018 to ₱1.25 billion in June 30, 2019 due to amortization during the period and reclassification of construction in progress to an inventory account.

**Liabilities**

Consolidated liabilities amounted to ₱2.14 billion as of June 30, 2019.

Total current liabilities amounted to ₱1.83 billion and ₱ 1.90 billion as of June 30, 2019 and December 31, 2018, respectively. The decrease is mainly due to payments of loans and borrowings and trade payables.

**Equity**

Consolidated stockholders' equity amounted to ₱2.80 billion as of June 30, 2019. The increase is due to the improvements of results of operations during the period at the same time the consolidation of one subsidiary since the last quarter of 2018.

**Liquidity and Capital Resources**

Net cash provided by operating activities for the first six (6) months of 2019 was ₱18.27 million due to increase in sales.

Net cash flow provided by investing activities is ₱83.94 million due to collections and liquidation of advances including the reclassification from CIP to inventories during the period.

Net cash used in financing activities is ₱86.10 million, which is due to payments of loans, leases and advances from related parties during the period.

**Discussion and Analysis of Material Events and Uncertainties**

The company has no knowledge and not aware of any material event/s and uncertainties known to the management that would address the past and would have an impact on the future operations of the following:

- a) Any known trends, demands, commitments, events or uncertainties that will have a material impact on our liquidity
- b) Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of obligation.
- c) All material off-balance sheet transactions, arrangements, obligations and other relationships of the company with unconsolidated entities or other persons created during the period.
- d) Any material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures.
- e) Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.
- f) Any significant elements of income/loss did not arise from our continuing operation.
- g) Any seasonal aspects that had a material effect on financial condition or results of operation.

SCHEDULE OF FINANCIAL INDICATORS				
FINANCIAL KEY PERFORMANCE INDICATOR	DEFINITION	FOR THE PERIOD ENDED JUNE 30		
<b>Current/Liquidity:</b>		<b>2019</b>		<b>2018</b>
Current ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	1.51		1.47
Quick ratio	$\frac{\text{Current Assets}-\text{Inventory}-\text{Prepayments}}{\text{Current Liabilities}}$	0.90		0.90
Solvency ratio/Debt-to-equity ratio	$\frac{\text{Total Liabilities}}{\text{Stockholders Equity}}$	0.76		0.82
Asset to equity ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$	1.76		1.82
Interest rate coverage ratio	$\frac{\text{Income Before Tax}}{\text{Finance Cost}}$	3.43		2.88
<b>Profitability Ratio:</b>				
Return on assets	$\frac{\text{Net Income}}{\text{Average Total Asset}}$	0.01		0.01
Return on equity	$\frac{\text{Net Income}}{\text{Average Total Equity}}$	0.03		0.02



## SIGNATURES

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

Issuer: **AGRINURTURE, INC.**

Signature and Title:

  
**ANTONIO L. TIW**

Chairman of the Board and President

Date:

**AUG 13 2019**

Signature and Title:

  
**KENNETH S. TAN**

Chief Financial Officer

Date:

**AUG 13 2019**

**AGRINURTURE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2019 AND DECEMBER 31, 2018**  
*(Amounts in Philippine Pesos)*

	Note	2019	2018
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	6	<b>₱ 47,908,876</b>	₱ 61,042,651
Trade and other receivables – net	7	<b>644,889,863</b>	525,075,594
Due from related parties	20	<b>255,898,288</b>	258,781,766
Due from a stockholder	20	<b>297,274,976</b>	453,975,621
Advances to suppliers and contractors	10	<b>399,799,756</b>	413,657,530
Inventories	8	<b>999,239,829</b>	946,046,631
Prepayments and other current assets	9	<b>117,833,501</b>	122,434,604
Total Current Assets		<b>2,762,845,089</b>	2,781,014,397
<b>Noncurrent Assets</b>			
Deposit for future investments	11	<b>255,627,682</b>	252,538,757
Property and equipment – net	12	<b>1,003,961,411</b>	1,086,944,321
Intangible assets – net	13	<b>248,959,290</b>	254,482,687
Biological assets		<b>2,200,750</b>	–
Other noncurrent assets	14	<b>661,067,900</b>	558,322,994
Total Noncurrent Assets		<b>2,171,817,033</b>	2,152,288,759
		<b>₱ 4,934,662,122</b>	₱ 4,933,303,156

**LIABILITIES AND EQUITY**

<b>Current Liabilities</b>			
Trade and other payables	15	<b>₱ 1,041,059,186</b>	₱ 1,036,419,067
Short-term loans	16	<b>540,417,569</b>	553,665,640
Current portion of:			
Loans payable	16	<b>141,982,132</b>	193,469,697
Lease payable	26	<b>13,601,554</b>	29,793,085
Due to related parties	20	<b>60,018,908</b>	67,357,588
Income tax payable		<b>30,849,223</b>	16,922,339
Total Current Liabilities		<b>1,827,928,572</b>	1,897,627,416

*(Forward)*

(Carryforward)

	Note	2019	2018
<b>Noncurrent Liabilities</b>			
Deposit for future stock subscriptions	23	P -	P -
Noncurrent portion of:			
Loans payable	16	304,477,944	325,124,380
Lease payable	26	-	-
Retirement liability	24	5,883,055	5,883,055
Total Noncurrent Liabilities		310,360,999	331,007,435
<b>Total Liabilities</b>		<b>2,138,289,571</b>	<b>2,228,634,851</b>
<b>Equity</b>			
Capital stock – P1 par value	18	830,774,088	830,774,088
Authorized – 2,000,000,000 shares in 2019 and 2018			
Subscribed – 1,018,274,088 shares in 2019 and 2018			
(net of subscriptions receivable			
of P187,500,000 in 2019 and 2018)			
Additional paid-in capital		3,567,071,761	3,516,841,761
Accumulated losses		(2,326,530,778)	(2,358,811,263)
Foreign currency translation reserve		8,669,724	23,056,049
Net cumulative remeasurement gain			
on retirement benefits	24	6,931,480	6,931,480
Noncontrolling interest		709,456,276	685,876,190
Total Equity		2,796,372,551	2,704,668,305
		<b>P 4,934,662,122</b>	<b>P 4,933,303,156</b>

See accompanying Consolidated Notes to Financial Statements.

**AGRINURTURE, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018

*(Amounts in Philippine Pesos)*

	Notes	For the Quarter ended June 30 2019	2018	For the Six Months ended June 30 2019	2018
<b>NET REVENUE</b>	17	<b>P 1,201,286,311</b>	P 409,402,224	<b>P 2,400,537,302</b>	P 846,312,912
<b>COST OF SALES</b>	21	<b>1,009,022,671</b>	272,896,082	<b>1,994,707,520</b>	590,597,816
<b>GROSS PROFIT</b>		<b>192,263,640</b>	136,506,142	<b>405,829,782</b>	255,715,096
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	22	<b>143,034,447</b>	113,210,076	<b>284,587,535</b>	210,932,767
<b>OPERATING PROFIT</b>		<b>49,229,193</b>	23,296,066	<b>121,242,247</b>	44,782,329
<b>OTHER INCOME (CHARGES)</b>					
Finance costs	16, 26	(13,576,149)	(15,008,158)	(27,412,740)	(22,971,745)
Interest income	6	5,329	138,578	15,439	142,149
Other income					
(expense) – net		127,087	23,108,039	122,408	44,097,908
		(13,443,733)	8,238,459	(27,274,893)	21,268,312
<b>INCOME BEFORE INCOME TAX</b>		<b>35,785,460</b>	31,534,525	<b>93,967,354</b>	66,050,641
<b>INCOME TAX EXPENSE</b>	25				
Current		10,038,726	8,191,690	23,248,183	17,062,878
Deferred		–	–	–	–
		10,038,726	8,191,690	23,248,183	17,062,878
<b>NET PROFIT FROM CONTINUING OPERATIONS</b>		<b>25,746,734</b>	23,342,835	<b>70,719,171</b>	48,987,763
<b>DISCONTINUED OPERATIONS</b>					
Gain from discontinued operations				–	–
<b>NET PROFIT</b>		<b>P 25,746,734</b>	P 23,342,835	<b>P 70,719,171</b>	P 48,987,763

**AGRINURTURE, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME****FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018***(Amounts in Philippine Pesos)*

	Note	For the Quarter ended June 30		For the Six Months ended June 30	
		2019	2018	2019	2018
<b>Net profit attributable to:</b>					
Equity holders of the Parent Company		<b>P 8,299,417</b>	8,062,639	<b>P 32,280,485</b>	P 9,080,712
Noncontrolling interest		<b>17,447,317</b>	15,280,196	<b>38,438,686</b>	39,907,051
		<b>25,746,734</b>	23,342,835	<b>P 70,719,171</b>	P 48,987,763
<b>Basic and diluted earnings per</b>					
<b>share attributable to equity holders</b>					
<b>of the Parent Company</b>	18	<b>P 0.01</b>	P 0.01	<b>P 0.04</b>	P 0.01

*See accompanying Notes to Consolidated Financial Statements.*

**AGRINURTURE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018**  
*(Amounts in Philippine Pesos)*

	Note	2019	2018
<b>CAPITAL STOCK – ₱1 par value</b>			
Balance at beginning of period		<b>₱ 830,774,088</b>	₱ 668,003,586
Paid-up during the period		–	100,270,500
Balance at end of period	18	<b>830,774,088</b>	768,274,086
<b>ADDITIONAL PAID-IN CAPITAL</b>			
Balance at beginning of period		<b>3,516,841,761</b>	2,504,341,712
Additions during the period		<b>50,230,000</b>	1,012,500,048
Balance at end of period	18	<b>3,567,071,761</b>	3,516,841,760
<b>ACCUMULATED LOSSES</b>			
Balance at beginning of period		<b>(2,358,811,263)</b>	(2,184,825,884)
Net income during the period		<b>32,280,485</b>	9,080,712
		<b>(2,326,530,778)</b>	(2,175,745,172)
<b>NET CUMULATIVE REMEASUREMENT</b>			
<b>GAIN IN RETIREMENT BENEFITS COSTS</b>			
Balance at beginning of period		<b>6,931,480</b>	4,435,187
Actuarial gain		–	–
Balance at end of period		<b>6,931,480</b>	4,435,187

*(Forward)*

(Carryforward)

	Note	2019	2018
<b>NET CUMULATIVE REMEASUREMENT</b>			
<b>TRANSLATION RESERVE</b>			
Balance at beginning of period		<b>P 23,056,049</b>	P 9,893,147
Exchange differences during the period		<b>( 14,386,325)</b>	35,954,530
Balance at end of period		<b>8,669,724</b>	45,847,677
<b>NONCONTROLLING INTEREST</b>			
Balance at beginning of period		<b>685,876,190</b>	456,618,949
Share in:			
Net income during the period		<b>38,438,686</b>	39,907,051
Exchange difference on translation			
of foreign operations		<b>( 14,858,600)</b>	34,544,547
Balance at end of period		<b>709,456,276</b>	<b>531,070,547</b>
<b>TOTAL EQUITY</b>	18	<b>P 2,796,372,551</b>	<b>P 2,690,724,086</b>

See accompanying Consolidated Notes to Financial Statements.

**AGRINURTURE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018**  
*(Amounts in Philippine Pesos)*

	Notes	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax on:			
Continuing operations		<b>P 93,967,354</b>	P 66,050,641
Discontinued operations		—	—
Income (loss) before income tax		<b>93,967,354</b>	66,050,641
Adjustments for:			
Depreciation and amortization	12, 13	<b>58,317,291</b>	32,461,462
Finance cost	16, 26	<b>27,412,740</b>	22,971,745
Interest income	6	<b>(15,439)</b>	(142,149)
Operating income (loss) before working capital changes		<b>179,681,946</b>	121,341,699
Decrease (increase) in:			
Trade and other receivables	7	<b>(119,814,269)</b>	19,875,847
Inventories	8	<b>(53,193,198)</b>	(124,358,203)
Prepayments and other current assets	9	<b>4,601,103</b>	(62,962,405)
Advances to suppliers and contractors	10	<b>13,857,774</b>	—
Biological assets		<b>(2,200,750)</b>	—
trade and other payables	15	<b>4,640,119</b>	(197,240,863)
Net cash used in operations		<b>27,572,725</b>	(243,343,925)
Income taxes paid		<b>(9,321,299)</b>	(61,277,187)
Interest received	6	<b>15,439</b>	142,149
Net cash flows (used in) provided by operating activities		<b>18,266,865</b>	(304,478,963)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Collections received from:	20		
Related parties		<b>2,883,478</b>	(47,889,944)
Stockholder		<b>156,700,645</b>	21,446,402

*(Forward)*



(Carryforward)

	Notes	2019	2018
Changes in:			
Other noncurrent assets	14	<b>(P 102,744,906)</b>	(P 17,740,170)
Deposit for future investments	11	<b>(3,088,925)</b>	(22,604,588)
Reclassification (additions) to:			
Property and equipment	12	<b>30,198,819</b>	(104,125,484)
Intangible assets	13	<b>(9,803)</b>	—
Net cash flows provided by (used in) investing activities		<b>83,939,308</b>	(170,913,784)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from:			
Issuance of shares of stocks	18	<b>50,230,000</b>	1,112,770,548
Advances from related parties	20	<b>(7,338,680)</b>	(25,299,033)
Deposit for future stock subscriptions	23	—	(242,835,098)
Loans	16	<b>(85,382,072)</b>	(315,805,313)
Lease	26	<b>(16,191,531)</b>	(9,139,357)
Interest paid	16, 26	<b>(27,412,740)</b>	(22,971,745)
Net cash flows (used in) provided by financing activities		<b>(86,095,023)</b>	496,720,002
<b>EFFECT OF EXCHANGE RATE CHANGES IN CASH</b>			
		<b>(29,244,925)</b>	70,499,078
<b>NET DECREASE IN CASH</b>			
		<b>16,111,150</b>	21,327,255
<b>CASH AT BEGINNING OF YEAR</b>			
	6	<b>61,042,651</b>	211,811,366
<b>CASH AT END OF YEAR</b>			
	6	<b>P 47,908,876</b>	P 303,637,699

See accompanying Consolidated Notes to Financial Statements.

**AGRINURTURE, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
*(Amounts in Philippine Pesos)*

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**1. Corporate Information**

AgriNurture, Inc. (the Parent Company or ANI) was registered and incorporated with the Philippine Securities and Exchange Commission (SEC) on February 4, 1997 primarily to engage in manufacturing, producing, growing, buying, selling, distributing, marketing at wholesale only insofar as may be permitted by law, all kinds of goods, commodities, wares and merchandise of every kind and description and to enter into all kinds of contracts for the export, import, purchase, acquisition, sale at wholesale only and other disposition for its own account as principal or in representative capacity as manufacturer's representative, up consignment of all kinds of goods, wares, merchandise or products, whether natural or artificial.

In March 2009, the SEC approved the change in the Parent Company's primary purpose 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 include, among others, to purchase, acquire, lease, sell and convey real properties such as land, 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 and its subsidiaries (collectively referred to as the Group) are involved in various agro-commercial businesses such as export trading and distribution of fruits and vegetables, retail franchising and manufacturing.

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to continue increasing revenues and improving operations despite losses from operations in the past years. The Group shall continue to expand its core business and increase the distribution (fruits and vegetables and rice) and export sales channels. Its retail arm is expanding the franchise network with steps to cover not only the Philippines on a national basis but overseas as well. The Group has started an active campaign to gain new and recover clients through marketing and selling activities in the Philippines and overseas. Part of these activities include looking for more opportunities in the greater Middle East, China and Asia markets. Also, with the addition of Zhongshan Fucang Trading Co., to the Group, it will continuously deliver exceptional quality goods and services and improve its present business activities through commodity trading, real estate development, and set up of new platforms.

Moreover, most loans were already converted to term loans in order to increase the flexibility of the Group's capital and minimize the immediate impact on operational cash flows. As at June 30, 2019 and December 31, 2018, the Group's current assets already exceeded its current liabilities by ₱946.26 million and ₱883.3 million, respectively. Further, the Group shall continue the rationalization, consolidation and reorganization of operations it has initiated last 2015 to improve efficiency and lower cost of sales and operating expenses. These developments are expected to contribute to a positive growth in the future for the Group's revenue and net earnings.

The following are the recent developments in relation to continuous business expansion:

- With the passage of the Rice Import Liberalization Law, which opened the country's doors to unimpeded importation of rice, the Group is expecting to earn as much as ₱6.0 billion annually after it secured an exclusive deal to import rice from Vietnam's largest grains exporter. On September 17, 2018 the Group confirms that it has an agreement with Vietnam Southern Food Corporation - Joint Stock Company (VINAFOOD II), for the exclusive supply of up to two million metric tons of long grain rice per year. The Group is finalizing the documentations for the initial shipment. As of June 30, 2019, the Group begins to distribute to local customers already and it's expected to increase its volume sales in the next coming last two (2) quarters of 2019.
- On October 13, 2018, the Group entered into a joint venture agreement for a development of the property, located in Rizal. The joint venture shall include but not limited to the formation of the following: Phase 1 – Transportation Hub, Phase 2 – Food Terminal and Phase 3 – Property Development Corporation.
- On November 8, 2018 the Group has signed a ₱1.9 billion deal with a Chinese Company for the purchase of various agricultural 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 Group'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.
- Zongshan Fucang Trade Co. Ltd. (Fucang), a subsidiary, acquired 70% ownership of Guangzhou Lexian Fruit Industry Co., Ltd. (Lexian), a foreign entity incorporated in China engaged in wholesale trade.
- On October 25, 2018 and the Board of Directors of the Parent Company authorizes the expansion of business operations in Australia through acquisition of existing companies. Accordingly, in December 28, 2018, the Parent Company made a deposit amounting to AU\$172,000 or ₱6.3 million to BSK PTY LTD. 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.
- On December 29, 2018, the SEC approved the increase in authorized capital stock of the Parent Company from one billion (₱1,000,000,000) divided into one billion (1,000,000,000) common shares to two billion (₱2,000,000,000) divided into two billion (2,000,000,000) common shares both with a par value of one peso (₱1) per share. Hence, this has given effect to the subscription of Earthright Holdings, Inc. to two hundred fifty million common shares (250,000,000), increasing the total subscribed shares from 668,003,686 in 2017 to 1,018,274,088 in 2018 and total issued and outstanding shares from 668,003,686 in 2017 to 830,774,088 in 2018. Subscription receivable at par value amounted to ₱187,500,000 in 2018.

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

The consolidated financial statements as at and for the period ended June 30, 2019 and December 31, 2018 were authorized for issuance by the Audit Committee on August 13, 2019 pursuant to delegated authority from the Board.

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## **2. Basis of Preparation**

### Basis of Preparation of Consolidated Financial Statements

The consolidated financial statements of the Group have been prepared using the historical cost basis. The Group presents all items of income and expense in a single statement of comprehensive income. These consolidated financial statements are presented in Philippine Pesos, which is the Group's functional and reporting currency under Philippine Financial Reporting Standards (PFRS). All values are rounded to the nearest peso, except when otherwise indicated.

The Group presents a consolidated statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the consolidated statements of financial position at the beginning of the preceding period. The related notes to the third statements of financial position are not required to be disclosed.

### Statement of Compliance

The consolidated financial statements of the Group 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 Financial Reporting Standards Council (FRSC) and adopted by the SEC.

### Principles of Consolidation

The consolidated financial statements of the Group comprise the accounts of the Parent Company and its subsidiaries where the Parent Company has control.

Specifically, the Parent controls an investee if it has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Parent has less than a majority of the voting or similar rights of an investee, it considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangement; and
- the Group's voting rights and potential voting rights.

The Parent Company re-assesses its control over an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The consolidated financial statements include the Parent Company and the following subsidiaries (collectively referred to as the Group):

	Country of incorporation	Nature of Business	Effective Ownership	
			2019	2018
First Class Agriculture Corporation (FCAC)	Philippines	Trading (Agricultural goods)	100%	100%
M2000 IMEX Company, Inc. (IMEX)	Philippines	Toll and manufacturing	100%	100%
Best Choice Harvest Agricultural Corp. (BCHAC)	Philippines	Farm management	100%	100%
Fresh and Green Harvest Agricultural Company, Inc. (FGH*)	Philippines	Trading (Agricultural goods)	100%	100%
Lucky Fruit & Vegetable Products, Inc. (LFVPI)*	Philippines	Trading (Agricultural goods)	100%	100%
Fruitilicious Company, Inc. (FCI)	Philippines	Manufacturing/processing /trading frozen agricultural products	100%	100%
Farmville Farming Co., Inc. (FFCI)	Philippines	Trading (Agricultural goods)	51%	51%
Fresh and Green Palawan Agriventures, Inc. (FGP)*	Philippines	Farm management	51%	51%
The Big Chill, Inc. (TBC)	Philippines	Food and beverage retailing and franchising	80%	80%
Heppy Corporation (HC)*	Philippines	Food and beverage retailing	80%	80%
Goods and Nutrition for All, Inc. (GANA)*	Philippines	Retail and wholesale	100%	100%
Agrinurture HK Holdings Ltd. (ANI HK)	Hong Kong	Holding Company	100%	100%
Agrinurture Int'l Ltd. (ANI IL) *	Hong Kong	Trading and retail	100%	100%
Joyful Fairy (Fruits) Limited (JFF) *	British Virgin Islands	Trading (Agricultural goods)	51%	51%
Zongshan Fucang Trade Co. Ltd. (Fucang)	China	Trading and real estate	51%	51%

\* Direct and indirect ownership

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting year as the Group, using uniform accounting policies for like transactions and other events in similar circumstances.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts;
- Derecognizes the carrying amount of any noncontrolling interest including any components of other comprehensive income attributable to them;
- Derecognizes the cumulative translation differences, recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained in the subsidiary;
- Recognizes any surplus or deficit in profit or loss;
- Accounts for all amounts recognized in other comprehensive income in relation to the subsidiary on the same basis as would be required if the parent had directly disposed of the related assets and liabilities; and
- Recognizes any resulting difference as gain or loss in profit or loss attributable to the parent.

The financial statements of the subsidiaries are prepared for the same reporting year as the Group using consistent accounting policies. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

*Noncontrolling interest*

Noncontrolling interest represents interest in a subsidiary that is not owned, directly or indirectly, by the Group. Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Group and to the non-controlling interest. Total comprehensive income is attributed to the equity holders of the Group and to the non-controlling interests even if this results in the noncontrolling interest having a deficit balance.

Noncontrolling interest represents the portion of profit or loss and the net assets not held by the Group. Transactions with noncontrolling interest are accounted for using the entity concept method, whereby the difference between the consideration and the book value of the share of the net assets acquired is recognized as an equity transaction.

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### 3. Changes in Accounting Policies

The accounting policies adopted by the Group are consistent with those of the previous financial years, except for the following standards, amendments and improvements to PFRS and PAS which became effective in 2018.

- PFRS 9, *Financial Instruments: Classification and Measurement*  
PFRS 9 replaces PAS 39, Financial Instruments: Recognition and Measurement, and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements and new hedge accounting. PFRS 9 includes revised guidance on the classification and measurement of financial assets that reflects the business model in which assets are managed and their cash flow characteristics, including a new forward-looking expected credit loss for calculating impairment, and guidance on own credit risk on financial liabilities measured at fair value. PFRS 9 incorporates new hedge accounting requirements and represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

The Group adopted the said standard without restating comparative information as permitted by PFRS 9. The reclassification and the adjustments arising from the new classification and impairment rules are therefore not reflected in the restated balance sheet as at December 31, 2017, but are recognized in the opening balance sheet on January 1, 2018.

a. Classification and measurement

Presented below is the impact of adoption of PFRS 9 on classification and measurement of financial assets as at January 1, 2018 on the Group's consolidated financial statements.

	Note	Original Measurement Category under PAS 39	New Measurement Category under PFRS 9	Original Carrying Amount under PAS 39	New Carrying amount under PFRS 9
<i>Financial assets:</i>					
Cash	6	Loans and receivables at amortized cost	Financial assets at amortized cost	₱211,811,366	₱211,811,366
Receivables*	7	Loans and receivables at amortized cost	Financial assets at amortized cost	350,655,354	307,167,118
Due from related parties	20	Loans and receivables at amortized cost	Financial assets at amortized cost	447,596,478	462,265,980
Due from a stockholder	20	Loans and receivables at amortized cost	Financial assets at amortized cost	422,226,236	422,226,236
<b>Total</b>				<b>₱1,432,289,434</b>	<b>₱1,403,470,700</b>
<i>Financial liabilities:</i>					
Trade and other payables**	15	Other financial liabilities at amortized cost	Financial liabilities at amortized cost	₱632,902,031	₱632,902,031
Due to related parties	20	Other financial liabilities at amortized cost	Financial liabilities at amortized cost	72,402,905	72,402,905
Loans payable	16	Other financial liabilities at amortized cost	Financial liabilities at amortized cost	1,288,930,962	1,288,930,962
Lease payable	27	Other financial liabilities at amortized cost	Financial liabilities at amortized cost	50,748,241	50,748,241
<b>Total</b>				<b>₱2,044,984,139</b>	<b>₱2,044,984,139</b>

\* Excluding nonfinancial assets amounting to ₱34,464,106.

\*\* Excluding nonfinancial liabilities amounting to ₱149,881,364.

**b. Impairment**

The total impact of adoption of PFRS 9 impairment rules on the Group's retained earnings as at January 1, 2018 is as follows:

Opening retained earnings on January 1, 2018 – PAS 39	(₱2,199,398,057)
Increase in allowance for impairment of receivables (Note 7)	(43,448,236)
<b>Opening retained earnings on January 1, 2018 – PFRS 9</b>	<b>(₱2,242,846,293)</b>

The following table shows the adjustments recognized for each account affected by the change in impairment of financial asset policy:

Receivables

Balance as at January 1, 2018, as previously reported	₱350,655,354
Effect of PFRS 9 application (Note 7)	(43,448,236)
<b>Balance as restated as at January 1, 2018</b>	<b>₱307,207,118</b>

\* Excluding nonfinancial assets amounting to ₱34,464,106.

• **PFRS 15, Revenue from Contracts with Customers**

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is 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. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

The adoption of this new standard has no significant impact on the Group's consolidated financial statements.

- 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.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met.

The amendments are currently not applicable to the Group as it has no share-based payment transactions.

- Amendments to PAS 28, *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 (FVPL). 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.

The amendments have no significant impact on the Group's consolidated financial statements.

- 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. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

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

- 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 nonmonetary 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 nonmonetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.



The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the consolidated financial statements of the reporting period in which the entity first applies the interpretation.

The interpretation has no significant impact in the Group's consolidated financial statements.

New and Amended Standards and Interpretations Issued but not yet Effective

Standards issued but not yet effective up to the date of the Group's consolidated financial statements are listed below. Unless otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective in 2019

- PFRS 16, *Leases*

Under the new standard, lessees will no longer classify their lease as either operating or finance leases in accordance with PAS 17. Rather, leases will apply the single-asset model, wherein lessees will recognize the assets and the related liabilities for most leases in their balance sheets and, subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. The new standard is effective for annual periods beginning on or after January 1, 2019, with an early adoption.

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

The adoption of the new standard is not expected to have significant impact on the Group's consolidated financial statements.

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

Prepayment Features with Negative Compensation amends the existing requirements in PFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. Under the amendments, the sign of the prepayment amount is not relevant, i.e. depending on the interest rate prevailing at the time of termination, a payment may also be made in favor of the contracting party effecting the early repayment. The calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of an early repayment gain.

The amendments are to be applied retrospectively for fiscal years beginning on or after January 1, 2019, i.e. one year after the first application of PFRS 9 in its current version. Early application is permitted so entities can apply the amendments together with PFRS 9 if they wish so. Additional transitional requirements and corresponding disclosure requirements must be observed when applying the amendments for the first time.

The amendments are not expected to have significant impact on the Group's consolidated financial statements.

- *Amendments to PAS 28, Long-term Interests in Associates and Joint Ventures*  
The amendments to PAS 28 clarify that an entity applies PFRS 9, Financial Instruments including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

The amendments are effective for periods beginning on or after January 1, 2019, with early application permitted. The amendments are to be applied retrospectively but they provide transition requirements similar to those in PFRS 9 for entities that apply the amendments after they first apply PFRS 9. They also include relief from restating prior periods for entities electing, in accordance with PFRS 4 Insurance Contracts, to apply the temporary exemption from PFRS 9. Full retrospective application is permitted if that is possible without the use of hindsight.

The adoption of this new standard in 2019 is not expected to have significant impact on the Group's consolidated financial statements.

*Amended standards and interpretations effective in 2019 adopted by the FRSC but not yet approved by the Board of Accountancy (BOA)*

- *Philippine Interpretations IFRIC 23, Uncertainty over Income Tax Treatments*  
The Interpretation clarifies application of recognition and measurement requirements in PAS 12, Income Taxes when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following: a) whether an entity considers uncertain tax treatments separately; b) the assumptions an entity makes about the examination of tax treatments by taxation authorities; c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and d) how an entity considers changes in facts and circumstances.

Philippine IFRIC 23 is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. The Interpretation may be applied retrospectively using PAS 8, only if the application is possible without the use of hindsight or may be applied retrospectively with the cumulative effect of the initial application recognized as an adjustment to equity on the date of initial application. In this approach, comparative information is not restated. The date of initial application is the beginning of the annual reporting period in which an entity first applies this Interpretation.

The interpretation was adopted by the FRSC on July 12, 2017 but are still subject to the approval by the BOA.

- *Amendment to PAS 19, Plan Amendment, Curtailment or Settlement*  
The amendments clarify the accounting when a plan amendment, curtailment or settlement occurs and specifies how companies determine pension expenses when changes to a defined benefit pension plan occur. The amendments require the Group to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.

The amendments are applied prospectively to plan amendments, settlements or curtailments that occur on or after the beginning of the annual period in which amendments to PAS 19 are first applied. The amendments to PAS 19 must be applied to annual periods beginning on or after January 1, 2019, but earlier application is permitted.

The amendment was adopted by the FRSC on March 14, 2018 but still subject to the approval by the BOA.

Annual Improvements to PFRSs 2015-2017 Cycle

The following amendments were adopted by the FRSC on March 14, 2018 but are still subject to the approval by the BOA:

- Amendments to PFRS 3 *Business Combinations* and PFRS 11 *Joint Arrangements*

The amendments clarify how a Group accounts for obtaining control (or joint control) of a business that is a joint operation if the Group already holds an interest in that business. On PFRS 3, the Group remeasures its previously held interest in a joint operation when it obtains control of the business. On PFRS 11, the Group does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

The amendments are effective for business combinations with acquisition date on or after the beginning of annual periods beginning on or after January 1, 2019. Earlier application is permitted.

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

The amendments clarify that the requirements in paragraph 52B of PAS 12 apply to all income tax consequences of dividends. The Group accounts for all income tax consequences of dividend payments in the same way.

The amendments are effective for transactions resulting in obtaining joint control on or after the beginning of annual periods beginning on or after January 1, 2019. Earlier application is permitted.

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

The amendments to PAS 23 clarify which borrowing costs are eligible for capitalization in particular circumstances. The Group treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The amendments should be applied for annual periods beginning on or after January 1, 2019 to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period. Earlier application is permitted.

New and amended standards effective subsequent to 2019 adopted by the FRSC but not yet approved by the BOA

- Amendments to PFRS 3, Definition of Business
- PFRS 17, Insurance Contracts
- Amendments to PAS 1 and PAS 8, Definition of Material

Deferred

- Philippine Interpretation IFRIC 15, *"Agreements for the Construction of Real Estate"*

This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The Philippine SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

Management will continuously assess the impact of this interpretation. Currently, the Group has no activities to which this interpretation will apply.

- PFRS 10, “*Consolidated Financial Statements*” and PAS 28, “*Investments in Associates and Joint Ventures*”: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The Group will continue to assess the relevance and impact of the above standards, amendments to standards and interpretations. The revised disclosures on the consolidated financial statements required by the above standards and interpretations will be included in the Group’s consolidated financial statements when these are adopted.

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#### 4. Summary of Significant Accounting and Financial Reporting Policies

The principal accounting policies adopted in preparing the consolidated financial statements of the Group are summarized below and in the succeeding pages. The policies have been consistently applied to all years presented unless otherwise stated:

##### Current versus Noncurrent Classification

The Group presents assets and liabilities in the Group consolidated statements of financial position based on whether it is current and noncurrent.

An asset is current when it is:

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

All other assets are classified as noncurrent. Deferred tax assets are classified as noncurrent assets.

A liability is current when it is:

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

All other liabilities are classified as noncurrent. Deferred tax liabilities are classified as noncurrent liabilities.

##### 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 Group.

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level 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 Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the assets or liabilities and the level of the fair value hierarchy.

#### Financial Assets and Liabilities

##### *Date of recognition*

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

##### *Initial recognition*

At initial recognition, the Group measures a financial asset at its fair value plus or minus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL, if any, are expensed in profit or loss.

##### *Determination of fair value*

Fair value is determined by preference to the transaction price or other market prices. If such market prices are not reliably determinable, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value model where the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rates of interest for similar instruments with similar maturities. Other valuation techniques include comparing to similar instruments for which market observable prices exist; recent arm's length market transaction; option pricing model and other relevant valuation models.

Classification of financial assets

From January 1, 2018, the Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- Those to be measured at amortized cost.

*Financial assets at fair value through other comprehensive income (FVOCI)*

Financial assets at FVOCI comprise:

- Equity instruments  
Equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to be recognized in this category. These are strategic investments and the Group considers this classification to be more relevant.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statements of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

- Debt instruments  
Debt securities where the contractual cash flows are solely principal and interest and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets.

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statements of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Group has no debt instruments at FVOCI as at January 1, 2019 and June 30, 2019.

*Financial assets at FVPL*

The Group classifies the following financial assets at FVPL:

- debt investments that do not qualify for measurement at either amortized cost or FVOCI
- equity investments that are held for trading, and
- equity investments for which the entity has not elected to recognize fair value gains and losses through OCI.

Financial assets at FVPL are carried in the consolidated statements of financial position at fair value with net changes in fair value recognized in the consolidated statements of comprehensive income. This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at FVOCI. Dividends on listed equity investments are also recognized as other income in the consolidated statements of profit or loss when the right of payment has been established.

The Group has no financial assets at FVPL as at January 1, 2019 and June 30, 2019.

*Financial assets at amortized cost*

The amortized cost of a financial asset or financial liability is the present value of future cash receipts (payments) discounted at the effective interest rate. The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVPL:

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

Classified under financial assets measured at amortized cost is the Group's cash in banks, trade and other receivables and due from related parties and stockholder (Notes 6, 7 and 20).

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

*Subsequent measurement of financial assets*

- Debt instruments

There are three measurement categories into which the Group classifies its debt instruments:

- *Amortized cost:* Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains (losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statements of profit or loss.

Short-term receivables with no stated interest rate are measured at their invoice amounts or expected amounts of settlement without discounting, when the effect of not discounting is immaterial.

- *FVOCI*: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains (losses) and impairment expenses are presented as separate line item in the consolidated statements of profit or loss.
- *FVPL*: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains (losses) in the period in which it arises.
- **Equity instruments**  
The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

#### Impairment of financial assets

From January 1, 2018, the Group recognizes an expected credit loss (ECL) for all debt instruments not held at FVPL. ECLs are based in the difference between the contractual cash flows due in accordance with the contract and all the cash flows of that the Group 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.

In measuring ECL, the Group must reflect:

- An unbiased evaluation of a range of possible outcomes and their probabilities of occurrence;
- Discounting for the time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

For cash in banks, nontrade receivables and due from related parties and a stockholder, the Group applies the general approach in calculating ECLs. The Group recognizes a loss allowance based on either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk on its cash in banks, nontrade receivables and due from related parties since initial recognition.



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

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

As at January 1, 2018 and December 31, 2018, the Group recognized additional impairment losses on trade receivables amounting to ₱43.5 million and ₱9.1 million, respectively (see Note 7).

*Classification and subsequent measurement of financial liabilities*

The Group classifies its financial liabilities in the following categories:

- *Financial Liabilities at FVPL*  
Financial liabilities are classified in this category if these result from trading activities or derivatives transactions that are not accounted for as accounting hedges, or the Group elects to designate a financial liability under this category. Financial liabilities at FVPL are measured at fair value and net gains and losses, including interest expense, are recognized in profit or loss.

As of June 30, 2019 and December 31, 2018, the Group has no financial liabilities at FVPL.

- *Financial liabilities at amortized cost*  
This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon inception of the liability. These include liabilities arising from operations (e.g. payables excluding statutory regulated payables, accruals) or borrowing (e.g. long-term debt). Other financial liabilities are subsequently measured at amortized cost using effective interest method.

The financial liabilities are initially recorded at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using effective interest method. These include liabilities arising from operations and borrowings. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gains and losses on derecognition are also recognized in profit or loss.

As at June 30, 2019, this category includes the Group's trade and other payables, due to related parties, loans payable and lease payable (see Notes 15, 20, 16 and 27).

Short-term payables with no stated interest rate are measured at their invoice amounts or expected amounts of settlement without discounting, when the effect of not discounting is immaterial.

The classification depends on the purpose for which the financial liabilities are acquired and whether they are quoted in an active market. Management determines the classification at initial recognition and, where allowed and appropriate, reevaluates this classification at every reporting date.

### Derecognition of Financial Instruments

#### *Financial assets*

A financial asset is derecognized when (1) the rights to receive cash flows from the financial instruments expire, (2) the Group 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 (3) the Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

On disposal of debt investments, any related balance within the FVOCI reserve is reclassified to profit or loss.

On disposal of equity investments, any related balance within the FVOCI reserve is reclassified to retained earnings.

#### *Financial Liabilities*

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Where the 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 consolidated statements of comprehensive income.

### Accounting policies on financial instruments applied until December 31, 2017

The Group has applied PFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy mentioned in the succeeding pages.

#### *Recognition of Financial Instruments*

Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in case of liability). The initial measurement of financial instruments, except those categorized at FVPL, includes transaction cost.

The fair value for financial instruments traded in active markets as at the reporting date is based on their quoted market price or dealer quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transactions.

For all other instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value technique comparison to similar instruments for which market observable prices exist and other relevant valuation models.

Subsequent to initial recognition, the Group classified its financial instruments in the following categories: Financial assets and liabilities at FVPL, loans and receivables, held-to-maturity (HTM) investments, available-for-sale (AFS) investments and other financial liabilities. The classification depends on the purpose for which the instruments are acquired and whether they are quoted in an active market. Management determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this classification at every reporting date.

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interests, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments and are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. After initial recognition, loans and receivables are subsequently measured at amortized cost less allowance for impairment, if any. The losses from impairment is recognized as "Provision for doubtful accounts" and charged to profit or loss.

Amortization is determined using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate. The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility. Short-term receivables with no stated interest rate are measured at their invoice amounts or expected amounts of settlement without discounting, when the effect of not discounting is immaterial.

Gains and losses are recognized in the profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within 12 months from the end of financial reporting period or the normal operating cycle, whichever is longer. Otherwise, these are classified as noncurrent assets.

This category includes the Group's cash in banks (Note 6), trade and other receivables (Note 7), due from related parties and due from a stockholder (Note 20) and refundable deposit (Note 14). The carrying values of these loans and receivables are shown in Note 29 to the consolidated financial statements.

The Group has no AFS investments, financial assets and financial liabilities at FVPL and HTM investments as at December 31, 2017. A financial asset at FVPL is acquired principally for the purpose of selling or repurchasing in the near term or upon initial recognition, it is designated by the management as at FVPL. HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturities wherein the Group has the positive intention and ability to hold to maturity. AFS investments are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

#### *Other Financial Liabilities*

This category pertains to financial liabilities that are not held for trading nor designated as at FVPL upon inception of the liability. These include liabilities arising from operations and borrowings.

Other financial liabilities are recognized initially at fair value of the consideration received less directly attributable transaction costs, if any. After initial recognition, these are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) from any related premium, discount and any directly attributable transaction costs. Amortized cost is calculated by taking into account any related issue costs, discount or premium. Short-term payables with no stated interest rate are measured at their invoice amounts or expected amounts of settlement without discounting, when the effect of not discounting is immaterial. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

Financial liabilities are classified as current liabilities if these are expected to be paid or settled within twelve (12) months after the balance sheet date. Otherwise, these are classified as noncurrent liabilities.

This category includes the Group's trade and other payables excluding government regulated payables (Note 15), due to related parties (Note 20), lease payable (Note 26) and loans payable (Note 16).

#### Impairment of Financial Assets

The Group assesses at end of each financial reporting period whether a financial asset or group of financial assets is impaired.

- *Assets carried at amortized cost.* If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in the Group's as part of profit or loss in the consolidated statements of comprehensive income.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets are collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized as part of profit or loss in the consolidated statements of comprehensive income to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

- *Assets carried at cost.* If there is objective evidence that an impairment loss has been incurred in an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

- *AFS financial asset.* If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the Group consolidated statements of comprehensive income, is transferred from the Group consolidated statements of changes in equity to the consolidated statements of comprehensive income. Reversals in respect of equity instruments classified as AFS financial assets are not recognized in the Group consolidated statements of comprehensive income. For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as AFS financial assets, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost.

Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment is removed from the Group statements of changes in equity and recognized in the Group consolidated statements of comprehensive income. Impairment losses on equity investments are not reversed through the Group consolidated statements of comprehensive income; increases in their fair value after impairment are recognized directly in the Group consolidated statements of changes in equity.

#### Classification of Financial Instrument between Debt and Equity

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest relating to a financial instrument or a component that is a financial liability is reported as expenses.

A financial instrument is classified as debt if it provides for a contractual obligation to: (a) deliver cash or another financial asset to another entity; or (b) exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or (c) satisfy the obligation other than by exchange of a fixed amount of cash or other financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

#### Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Group's consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the 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 Group's consolidated statements of financial position.

#### Cash and cash equivalents

Cash pertains to cash on hand and in banks. Cash in banks generally earn interest at rates based on daily bank rates. Cash equivalents are short-term, highly liquid instruments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and that are subject to an insignificant risk of change in value.

#### Advances to Officers and Employees

Advances to employees for business expenses that are yet to be received such as purchases of goods and services subject to liquidation are recognized at the actual cash amount advanced to employees, less any impairment. These are initially recorded at actual cash advances to employees and are subsequently applied to the related assets, costs or expenses incurred.

#### Advances to Suppliers and Contractors

Advances to suppliers and contractors represent amounts paid in advance for the construction of an asset or combination of assets which future economic benefits are expected to flow to the Group within normal operating cycle or within twelve months from the end of financial reporting period. These are initially recorded at actual cash advanced to suppliers and contractors and are subsequently applied against subsequent render of service.

#### Inventories

Inventories are initially recorded at cost. Subsequent to initial recognition, inventories are stated at lower of cost and net realizable value (NRV). Costs incurred in bringing each product to its present location and condition is accounted for as follows:

Packaging materials and other supplies	- at purchase cost on a first-in, first-out (FIFO) method
Agricultural produce	- at purchase price on a FIFO method
Finished goods	- at manufacturing or purchase cost on a FIFO method
Property for sale	- at construction cost

NRV of finished goods is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell. For packaging materials and other supplies, NRV is the current replacement cost. Inventories are classified as current when they are expected to be realized within the normal operating cycle.

Provision for inventory loss is established for estimated losses on inventories which are determined based on specific identification of slow-moving, damaged and obsolete inventories and charged to operations.

#### Prepayments and Other Current Assets

Prepayments are expenses paid in advance and recorded as asset before they are utilized. This account comprises the following:

- *Prepayments* are costs and expenses which are paid in advance of actually incurring them and regularly recurring in the normal course of the business. Prepaid expenses are initially recorded at actual amount paid for expenses and are amortized as the benefits of the payments are received by the Group and are charged to expense in the applicable period of application or expiration.
- *Input value added tax (VAT)* represents VAT imposed on the Group by its suppliers for the acquisition of goods and services as required by the Philippine taxation laws and regulations. Input VAT is presented as current asset and will be used to offset against the Group's current output VAT liabilities, if any. Input VAT is initially recognized at actual amount paid for and subsequently stated at its recoverable amount (cost less impairment).
- *Creditable withholding tax* is recognized for income taxes withheld by customers. The balance at the end of each of reporting period represents the unutilized amount after deducting any income tax payable. Creditable withholding tax is initially recognized at actual amount withheld by the customers and subsequently stated at such amount less any application against income tax payable and impairment (net recoverable amount).
- *Deposits to suppliers* represent amount paid in advance for goods or services that are yet to be delivered and from which future economic benefits are expected to flow to the Group within the normal operating cycle or within twelve (12) months from the financial reporting date. These are initially recorded at actual cash advanced and are subsequently applied against subsequent asset purchases, costs or expenses incurred.

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

#### Property and Equipment

Property and equipment are initially recorded at cost. Subsequent to initial recognition, property and equipment are carried at cost less accumulated depreciation, amortization and any allowance for impairment in value except for land. Land is stated at cost less any impairment in value.

Initial cost of property and equipment comprises its construction cost or purchase price and any directly attributable cost of bringing the assets to its working condition and location for its intended use. Expenses incurred and paid after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to income when the costs are incurred. In situation where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of an item shall be depreciated separately.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives:

<u>Category</u>	<u>Number of Years</u>
Building and improvements	15 to 20
Store and warehouse equipment	3 to 5
Delivery and transportation equipment	3 to 12
Machinery and equipment	3 to 12
Office furniture and fixtures	3 to 12
Leasehold improvement	5

Leasehold improvements are amortized over the term of the lease or estimated useful lives of the improvements, whichever is shorter.

The useful life, residual value and depreciation and amortization methods are reviewed periodically to ensure that the method and period of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

Property and equipment are written-down to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

Depreciation of property and equipment begins when it becomes available for use and after the risks and rewards are transferred to the Group i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

When the assets are retired or otherwise disposed of, both the cost and the related accumulated depreciation and any impairment in value, are removed from the accounts and any resulting gain or loss is recognized in the Group consolidated statements of comprehensive income.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is charged to Group consolidated statements of comprehensive income.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Group consolidated statements of comprehensive income in the year the asset is derecognized. Transfers to or from property and equipment are measured at carrying value of the assets transferred.

Construction in progress included in property and equipment, is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction in progress are capitalized during the construction period. Construction in progress is not depreciated until such time as the relevant assets are completed and put into operational use.

#### Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statements of income as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition 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 the consolidated statements of income when the asset is derecognized.

#### *Computer software*

Computer software acquired separately are measured on initial recognition at cost. The initial cost of computer software consists of its purchase price, including import duties, taxes and any directly attributable cost of bringing the assets to its working condition and location for intended use. Subsequently, computer software are carried at cost less accumulated amortization and any accumulated impairment loss.



Acquired computer software is capitalized on the basis of costs incurred to acquire and bring to use the specific software. Computer software is amortized on a straight-line basis over its estimated useful life of five (5) years. Costs associated with the development or maintenance of software cost programs are recognized as expense when incurred in the Group's statements of income. Software cost is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset is included in the Group's consolidated statements of income in the year of derecognition.

#### *Goodwill*

Goodwill represents the excess of the purchase consideration of an acquisition over the fair value of the Group's share of the net identifiable assets acquired at the date of acquisition. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that might be impaired, and is carried at cost less accumulated impairment losses, if any. Any impairment losses recognized for goodwill are not subsequently reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. When the recoverable amount of cash-generating units is less than the carrying amount, an impairment loss is recognized. The Group performs its impairment testing at the reporting date using a value-in-use, discounted cash flow methodology.

#### *Trademarks*

Trademarks acquired separately are initially recognized at cost. Following initial recognition, trademarks are carried at cost less accumulated amortization and any impairment losses. The Group assesses for impairment whenever there is an indication that these assets may be impaired. The Group has assessed that certain trademark acquired in a business combination in the past has indefinite useful lives, thus are not amortized, but tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The remaining trademark at current year has finite useful life and is amortized over straight line basis over its estimated useful life of twenty (20) years. The amortization period and the amortization method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense is recognized in the consolidated statement of income under "Depreciation and amortization" account in the expense category consistent with the function of the intangible asset.

#### *Franchise*

The Group recognizes franchise as part of its intangible assets when the franchise produces revenue to the Group and the cost is measurable. At initial recognition, franchise is valued at cost which is the amount incurred in acquiring the franchise. Franchise whose life has been determined to be finite is amortized over the years identified. If the life of the franchise is determined to be indefinite, such franchise is not amortized but tested for impairment. Franchise is derecognized upon sale or retirement. The difference between the carrying value and the proceeds shall be recognized in the profit or loss. Franchise is amortized on a straight-line basis over its estimated useful life of ten (10) years.

#### Other Noncurrent Assets

Other noncurrent assets include long-term deposit and advances for land acquisition. Long-term deposit and others are stated at cost and are classified as noncurrent assets since the

Group expects to utilize these beyond twelve (12) months from the end of the reporting period.

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

#### Biological Assets

Biological assets comprise of agricultural produce such as vegetables and crops. Agricultural produce are initially recognized at their fair value less point of sale costs. Agricultural produce should be measured at the time of harvest.

#### Refundable deposits

Refundable deposits arising from lease of office space from a certain lessor is measured at cost. The fair value of the refundable deposits on lease contracts cannot be readily determined and reliably measured because the actual timing of receipt cannot be reasonably predicted as these deposits are generally re-deposited every renewal of lease contract, the new terms and conditions thereof are not yet known. The amount of refundable deposits that will be actually received by the Group is also attached to a conditional repayment provision that is, the faithful performance by the Group of its obligations under the lease contracts. Accordingly, the refundable deposits are carried at costs less any impairment.

#### Business Combinations and Goodwill

Business combinations, except for business combination between entities under common control, are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any NCI in the acquiree. For each business combination, the acquirer measures the NCI in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and any gain or loss on remeasurement is recognized in the consolidated statements of income. It is then considered in the determination of goodwill.

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

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for NCI over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the consolidated statements of income. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the CGU or group of CGUs to which the goodwill relates. Where the recoverable amount of the CGU or group of CGUs is less than the carrying amount of the CGU or group of CGUs to which goodwill has been allocated, an impairment loss is recognized in the consolidated statement of income. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its impairment test of goodwill annually every December 31.

#### Impairment of Nonfinancial Assets

The carrying values of advances to employees, advances to contractors and suppliers, inventories, prepayments and other current assets, deposit for future investment, property and equipment, intangible assets and other noncurrent assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount and impairment losses are recognized in the profit or loss. The recoverable amount of advances to employees, advances to contractors and suppliers, inventories, prepayments and other current assets, deposit for future investment, property and equipment, intangible assets and other noncurrent assets is the greater of net selling price (fair value less cost 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 time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is charged to operations in the period in which it arises unless the asset is carried at a revalued amount in which case the impairment is charged to the revaluation increment of the said asset.

An assessment is made at each end of financial reporting period to determine whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the profit and loss unless the asset is carried at revalued amount, in which case the reversal is treated as revaluation increase. After such reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on systematic basis over its remaining useful life.

#### Deposits for Future Subscriptions

Deposit for future stock subscriptions which are received in view of call for future subscriptions are stated at actual amount of cash received.

These are classified as part of equity if all of the following are present as of end of the reporting period:

- a. The unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;
- b. There is BOD's approval on the proposed increase in authorized capital stock (for which a deposit was received by the Group);
- c. There is a stockholders' approval of said proposed increase; and
- d. The application for the approval of the proposed increase has been filed with the SEC.

#### Customers' Deposit

Customers' deposits are noninterest-bearing cash reservation fees received from the Group's customers for sales that do not meet the revenue recognition criteria (i.e., transfer of risk and rewards to customers through actual delivery of merchandise or services) as of reporting date. Customers' deposits will be applied against future rendition of services which are generally completed within the next twelve months or will be returned to customers in case of cancellation of reservation.

#### Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual; and (d) other related parties such as directors, officers, and stockholders.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

#### Dividends

Dividend distribution to the Group's stockholders is recognized as a liability in the consolidated financial statements in the period in which the dividends are approved or declared by the Group's BOD. Dividends are recognized as a liability and deducted from equity when they are approved by the stockholders of the Group. Dividends for the year that are approved after the reporting period are dealt with as an event after the reporting period.

#### Equity

- *Capital stock* pertains to ordinary stock which are classified as equity. The proceeds from issuance of the ordinary stock are presented in equity as capital stock to the extent of the par value of issued shares.
- *Additional paid-in capital* includes any premiums received on the initial issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.
- *Retained earnings (Deficit)* include all current and prior period net income as disclosed in the consolidated statements of comprehensive income, dividend distributions, effects of changes in accounting policy and other capital adjustments.
- *Other comprehensive income (loss)* comprises items of income and expense (including items previously presented under the consolidated statements of changes in equity) that are not recognized in the profit or loss in the Group's consolidated statements of comprehensive income for the year in accordance with PFRS.
- *Net cumulative remeasurement gain (loss)* represents the cumulative balance of remeasurement gain (loss) on retirement benefit obligation.

#### Foreign Currency Transactions

Transactions in foreign currencies are initially recorded using the functional currency exchange rates prevailing at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are restated using the closing functional currency exchange rate at the end of financial reporting date. All differences are taken to

the consolidated statements of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transaction.

#### Foreign Currency Translation of Foreign Operations

The consolidated financial statements are presented in Philippine Pesos, which is the Group's functional and presentation currency.

Each subsidiary in the Group determines its own functional currency and items included in the consolidated financial statements of each subsidiary are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate on the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at consolidated statements of financial position date. All exchange differences are recognized in consolidated statements of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

For purposes of consolidation, the financial statements of ANI HK, ANI IL, and JFF which are expressed in Hong Kong dollar (HKD) amounts and financial statements of Fucang which are expressed in Renminbi (RMB) amounts, have been translated to Peso amounts as follows:

- a. assets and liabilities for each statement of financial position presented (i.e., including comparatives) are translated at the closing rate at the date of the consolidated statements of financial position;
- b. income and expenses for each statement of income (i.e., including comparatives) are translated at exchange rates at the average monthly prevailing rates for the year; and
- c. all resulting exchange differences are taken in the consolidated statements of other comprehensive income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

#### Cumulative Translation Adjustments

This arises from exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation. In the consolidated financial statements, such exchange differences shall be recognized initially in OCI. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in OCI and accumulated in the separate component of equity, shall be reclassified from equity to profit or loss when the gain or loss on disposal is recognized.

#### Revenue Recognition

The Group recognizes revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group applies the following five steps:

1. Identify the contract(s) with a customer;
2. Identify the performance obligations in the contract. Performance obligations are promises in a contract to transfer to a customer goods or services that are distinct;
3. Determine the transaction price. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. If the consideration promised in a contract includes a variable amount, an entity must estimate the amount of consideration to which it expects to be entitled in exchange for transferring the promised goods or services to a customer;

4. Allocate the transaction price to each performance obligation on the basis of the relative stand-alone selling prices of each distinct good or service promised in the contract;
5. Recognize revenue when a performance obligation is satisfied by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service). A performance obligation may be satisfied at a point in time (typically for promises to transfer goods to a customer) or over time (typically for promises to transfer services to a customer). For a performance obligation satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognized as the performance obligation is satisfied.

Revenue is recognized to the extent that is probable that the economic benefits will flow to the Group and the revenue, related cost incurred or to be incurred/cost to complete the transactions can be reliably measured. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal in all of its revenue arrangements. Revenue is measured at the fair value of the consideration received or receivable taking into account any trade discounts, prompt settlement of discounts and volume rebates allowed by the Group, if any. Revenue excludes any value added tax.

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

- *Sale of goods*  
Revenue from the sale of goods in the ordinary course of business is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates.
- *Sale of real estate property*  
Sale of real estate property at pre-completion stage is recognized over time based on percentage of completion.

Sale of completed real property is recognized in full at a point in time upon transfer of control of the asset to the customer.

Pending recognition of sale when conditions for recording a sale are not met, cash received from buyers are presented under "Customers' Deposit" in the liability section of the consolidated statements of financial position. Any excess of collections over the recognized receivables are also included in the said account.

- *Service income*  
Service income is recognized to the extent of actual services delivered during the period.
- *Rental income*  
Rental income is recognized based on accrual in accordance with the terms in the agreement.
- *Sale of property and equipment*  
Realized gains and losses are recognized when the sale transaction occurs.
- *Other income*  
Other income is recognized when the related income is earned on an accrual basis in accordance with the relevant structure of transaction or agreements.
- *Interest income*  
Interest income is recognized using the effective interest method on a time proportion basis that reflects the effective yield on the assets.

#### Cost and Expense Recognition

Cost and expenses are recognized in the consolidated statements of comprehensive income when 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. Except for borrowing costs attributable to qualifying assets, all finance costs are recognized in the consolidated statements of comprehensive income.

- *Costs of sales and services*  
Costs of sales consist of costs directly associated with the Group's operations. These are generally recognized when the cost is incurred.
- *General and administrative expenses*  
General and administrative expenses consist of costs associated with the direction and general administration of day-to-day operation of the Group. These are generally recognized when the expense is incurred.
- *Other charges*  
Other charges include other expenses which are incidental to the Group's business operations and are not recognized in the Group consolidated statements of comprehensive income (loss).

#### Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset.

Borrowing costs are generally expensed as incurred. Borrowing costs incurred during the construction period on loans and advances used to finance construction and property development are capitalized as part of Construction in progress included under "Property and equipment" account in the consolidated statements of financial position. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use are complete. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Capitalized borrowing cost is based on applicable weighted average borrowing rate.

All other borrowing costs are charged to operations in the period in which they are incurred.

#### Discontinued Operations

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and (a) represents a separate major line of business or geographical area of operations, (b) is a part of a single coordinated plan to dispose of a major line of business or geographical area of operations or (c) is a subsidiary acquired exclusively with a view to resale.

The related results of operations and cash flows of the disposal group that qualify as discontinued operations are separated from the results of those that would be recovered principally through continuing use, and the prior years' consolidated statement of income and consolidated statement of cash flows are re-presented. Results of operations and cash flows of the disposal group that qualify as discontinued operations are presented in consolidated statements of income and statements of cash flows as items associated with discontinued operations.

#### Employee benefits

- *Short-term benefits*  
Short-term employee benefits are recognized as expense in the period when the economic benefits are given. Unpaid benefits at the end of the financial reporting period are recognized as accrued expense while benefits paid in advance are recognized as prepayment to the extent that it will lead to a reduction in future payments. Short-term benefits given by the Group to its employees include salaries and wages, social security contributions, short-term compensated absences, bonuses and non-monetary benefits.

- *Retirement benefits*

Retirement benefits liability, as presented in the consolidated statements of financial position, 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, adjusted for the 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.

The cost of providing benefits under the defined benefit plan is actuarially determined using the projected unit credit method. The retirement benefit costs comprise of the service cost, net interest on the net defined benefit liability or asset and remeasurements of 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 profit or loss.

Remeasurements 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 arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is initially certain.

- *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.

- *Termination Benefits*

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.



- *Compensated absences*

The Group recognizes the expected cost of accumulating compensated absences when the employees render service that increases their entitlement to future compensated absences. The Group measures cost of accumulating the compensated absences at the undiscounted additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the end of reporting period.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

#### Leases

The Group determines whether an arrangement is, or contains a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Leases are classified as finance leases whenever the term of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rental expenses under operating leases are recognized as expense in the consolidated statements of comprehensive income on a straight-line basis over the term of the lease.

A reassessment is made after inception of the lease only if one 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 that 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 a substantial change to the asset.

Where a 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).

#### *Finance lease*

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incident to ownership. All other leases are classified as operating leases. Classification is made at the inception of the lease. Situations that would normally lead to a lease being classified as a finance lease include the following:

- a. the lease transfers ownership of the asset to the lessee by the end of the lease term;
- b. the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than fair value at the date the option becomes exercisable that, at the inception of the lease, it is reasonably certain that the option will be exercised;
- c. the lease term is for the major part of the economic life of the asset, even if title is not transferred;
- d. at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset;
- e. the lease assets are of a specialized nature such that only the lessee can use them without major modifications being made;

- f. if the lessee is entitled to cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee;
- g. if there is a secondary rental period at below market rates; and
- h. if the residual value risk is borne by the lessee.

*Finance Lease Commitments – Group as a Lessee*

The Group has entered into commercial leases of transportation and warehousing equipment. The Group has determined that it acquires all the significant risks and rewards of ownership on these equipment and therefore accounts for these under finance lease.

*Operating Lease – Group as a Lessee*

Lease of assets under which the lessor effectively retains all risks and reward of ownership are classified as operating lease. Operating lease payments are recognized as expense in profit or loss as these accrue on a monthly basis in accordance with the substance of contractual agreement. Associated costs such as repairs and maintenance and business taxes are expensed when incurred.

*Operating Lease – Group as a Lessor*

Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating 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.

Basic/Diluted Earnings (Loss) Per Share

*Basic Earnings Per Share (EPS)*

Basic EPS amounts are calculated by dividing the net income (loss) attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the year.

*Diluted EPS*

Diluted EPS amounts are calculated by dividing the net income attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding, adjusted for any stock dividends declared during the year plus weighted average number of ordinary shares that would be issued on the conversion of all the dilutive ordinary shares into ordinary shares, excluding treasury shares.

Income Tax

Income tax expense consists of current and deferred income tax.

*Current income tax*

The tax currently due is based on taxable income for the year. Taxable income differs from income as reported in the consolidated statements of comprehensive income because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current income tax is calculated using tax rates that have been enacted or substantively enacted at the end of financial reporting period.

*Deferred income tax*

Deferred tax is provided, using the liability method, on all temporary differences at the end of financial reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets and liabilities are measured using the tax rate that is expected to apply to the period when the asset is realized or the liability is settled.

The carrying amount of deferred tax assets is reviewed at end of each financial reporting period and reduced to the extent that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities.

Income tax relating to items recognized directly in equity is recognized in equity and in other comprehensive income in the consolidated statements of comprehensive income.

#### Segment Reporting

For management purposes, the Group is organized into operating segments according to the nature of the sales and the services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 33 to the consolidated financial statements.

#### Provisions

Provisions are recognized only when the following conditions are met: a) there exists a present obligation (legal or constructive) as a result of past event; b) it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and c) reliable estimate can be made of the amount of the obligation. Provisions are reviewed at end of each financial reporting period and adjusted to reflect the current best estimate.

#### Contingencies

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

#### Events after the Reporting Period

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

#### Restatements of Account Balances

When a new or change in accounting policy is applied retrospectively in accordance with the transitional provision, guidance or requirement of such new or amended accounting policy, the Group adjusts the opening balance of each affected component of equity for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented as if the new or amended accounting policy had always been applied.

When an error is discovered in subsequent period, the prior periods errors are corrected retrospectively in the first set of consolidated financial statements authorized for issue after their discovery by restating the comparative amounts of prior periods which the error occurred; or if the error occurred before the earliest period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

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## 5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Group's consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates. The effect of any changes in estimates will be recorded in the Group's consolidated 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 Group's accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognized in the consolidated financial statements:

- *Assessing Going Concern*

The management has made an assessment at the Group's ability to continue as a going concern and as is satisfied that the Group has the resources to continue the business for the foreseeable future. As at June 30, 2019 and December 31, 2018, the Group's current assets already exceeded its current liabilities. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

- *Determination of Control.*

The Group 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 Group controls an entity if and only if the Group has all of the following:

- Power over the entity;
- Exposure, or rights, to variable returns from its involvement with the entity; and
- The ability to use its power over the entity to affect the amount of the Group's returns.

The Group 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 Group 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 Group, the functional currency of the Group has been determined to be the Philippine Peso. The Philippine Pesos is the currency of the primary economic environment in which the Group operates. It is the currency that mainly influences the sale of real properties, services, and investments and the costs of providing the services and of the sold investments.

- *Assessing Whether an Agreement is a Finance or Operating Lease*

Management assesses at the inception of the lease whether arrangement is finance or operating lease based on who bears substantially all the risks and benefits incidental to ownership of the leased item.

The Group as a lessee has entered into a lease contract for its office spaces where it has determined that the risks and rewards related to the property are retained by the lessor. As such, the agreement is accounted for as operating lease.

The Group as a lessor has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all significant risks and rewards of ownership of the properties and, thus accounts for the contracts as operating leases. Rent income recognized is shown in Note 26.

The Group as a lessee has determined that the risks and rewards related to the various machineries and transportation equipment are transferred to the Group, thus, are classified as finance lease.

- *Classification of Financial Instruments and Measurement Criteria*

Under PFRS 9, the Group classifies financial assets at initial recognition depends on the financial assets contractual cash flows characteristics of the Group's business model for managing them. The adoption of PFRS 9, has not had a significant effect on the Group's policy related to financial liabilities.

Prior to the adoption of PFRS 9, the Group classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

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

- *Identification of Contract with Customers under PFRS 15*

The Group applied PFRS 15 guidance to a portfolio of exports and local distribution groups with similar characteristics as the Group reasonably expects that the effects on the consolidated 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 Group 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 Group's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract. The Group 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 bananas, mangoes, and coconut water. The Group determined that the delivered various agro products are capable of being distinct and therefore considered as separate performance obligations.

- *Determination of Fair Value of Financial Instruments*

The Group 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 Group 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 Group's financial instruments as at June 30, 2019 and December 31, 2018 is shown in Note 28.

- *Measurement of Refundable Deposits*

The future cash flows of refundable deposits from the leases cannot be readily determined nor reliably measured because the actual timing of payment cannot be reasonably predicted as these deposits are generally redeposited every renewal of

lease contract, the new terms and conditions thereof are not yet known. Further, the deposit that will actually be repaid to the Group is also attached to a conditional repayment provision that is the faithful performance by the Group as a lessee of its obligations under the lease contracts. Accordingly, refundable deposits are carried at cost less any impairment.

#### Estimates

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

- *Estimating Allowance for Impairment Losses on Financial Assets*

The Group applies general approach for determining the expected credit losses of cash in banks, nontrade receivables and due from related parties. 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 are based on the assumptions about risk of default and expected loss rates. In addition, management's assessment of the credit risk on the financial assets as at the reporting date is low as cash in banks are deposited in top local banks, nontrade receivables are insignificant in amount and the Group have not yet demanded the payment of advances as at reporting date. No additional allowance for impairment of cash in banks, nontrade receivables and due from related parties and a stockholder was recognized as at December 31, 2018.

The Company applies the PFRS 9 simplified approach in trade receivables to measure expected credit losses which uses a lifetime expected loss allowance for all receivables and financial asset at amortized costs. Detailed information regarding the Company's impairment of financial assets are discussed in Note 28.

As at January 1, 2018 and December 31, 2018, the Group recognized provision for impairment of trade receivables amounting to ₱43.5 million and ₱9.1 million, respectively.

Prior to adoption of PFRS 9, the Group provides an allowance for impairment losses on trade receivable and due from related parties at a level considered adequate for potential uncollectible amounts or are doubtful of collection. The level of allowance is evaluated by the management based on best available facts and circumstances, the length of the Group's relationship with its customers and debtors, the customers or debtors' payment behavior and known market factors. These specific reserves are re-evaluated and adjusted as additional information received affects the amount estimated to be uncollectible. Any increase in allowance would increase operating expenses and decrease related accounts.

Provision for impairment losses on trade and other receivables amounted to ₱4.1 million in 2018.

Allowance for impairment losses on trade and other receivables as at June 30, 2019 and December 31, 2018 amounted to ₱106.8 million. The carrying values of trade and other receivables are shown in Note 7.

- *Estimating Impairment Losses on Property and Equipment*

The Group 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 Group 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 Group is required to make estimates and assumptions that can materially affect the consolidated 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 2019 and 2018.

- *Estimation of Impairment of Goodwill and Certain Trademarks*

The Group reviews the carrying values of goodwill and certain trademarks for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for other intangible assets by assessing the recoverable amount of the CGU or group of CGUs to which the trademarks relate. Assessments require the use of estimates and assumptions such as market evaluation and trends, discount rates, future capital requirements and operating performance.

If the recoverable amount of the unit exceeds the carrying amount of the CGU, the CGU and the goodwill and trademarks allocated to that CGU shall be regarded as not impaired. Where the recoverable amount of the CGU or group of CGUs is less than the carrying amount of the CGU or group of CGUs to which goodwill and trademarks has been allocated, an impairment loss is recognized.

No provision for impairment of goodwill was recognized in the consolidated statements of comprehensive income as at 2019 and 2018.

- *Impairment of Other Nonfinancial Assets*

Impairment review is performed on prepaid expenses and other current assets 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 Group to make estimates and assumptions that can materially affect the Group's consolidated financial statements. Future events could cause the Group to conclude that the assets are impaired. Any resulting impairment loss could have a material adverse impact on the Group's financial condition and results of operations. Any increase in allowance for impairment would increase the Group's operating expense and decrease the related asset.

The preparation of estimated future cash flows involves significant judgment and estimations. While the Group believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Group's assessment of recoverable values and may lead to future additional impairment charges.

No allowance for impairment is provided as at June 30, 2019 and December 31, 2018 as management has not identified any indicators of impairment.

- *Estimation of Net Realizable Value of Inventories*

The Group determines the net realizable value of inventories annually in accordance with the accounting policy stated herein. In determining the net realizable value, the Group considers the current selling price of the product and the estimated cost to sell.

The carrying value of inventories as at June 30, 2019 and December 31, 2018 is shown 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.

No allowance for inventory obsolescence is provided in the consolidated statements of comprehensive income as at June 30, 2019 and 2018.

- *Estimation on Useful Lives of Property and Equipment*

Useful lives of property and equipment 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 Group's recorded operating expenses and decrease on the related asset accounts.

Based on management's assessment, there were no changes in the useful lives of the Group's property and equipment.

The carrying value of depreciable property and equipment is shown in Note 12.

- *Estimation on Useful Lives of Intangible Assets*

The Group estimates the useful lives of its computer software, franchise and certain trademark based on the period over which the assets are expected to be available for use. The Group reviews only when there is an indicator of change in the estimated residual values and useful lives of intangible assets based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in the Group's estimates brought about by changes in the factors mentioned. A reduction in the estimated residual values and useful lives of intangible assets would increase the recorded amortization expense and decrease intangible assets.



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 Group's recorded operating expenses and decrease on the related asset accounts.

Based on management's assessment, there were no changes in the useful lives of the Group's intangible assets.

The carrying value of the Group's intangible assets is shown in Note 13.

- *Estimating Retirement and Other Benefits*

The determination of the Group'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 25, 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 Group'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 Group's pension and other retirement obligations.

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

Retirement liability as at June 30, 2019 and December 31, 2018 is shown in Note 24.

- *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.

No deferred tax asset and liability was recognized in the Parent Company's financial statements as management believes that these could not be utilized prior to its expiration.

- *Estimating Contingencies*

The Group has no 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 consolidated 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 Group's position with respect to these matters.

The Group did not recognize any provision in the consolidated statements of comprehensive income in 2019 and 2018.

## 6. Cash

This account consists of:

	2019	2018
Cash on hand	<b>₱1,302,250</b>	₱2,919,500
Cash in banks	<b>46,606,626</b>	58,123,151
	<b>₱47,908,876</b>	₱61,042,651

Cash in banks earn interest at the prevailing bank deposit rates of less than 0.3% to 1.0% annually. Interest income earned from cash in banks, net of final taxes withheld, amounted to ₱15,439 in 2019 and ₱142,149 in 2018.

The Group has cash in banks denominated in foreign currency such as USD, HKD and RMB. These cash in banks were translated as at June 30, 2019 and December 31, 2018 at closing rates (see Note 28). Unrealized foreign exchange gain (loss) recognized amounted to (₱491,683) in 2019 and ₱74,668 in 2018 (see Note 27).

## 7. Trade and Other Receivables

This account consists of:

	2019	2018
Trade	<b>₱517,111,559</b>	₱366,994,154
Others	<b>234,568,450</b>	264,871,586
	<b>751,680,009</b>	631,865,740
Less allowance for impairment losses	<b>106,790,146</b>	106,790,146
	<b>₱644,889,863</b>	₱525,075,594

Trade receivables are noninterest-bearing and are generally due and demandable while others are collectible within 1-12 months. These are generally settled through cash payment or application of customers' deposit.

Other receivables include noninterest-bearing receivables from sales of scraps and first class rejects, which are sold to local wet market at a lower price. This is generally collectible on 15 to 30-day terms.

Other receivables also include nontrade receivables from third parties which are collectible on demand and advances to employees which are noninterest-bearing and subject to liquidation.

Movements in allowance for impairment losses pertaining to trade receivables follows:

	Note	2019	2018
Balance at beginning of year		<b>₱106,790,146</b>	₱65,563,654
Effect of PFRS 9 application	3		43,488,236
Balance at beginning of year as adjusted		<b>106,790,146</b>	109,051,890
Provision for impairment during the year	22		9,143,256
Write-off during the year			(11,405,000)
Balance at end of year		<b>₱106,790,146</b>	₱106,790,146

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

## 8. Inventories

This account consists of:

	2019	2018
At cost:		
Property for sale	<b>¥888,606,648</b>	¥800,291,372
Vegetables and fruits	<b>97,707,388</b>	131,307,936
Packaging materials and other supplies	<b>12,925,793</b>	14,447,323
	<b>¥999,239,829</b>	¥946,046,631

Property for sale represents development costs and construction materials for residential and commercial units of Shengmei Century Plaza Development Project located in Jiawang District, Xuzhou, China.

The cost of inventories recognized as part of "Cost of Sales" in the consolidated statements of comprehensive income amounted to ¥1.99 billion in 2019 and ¥.590 million in 2018 (see Note 21).

The carrying amounts of the total inventories as of June 30, 2019 and December 31, 2018 are lower than their NRVs. There were no purchase commitments and accrued net losses on inventories in 2019 and 2018.

No provision for inventory obsolescence or impairment was recognized in 2019 and 2018.

Inventories are not pledged as security for any of the Group's liabilities.

## 9. Prepayments and Other Current Assets

This account consists of:

	2019	2018
Input VAT	<b>¥103,593,320</b>	¥95,120,187
Deposits	<b>12,098,628</b>	12,221,651
Prepaid expense	<b>6,219,167</b>	20,974,712
Creditable withholding taxes (CWTs)	<b>1,440,501</b>	1,041,610
Deferred input VAT	<b>1,470,213</b>	64,774
Materials and supplies	<b>51,159</b>	51,157
	<b>124,872,988</b>	129,474,091
Less allowance for impairment for deposits	<b>7,039,487</b>	7,039,487
	<b>¥117,833,501</b>	¥122,434,604

Prepaid expense includes insurance, under lease rental and IT services. Prepaid insurance refers to insurances of vehicles, equipment and construction in progress.

Deposits include short-term advances to suppliers and rental deposits. Deposit to suppliers pertains to deposits for project which pertains to advance payment for the Group's several local construction projects and future delivery of goods and performance of services. Rental deposits are made for store-leased spaces of the Group. These deposits will be applied on the last payment of rentals.

Creditable withholding tax is considered prepayments which are claimed for the tax to be paid during the year and are carried over in the succeeding period for the same purpose.

No additional provision for impairment of deposits was recognized in 2019 and 2018.

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**10. Advances to Suppliers and Contractors**

This account represents noninterest-bearing advanced payments to third party foreign suppliers and contractors for various production materials for real estate projects which amounted to ₱399.80 million and ₱413.7 million as at June 30, 2019 and December 31, 2018, respectively.

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**11. Deposit for Future Investments**

The Group entered into a purchase agreement with a third party in September 2016 involving the purchase of 49% equity interest in Zongshan Fucang Trade Co. Ltd. (Fucang), a company registered in China. Fucang is engaged in agri commodity trading and with investments in real estate development and agri trading. In 2016, ANI made a deposit for the acquisition of 49% equity investment in Fucang amounting to RMB42.63 million or ₱308.2 million, subject to the fulfilment of conditions precedent as set forth in the agreement of the parties.

In 2017, the Group purchased an additional 2% of the total registered capital of Fucang amounting to RMB4.09 million or ₱30.6 million which resulted to an increase in equity interest in Fucang. As at December 31, 2017, the deposit for future investment totaling ₱338.8 million is reclassified to investment in subsidiary in the Group's consolidated statements of financial position.

In February 2018, Lexian, a subsidiary of Fucang, made a deposit amounting to ₱62.9 million to acquire 30% ownership of the stockholdings of Lushan Supply Chain Management (Shanghai) Co., Ltd., a company engaged in banana trading in China.

In 2017, Fucang made a deposit amounting to ₱194.7 million to acquire 60% ownership of the stockholdings of Guangzhou Tianchen Real Estate Development Co., Ltd, a real estate company in China

## 12. Property and Equipment

Rollforward analysis of the Group's property and equipment as at June 30, 2019 and December 31, 2018 follows:

2019									
	Land	Building and improvements	Store and warehouse equipment	Delivery and transportation equipment	Machinery and equipment	Office furniture and fixtures	Leasehold improvement	Construction in progress	Total
Cost:									
Balance at beginning of year	149,152,330	207,109,501	123,887,490	98,709,950	494,811,091	115,357,626	108,655,394	413,154,770	1,710,838,152
Additions	—	20,337,728	780,756	660,945		452,679	1,378,901	71,031,094	94,642,103
Reclassification to inventory								(124,840,922)	(124,840,922)
Balances at end of year	149,152,330	227,447,229	124,668,246	99,370,895	494,811,091	115,810,305	110,034,295	359,344,942	1,680,639,333
Accumulated depreciation:									
Balances at beginning of year	—	53,708,044	88,471,838	51,646,153	267,574,604	65,176,284	97,316,908	—	623,893,831
Depreciation and amortization	—	7,300,065	2,907,428	11,903,780	18,183,708	11,227,654	1,261,456	—	52,784,091
Balances at end of year	—	61,008,109	91,379,266	63,549,933	285,758,312	76,403,938	98,578,364	—	676,677,922
Net book values	P149,152,330	P166,439,120	P33,288,980	P35,820,962	P209,052,779	P39,406,367	P11,455,931	P359,344,942	P1,003,961,411

  

2018									
	Land	Building and improvements	Store and warehouse equipment	Delivery and transportation equipment	Machinery and equipment	Office furniture and fixtures	Leasehold improvement	Construction in progress	Total
Cost:									
Balance at beginning of year	P149,152,330	P159,636,976	P120,117,565	P66,096,432	P493,610,466	P80,947,461	P104,430,221	P303,969,386	P1,477,960,837
Additions	—	47,472,525	3,769,925	26,871,512	1,200,625	36,929,544	7,693,106	109,185,384	233,122,621
Disposals	—	—	—	—	—	(4,678,233)	(3,467,933)	—	(8,146,166)
Increase due to consolidation				5,742,006		2,158,854			7,900,860
Balances at end of year	149,152,330	207,109,501	123,887,490	98,709,950	494,811,091	115,357,626	108,655,394	413,154,770	1,710,838,152
Accumulated depreciation:									
Balances at beginning of year	—	35,943,435	82,656,984	25,043,805	227,607,190	40,421,752	95,259,369	—	506,932,535
Depreciation and amortization	—	17,764,609	5,814,854	26,602,348	39,967,414	26,640,353	2,557,986	—	119,347,564
Disposals	—	—	—	—	—	(1,885,821)	(500,447)	—	(2,386,268)
Balances at end of year	—	53,708,044	88,471,838	51,646,153	267,574,604	65,176,284	97,316,908	—	623,893,831
Net book values	P149,152,330	P153,401,457	P35,415,652	P47,063,797	P227,236,487	P50,181,342	P11,338,486	P413,154,770	P1,086,944,321

Fully depreciated property and equipment are retained in the accounts until they are no longer in use. The cost of fully depreciated property and equipment still being used in operations amounted to ₱177.0 million and ₱170.4 million as at June 30, 2019 and December 31, 2018, respectively. Certain assets such as delivery and transportation equipment, buildings and machinery equipment are covered by insurance.

Land and building located in Pulilan, Bulacan with carrying value of ₱177.4 million and ₱179.8 million as at June 30, 2019 and December 31, 2018, respectively, are used as collaterals for the long-term liabilities (see Note 16).

In 2018, three delivery trucks under transportation and equipment with a carrying value of ₱3.4 million as at December 31, 2018 are under chattel mortgage for its own transportation equipment (see Note 16).

The carrying value of vehicles and machineries under finance lease amounted to ₱134.1 million and ₱138.8 million as at June 30, 2019 and December 31, 2018, respectively (see Note 27).

Real property under construction in progress amounting to ₱359.34 million as at June 30, 2019 serves as collateral for the Group's long-term liability from a foreign bank (see Note 16).

The Group's commitment to acquire property is discussed in Note 14. The Group's management had reviewed the carrying values of property and equipment as of June 30, 2019 and December 31, 2018 for any possible impairment. Based on the evaluation, there are no indications that the property and equipment are impaired.

### 13. Intangible Assets

This account consists of the following, net of any accumulated amortization and impairment:

	2019				
	Trademark	Goodwill	Franchise	Computer software	Total
Cost:					
Balance at beginning of year	₱200,000,000	₱95,014,063	₱9,049,750	₱7,535,159	₱311,598,972
Additions during the year	—	—	—	9,803	9,803
Balance at end of year	200,000,000	95,014,063	9,049,750	7,544,962	311,608,775
Accumulated amortization and impairment					
Balance at beginning of year	42,500,000	—	7,239,800	7,386,288	57,126,088
Amortization and impairment during the year	5,000,000	—	452,486	70,911	5,523,397
Balance at end of year	47,500,000	—	7,692,286	7,457,199	62,649,485
Net carrying value	₱152,500,000	₱95,014,063	₱1,357,464	₱87,763	₱248,959,290

	2018				
	Trademark	Goodwill	Franchise	Computer software	Total
Cost:					
Balance at beginning of year	₱200,000,000	₱95,014,063	₱9,049,750	₱7,535,159	₱311,598,972
Additions during the year	–	–	–	9,803	9,803
Balance at end of year	200,000,000	95,014,063	9,049,750	7,544,962	311,608,775
Accumulated amortization and impairment					
Balance at beginning of year	32,500,000	–	6,334,825	7,208,192	46,043,017
Amortization and impairment during the year	10,000,000	–	904,975	178,096	11,083,071
Balance at end of year	42,500,000	–	7,239,800	7,386,288	57,126,088
Net carrying value	₱157,500,000	₱95,014,063	₱1,809,950	₱158,674	₱254,482,687

#### *Trademark*

The trademark includes that related to the acquisition of TBC in 2011. During the acquisition of TBC, net assets acquired includes trademark for the use of “Big Chill” brand, amounting to ₱200.0 million which was included in the purchase price.

#### *Goodwill*

The goodwill of the Group is attributable mainly to the business acquisitions made in 2017 to expand the Group’s operations.

#### *Franchise*

On January 7, 2011, the Group entered into a Master Licensing Agreement with Tully’s Coffee International Pte. Ltd. for the operation of coffee shops and sale of coffee products under the brand “Tully’s”. The term of the license is for a period of ten years but maybe extended for another 10 years. Under the agreement, the Group paid \$200,000 equivalent to ₱9.05 million as a sign-up fee.

#### *Computer software*

The computer software pertains to the accounting software used by the Group. 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 as at June 30, 2019 and 2018.

### 14. Other Noncurrent Assets

This account consists of:

	2019	2018
Advances and deposits	₱576,004,676	₱469,947,222
Advances for land acquisition	64,719,121	64,719,121
Advances to suppliers and contractors	11,406,754	14,898,120
Rental deposits and others	8,937,349	8,758,531
	₱661,067,900	₱558,322,994

Advances and deposits include the following:

- Advance payment to Tetra Pak for future acquisition of equipment necessary for pre-processing, sterilization, aseptic storage and clean in place station for coconut water amounting to ₱30.6 million.
- Deposit made in 2018 amounting to ₱300,000,000 to acquire a portion of the 859 hectares, or a corresponding portion thereof, of titled and untitled parcels of land. As of reporting date, the third party is completing the titling of the whole portion of the property to fully execute the transactions. Additional deposits made amounting to ₱60 million during the quarter. The deposit shall be recognized as property upon the determination of the final amount and upon taking control of the related property (see Note 1).
- Deposit amounting to ₱17,997,880 (482,000AUD) to acquire an existing business in Australia to expand business operations.
- Deposit amounting to ₱6,250,000 to a local rural bank to acquire 2,500,000 common shares representing 12.5% ownership. The said investment is still for approval of SEC and Bangko Sentral ng Pilipinas (BSP).
- Advances to project amounting to ₱157,347,785 and ₱152,914,982 as at June 30, 2019 and December 31, 2018, respectively, which represents advances for land acquisitions intended for future business prospects. These advances are noninterest-bearing and will be realized for more than 12 months after the end of the reporting period.

Advances for land acquisitions are payments made for future transfer of ownership of land acquired, the final price of is not yet finalized.

Rental and other deposits include rental and refundable deposits made by the Group on the operating and finance leased properties which can be refunded or applied as rental payments at the end of the leased term.

Advances to suppliers and contractors represent noninterest-bearing down-payments to third party foreign suppliers of production materials and payments made in advance for real estate projects.

## 15. Trade and Other Payables

This account consists of:

	2019	2018
Trade payables	<b>₱345,084,126</b>	₱323,768,162
Nontrade payables	<b>360,826,347</b>	405,834,186
Customers' deposits	<b>312,312,511</b>	295,844,735
Government payables	<b>15,265,222</b>	4,600,638
Accrued expenses	<b>7,540,980</b>	6,341,346
Accrued interest	<b>30,000</b>	30,000
	<b>₱1,041,059,186</b>	₱1,036,419,067

Trade payables are noninterest-bearing and are generally settled within one month to one year.

Nontrade payables mainly pertain to outstanding liabilities to suppliers, lessors, printing and transportation service providers.

Customers' deposit pertains to advanced collections from customers for goods to be delivered.



Accrued expenses are obligations on the basis of normal credit terms and do not bear interest. These pertain to accruals made for utilities, association dues, security services, salaries and wages and professional fees incurred in 2019 and 2018. Accruals are made based on the prior month's billings and/or contracts and are normally settled within twelve (12) months from the end of the reporting period.

Government payables include expanded withholding taxes, withholding taxes on compensation, final taxes, social security, government health and other fund premiums which are paid within 12 months from the end of the reporting period.

All other payables are noninterest-bearing.

#### 16. Loans Payable and Redeemable Convertible Loan

Details of this account follow:

	2019	2018
Long-term:		
<i>Foreign Currency</i>		
Bank 1	₱42,638,499	₱66,024,336
Bank 2	51,474,223	75,406,981
Bank 9	107,688,161	124,372,268
<i>Peso Currency</i>		
Bank 3	213,000,000	226,300,000
Bank 4	5,650,000	13,150,000
Others	26,009,193	13,340,492
	446,460,076	518,594,077
Less current portion	141,982,132	193,469,697
	304,477,944	325,124,380
Short-term:		
<i>Foreign Currency</i>		
Bank 8	162,436,520	160,455,570
<i>Peso Currency</i>		
Bank 5	315,600,000	327,600,000
Bank 6	—	—
Bank 7	24,439,815	27,668,836
Others	37,941,234	37,941,234
	₱540,417,569	₱553,665,640

The rollforward analysis of loans payable follows:

	2019	2018
Balance at beginning of year	₱1,072,259,717	₱1,288,930,962
Payments during the year	(104,668,018)	(229,270,796)
Foreign exchange loss adjustment	6,617,245	9,219,059
Availments during the year	12,668,701	3,380,492
Balance at end of year	₱986,877,645	₱1,072,259,717

Loan features are summarized below:

Foreign Currency Loans

Bank 1

A USD loan from Bank 1, bearing an interest rate of 3.5% per annum, with the interest payable on a monthly basis. In 2015, the payments terms were renegotiated. Principal payments of US\$55,000 plus interests are due monthly for thirty-five (35) months starting August 1, 2015 with the remaining balance payable by the end of the 35<sup>th</sup> month.

Bank 2

A USD loan availed using the Group's current loan facility from Bank 2, bearing an interest rate with rates ranging from 5.8% to 6.3% per annum, with the interest payable on a monthly basis. The loan is secured with a Surety Agreement in the amount of ₱150.0 million by a major stockholder in case of default by the Group.

The Group's outstanding loan balance from Banks 1 and 2 had been restated at a rate of ₱51.358 to 1US\$ in 2019 and ₱52.724 to 1US\$ in 2018 (see Note 27).

Bank 8

The Group has an outstanding Renminbi (RMB) short-term loan from Bank 8, which are due within 360 days with an interest rate of 5% per annum.

Bank 9

A 5-year RMB loan with an interest rate of 8%. The loan is guaranteed by a real estate mortgage on the property and equipment currently under construction which amounted to ₱359.34 million as at June 30, 2019 (see Note 12). Additional guarantee to the loan is provided by Shenzhen Zhonghui Investment Management Co, Ltd., an affiliated company.

The Group's outstanding loan balance from Banks 8 and 9 had been restated at a rate of ₱7.47 to 1RMB and ₱7.677 to 1RMB as at June 30, 2019 and December 31, 2018, respectively (see Note 27).

Peso Currency Loans

Bank 3

Various loans from Bank 3, 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% 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 ₱175.7 million and ₱177.4 million as of June 30, 2019 and December 31, 2018, respectively (see Note 12).

The rollforward analysis of loans from Bank 3 follows:

	2019	2018
Balance at beginning of year	<b>₱226,300,000</b>	₱236,000,000
Payments	<b>(13,300,000)</b>	(9,700,000)
Assumed from subsidiary	—	—
Interest transferred to principal	—	—
Balance at end of year	<b>₱213,000,000</b>	₱226,300,000

In 2018, the loan was renegotiated with Bank 3 and no gain or loss was recognized therefrom.

Bank 4

The Group has a current loan facility from Bank 4 with loans bearing interest rate of 8.5% per annum, and payable on a monthly basis. The loan has a term of thirty-two (32) months, and is payable via twenty-four (24) monthly amortization of principal and interest, payable from January 2016 to December 2017, inclusive of a grace period of eight (8) months on the payment of the principal from May 2015 to December 2015. On January 2017 the loan was renegotiated with an adjusted interest rate of 6.5% payable monthly. The loan has a remaining term of eighteen (18) months as at June 30, 2019, principal payable every month.

Bank 5

Various short-term loans from Bank 5, bearing interest rates ranging from 3% to 4% per annum, with the interest payable on a monthly basis. The loan is to be repriced every thirty (30) to one hundred eight (180) days upon mutual agreement of both parties.

Bank 6

The Group has an existing credit facility from Bank 5 composed of STLL, ECPL, and TR Lines, bearing interest rate of 5.0% per annum, with interest payable on a monthly basis and subject to a monthly repricing based on prevailing rate as determined by the lender. The loan has terms ranging from ninety (90) to one hundred eight (180) days. The loan was fully paid in 2018.

Bank 7

The Group has a current loan facility from Bank 7 with loans bearing interest rate of 5.5% per annum, with interest payable on a monthly basis. The loans have terms ranging from thirty (30) to ninety (90) days and is under a Joint Surety Security (JSS) with a major stockholder and a corporate guaranty from the Group. Upon maturity of the loans in January 2016, a renewal agreement was entered into by the Group to avail medium term loan with the same interest rate with monthly repayment of principal until December 2018. In 2018 the loan was renewed and became payable until 2022.

Other loans include the following:

- In 2018, TBC availed a loan from a local bank, amounting to ₱3,022,800 for acquisition of three units of delivery trucks, with an interest rate of 9.4% per annum, payable in five years. Outstanding balance of loan as at June 30, 2019 and December 31, 2019 amounted to ₱2,660,859 and ₱2,880,493 which are secured by a chattel mortgage (see Note 12).
- In May 2004, FCI obtained a noninterest-bearing loan amounting to ₱13,650,000 from the Agricultural Competitiveness Enhancement Fund (ACEF) of the Department of Agriculture (DA) through the chosen conduit bank, Land Bank of the Philippines for the additional working capital and expansion of fruit processing facilities. The loan is payable quarterly within five (5) years starting September 2005 to June 2009.
- ANI availed short-term loans from individuals which bear interest ranging from 1% to 2% and have terms of 1-6 months.
- FFCI availed short term loans which bear interest rate of 1% per month, payable on a monthly basis and have maximum terms of three (3) to six (6) months. Outstanding balance of these loans amounted to ₱3.5 million as at June 30, 2019 and December 31, 2018.

Interest expense incurred on the above loans amounted to ₱27.41 million in 2019 and ₱22.97 million in 2018.

Maturity Profile	2019	2018
Due within one year	<b>₱661,753,265</b>	₱747,135,337
Due beyond one year but not more than five years	<b>325,124,380</b>	325,124,380
	<b>₱986,877,645</b>	₱1,072,259,717

## 17. Revenue

The table below shows the analysis of revenues of the Group by major sources for the period ended June 30, 2019 and 2018:

	2019	2018
Sale of goods	<b>₱1,732,249,104</b>	₱313,641,947
Sale of real property	<b>668,288,198</b>	532,670,965
	<b>₱2,400,537,302</b>	₱846,312,912

## 18. Equity

On December 29, 2018, the SEC approved the increase in authorized capital stock of the Parent Company from one billion (₱1,000,000,000) divided into one billion shares with a par value of one peso per share to two billion (₱2,000,000,000) divided into two billion shares common shares with the same par value of one peso (₱1) per share.

The movement in the Parent Company's authorized number of shares with a par value of ₱1 per share is shown below:

	2019	2018
Balance at beginning of year	<b>2,000,000,000</b>	1,000,000,000
Increase during the year	–	1,000,000,000
Balance at end of year	<b>2,000,000,000</b>	2,000,000,000

The movement in the Parent Company's common capital stock is shown below:

	2019	2018
Balance at beginning of year	<b>₱830,774,088</b>	₱668,003,586
Subscriptions during the year	–	162,770,502
Balance at end of year	<b>₱830,774,088</b>	₱830,774,088

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

	2019	2018
Balance at beginning of year	<b>₱1,018,274,088</b>	₱668,003,586
Subscriptions during the year	–	162,770,502
Subscriptions receivable at par value	–	187,500,000
Balance at end of year	<b>₱1,018,274,088</b>	₱1,018,274,088

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

	2019	2018
Balance at beginning of year	<b>₱3,516,841,761</b>	₱2,504,341,713
Additions during the year (net of subscriptions receivable of ₱307,481,882 in 2019 and 2018)*	<b>50,230,000</b>	1,012,500,048
Balance at end of year	<b>₱3,567,071,761</b>	₱3,516,841,761

\* Subscriptions receivable will be credited to additional paid – in capital upon collection.

The total number of shareholders of the Parent Company is 43 as at June 30, 2019 and December 31, 2018.

The principal market for the Group's capital stock is the PSE. The high and low trading prices of the Group's shares as at June 30, 2019 and December 31, 2018 are as follows:

	2019		2018	
	High	Low	High	Low
First	<b>₱14.94</b>	<b>₱14.70</b>	₱14.00	₱13.78
Second	<b>14.50</b>	<b>14.40</b>	15.72	15.40
Third	–	–	–	–
Fourth	–	–	–	–

#### 19. Basic/ Diluted Earnings Per Share

Basic earnings per share is calculated by dividing the net loss attributable to stockholders of the Group by the weighted average number of ordinary shares in issue during the year.

Earnings per share attributable to the equity holders of the Group

	June 30, 2019	June 30, 2018
Net income from continuing operations attributable to equity holders of the Parent Company	<b>₱32,280,485</b>	₱9,080,712
Net loss from discontinued operations attributable to equity holders of the Parent Company		
	<b>₱32,280,485</b>	₱9,080,712
Weighted average number of common shares	<b>830,774,088</b>	652,364,139
Basic and diluted earnings per share	<b>₱0.04</b>	₱0.01

## 20. Related Party Transactions

The Group has the following transactions with related parties:

- a. Unsecured and noninterest-bearing cash advances to/from its related parties for the acquisition of operating machinery and equipment and other investing activities and for working capital purposes. These are payable on demand and usually settled in cash or other form of assets by way of liquidation.
- b. Details of the related party balances follow:

	2019	2018
Due from:		
Stockholder	<b>₱297,274,976</b>	₱453,975,621
Affiliates/Entity under common ownership	<b>255,898,288</b>	258,781,766
	<b>₱553,173,264</b>	₱712,757,387
Due to:		
Affiliates/Entity under common ownership	<b>₱60,018,908</b>	₱67,357,588

The rollforward analysis of related party accounts follow:

	2019	2018
Due from related parties:		
Balance at beginning of year	<b>₱712,757,387</b>	₱869,822,714
Collections	<b>(166,084,123)</b>	(1,196,809,827)
Advances	<b>6,500,000</b>	1,039,744,500
Balance at end of year	<b>₱553,173,264</b>	₱712,757,387
Due to related parties:		
Balance at beginning of year	<b>₱67,357,588</b>	₱72,402,905
Payments	<b>(39,670,980)</b>	(1,167,581,007)
Advances	<b>32,332,300</b>	1,162,535,690
Balance at end of year	<b>₱60,018,908</b>	₱67,357,588

The summary of the above related party transactions follows:

	2019			
Category	Amount/ Volume	Balance - Asset (Liability)	Terms and Condition/Settlement	Guaranty/ Provision
<u>Stockholders</u>				
1. Receivables		₱297,274,976	Noninterest-bearing;	Unsecured; no
• Advances made	₱-		collectible on demand;	significant warranties
• Collections	(156,700,645)		to be settled in cash or	and covenants; no
			other assets	impairment
<u>Affiliates</u>				
1. Receivables		255,898,288	Noninterest-bearing;	Unsecured; no
• Collections	(9,383,478)		collectible on demand;	significant warranties
• Advances made	6,500,000		to be settled in cash or	and covenants; no
			other assets	impairment
2. Payables		(60,018,908)	Noninterest-bearing;	Unsecured; no
• Advances received	(32,332,300)		payable on demand; to	significant warranties
• Payments	39,670,980		be settled in cash or	and covenants
			other assets	

Category	2018			
	Amount/ Volume	Balance - Asset (Liability)	Terms and Condition/Settlement	Guaranty/ Provision
<u>Stockholders</u>				
1. Receivables		₱453,975,621	Noninterest-bearing;	Unsecured; no
• Advances made	₱52,550,250		collectible on demand;	significant warranties
• Collections	(20,801,135)		to be settled in cash or	and covenants; no
			other assets	impairment
<u>Affiliates</u>				
1. Receivables		258,781,766	Noninterest-bearing;	Unsecured; no
• Collections	(1,176,008,692)		collectible on demand;	significant warranties
• Advances made	987,193,980		to be settled in cash or	and covenants; no
			other assets	impairment
2. Payables		(67,357,588)	Noninterest-bearing;	Unsecured; no
• Advances received	(1,162,535,690)		payable on demand; to	significant warranties
• Payments	1,167,581,007		be settled in cash or	and covenants
			other assets	

#### Due from Stockholder

Due from stockholder is noninterest-bearing advances, unsecured, not guaranteed and no impairment and are generally collectible in cash and other assets through liquidation or offsetting with corresponding payable. In 2019 and 2018, the balances due from the stockholder are all current.

#### Compensation of Key Management Personnel

The Group considers its President, Chief Finance Officer and 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" in the statement of comprehensive income amounted to ₱2.3 million and ₱2.21 million in 2019 and 2018, respectively. There were no other benefits aside from the salaries and other short-term benefits.

There are no other related party transactions in 2019 and 2018.

## **21. Cost of Sales**

Cost of goods and services sold	Note	2019	2018
Inventories, beginning		₱145,755,259	₱61,431,239
Purchases and conversion cost		1,550,420,863	251,385,841
Cost of goods available for sale		1,696,176,122	312,817,080
Inventories, end	8	110,633,181	49,669,777
Cost of sales and services		₱1,585,542,941	₱263,147,303
Cost of goods sold of real property		409,164,579	327,450,513
		₱1,994,707,520	₱590,597,816

Others include production supplies, freight and handling costs, repairs and maintenance, tolling, sales commission and utilities.

## 22. General and Administrative Expenses

This account consists of:

	Notes	2019	2018
Taxes and licenses		<b>₱117,967,953</b>	₱85,770,568
Advertising		<b>39,189,057</b>	1,041,295
Personnel costs		<b>36,119,206</b>	36,302,360
Depreciation and amortization	12, 13	<b>31,380,276</b>	32,461,462
Representation and entertainment		<b>24,225,696</b>	18,190,719
Communication, light and water		<b>7,985,246</b>	4,118,824
Professional fees		<b>5,401,742</b>	1,058,252
Rentals	26	<b>3,651,196</b>	19,231,082
Freight and handling cost		<b>3,250,360</b>	4,651,307
Transportation and travel		<b>3,018,779</b>	1,672,904
Supplies		<b>1,433,242</b>	893,840
Repairs and maintenance		<b>1,096,059</b>	1,285,206
Contracted services		<b>387,077</b>	574,350
Insurance		<b>156,152</b>	188,350
Bank charges		<b>122,891</b>	48,421
Commissions		<b>41,532</b>	80,431
Others		<b>9,161,071</b>	3,363,396
		<b>₱284,587,535</b>	₱210,932,767

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

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

## 23. Deposit for Future Stock Subscriptions

On October 23, 2017, the Board of Directors of Group approved the issuance and listing of 22,780,028 primary shares with aggregate consideration of ₱242,835,098 in favor of GOONIES Co. Ltd., a Company incorporated in Japan. The issuance shall be effective upon execution of the subscription agreement and the application for listing commence after full payment of the subscription price. Full payment was received on October 25, 2017, while subscription agreement was executed on February 9, 2018, hence it was recorded as deposit for future stock subscription as at December 31, 2017. In 2018, the application for listing has been approved hence, it was reclassified into capital stock.

## 24. Retirement Liability

The Group has unfunded, noncontributory defined benefit retirement plan covering substantially all of its employees. Benefits are based on the employee's years of service and final plan salary.

Under the existing regulatory framework, Republic Act 7641 requires provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.



Retirement benefits are based on employees' years of service and compensation levels during their employment period. Actuarial valuations are made with sufficient regularity.

The last actuarial valuation was made as at and for the year ended December 31, 2018.

Movement of retirement liability recognized in the consolidated statements of financial position are as follows:

	2019	2018
Balance at beginning of year	<b>₱5,883,055</b>	₱7,188,984
Benefits paid	—	—
Retirement benefits expense	—	1,605,716
Remeasurement loss (gain)	—	(2,911,645)
Balance at end of year	<b>₱5,883,055</b>	₱5,883,055

The reconciliation of remeasurement gain as at June 30, 2019 and December 31, 2018 follows:

	2019	2018
Balance at beginning of year	<b>₱6,931,480</b>	₱4,019,835
Remeasurement gain (loss)	—	2,911,645
Balance at end of year	<b>₱6,931,480</b>	₱6,931,480

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 are shown below:

	2019	2018
Discount rate	<b>7.70%</b>	7.70%
Projected salary increase rate	<b>5.00%</b>	5.00%

The estimated average remaining working lives of employees is 14 years for the period ended June 30, 2019 and December 31, 2018.

## 25. Income Taxes

- The Parent Company and local subsidiaries are subject to RCIT or MCIT whichever is higher. Foreign subsidiaries are subject to corporate income tax at statutory tax rate applicable to their respective countries. Income tax expense amounted to ₱23.25 million and ₱17.06 million in 2019 and 2018, respectively.

The Group reviews deferred tax assets at each financial reporting date and recognized these to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

- b. The Group incurred NOLCO which can be claimed as deduction against future taxable income as follows:

Year incurred	Expiration	Expired / Applied	Unapplied	Tax Effect
2015	2018	₱190,368,493	₱–	₱–
2016	2019	288,638	178,046,102	53,413,831
2017	2020		11,024,764	3,307,429
2018	2021		29,558,918	8,867,675
		₱190,657,131	₱218,629,784	₱65,588,935

- c. The Group incurred MCIT which can be claimed as deduction against future tax due as follows:

Year incurred	Expiration	Expired/ Applied	Unapplied
2015	2018	₱2,306,373	₱–
2016	2019	–	871,959
2017	2020	–	5,513,117
2018	2021	–	5,060,715
		₱2,306,373	₱11,445,791

- d. The Group opted for the itemized deduction scheme for its income tax reporting in 2019 and 2018.

## 26. Lease Agreements

### Operating Lease Commitments Operating Lease Commitments

The Group leases the office spaces and store branches under lease agreements covering one year to three years, renewable every end of the lease term. Renewals are subject to the mutual consent of the lessor and lessee. The Group agreed to pay monthly fixed payment additional payment for utilities and intercommunication service. As at June 30, 2019 and December 31, 2018, there are 42 and 31 store outlets, respectively, being held under operating lease agreements.

### Operating Lease Commitments – Group as Lessor

The Group has an operating lease agreement of its property, to Huayou Construction Development Philippines Corporation.

The lease has a term of one year commencing from January 1, 2018 subject to an annual review and renewable upon mutual agreement of the parties. The lease contract was renewed for another year.

### Finance Lease Commitments

#### *Vehicles*

In 2012, the Group has entered into ten finance lease agreements for the acquisition of various vehicles for logistics and administrative purposes. The agreement bears an interest ranging from 4% to 7% for a lease term ranging from four to six years. In 2016, two finance lease agreements were renegotiated. The renegotiation includes revised monthly payments and extension of the term up to 2019.

#### *Machineries*

In 2012, the Group has entered into a finance lease agreement with Tetra Pak Philippines, Inc. for the acquisition of machinery for the beverage processing equipment. The machineries were acquired and will be paid on a quarterly basis for a period of 84 months with interest rate of 3.5%. The Group initially recognized this finance lease at its transaction price and subsequently carried at amortized costs less payments.

*Rice mill and various milling equipment*

In April 2013, the Group entered into a lease agreement covering a rice mill and various agricultural equipment with a monthly rate of ₱514,361 for the use in operations. The lease will be for 48 months from the date of acceptance unless sooner terminated by the contracting parties. In 2016, a restructuring agreement was entered by the Group to renegotiate the terms of the outstanding obligation. The renegotiation called for an interest rate of 10% per annum with revised monthly payments to be settled for 36 months. In addition, the agreement includes extension of the term up to 2019.

In March 28, 2016, the Group entered to another lease agreement covering a rice mill and various agricultural equipment with a monthly rate of ₱90,000 for the 12 months, ₱260,000 for the next twelve (12) months and ₱518,000 for the next 11 months and the balance at the last month of lease for use in operations. The lease will be for 36 months from the date of acceptance unless sooner terminated by both parties.

The components of the lease obligations as of June 30, 2019 and December 31, 2018 are as follows:

	2019	2018
Gross finance lease obligation		
Less than one year	₱14,344,659	₱31,537,227
Between one and five years	—	—
	14,344,659	31,537,227
Less interest	743,105	1,744,142
Present value of future minimum lease payments	13,601,554	29,793,085
Less current portion	13,601,554	29,793,085
	₱—	₱—

## 27. Financial Risk Management and Capital Management Objectives and Policies

### Financial Risk Management Objectives and Policies

The Group's principal financial instruments consist of cash, due to and from related parties and stockholder, loans and lease payable. The main purpose of these financial instruments is to finance the Group's normal course of its operating activities. The Group has various other financial assets and financial liabilities such as trade and other receivables, refundable deposits under "Other noncurrent assets" and trade and other payables which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest risk and foreign currency 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

The table below shows the maximum exposure to credit risk for the Group's financial assets, without taking into account any collateral and other credit enhancements as at June 30, 2019 and December 31, 2018:

	Note	2019	2018
Cash in banks	6	<b>₱46,606,626</b>	₱58,123,151
Trade and other receivables – net	7	<b>614,091,093</b>	494,276,724
Due from related parties	20	<b>255,898,288</b>	258,781,766
Due from a stockholder	20	<b>297,274,976</b>	453,975,621
Refundable deposits	14	<b>7,511,623</b>	6,871,752
		<b>₱1,221,382,606</b>	₱1,272,029,014

b. Credit quality per class of financial assets

The credit quality of financial assets is managed by the Group using internal credit ratings and is classified into three: (a) high grade which has no history of default; (b) standard grade which pertains to accounts with history of one (1) or two (2) defaults, and (c) substandard grade, which pertains to accounts with history of at least 3 payment defaults.

The table below summarizes the credit quality of the Group's financial assets based on its historical experience with the corresponding parties as at June 30, 2019 and December 31, 2018:

	2019				Total
	Neither past due nor impaired		Past due but not impaired	Impaired	
	High grade	Standard grade			
Cash in banks	₱45,840,735	₱765,891	₱	₱	₱46,606,626
Trade and other receivables	276,312,191	311,949,012	25,829,789	106,790,146	720,881,138
Due from related parties		255,898,288			255,898,288
Due from a stockholder		297,274,976			297,274,976
Refundable deposits	140,752	7,370,871			7,511,623
<b>Total</b>	<b>₱322,293,678</b>	<b>₱873,259,038</b>	<b>₱25,829,789</b>	<b>₱106,790,146</b>	<b>₱1,328,172,651</b>

	2018				Total
	Neither past due nor impaired		Past due but not impaired	Impaired	
	High grade	Standard grade			
Cash in banks	₱57,668,833	₱454,318	₱	₱	₱58,123,151
Trade and other receivables*	156,497,922	311,949,012	25,829,789	106,790,146	601,066,869
Due from related parties		258,781,766			258,781,766
Due from a stockholder		453,975,621			453,975,621
Refundable deposits	140,752	6,731,000			6,871,752
<b>Total</b>	<b>₱214,307,507</b>	<b>₱1,031,891,717</b>	<b>₱25,829,789</b>	<b>₱106,790,146</b>	<b>₱1,378,819,159</b>

- Cash in banks classified as high grade are deposited and invested with banks with good credit training and can be withdrawn anytime.
- High grade receivables pertain to receivables from third party buyers of real estate of the Group and program partners who consistently pay before the maturity date. Standard grade receivables are receivables that are collected on their due dates even without an effort from the Group to follow them up. Both high grade and standard grade receivables currently have no to minimal history of default.
- Advances to related parties and stockholder are assessed as standard grade since the Group practices offsetting of receivables and payables.
- High-grade refundable deposits are accounts considered to be high value. The counterparties have a very remote likelihood of default. Refundable security deposits assessed as standard grade are refunded upon termination or fulfillment of agreement.

Below is the aging analysis of past due but not impaired trade and other receivables:

Trade	30 to 60 days	61 to 90 days	More than 90 days	Total
2019	₱–	₱–	₱25,829,789	₱25,829,789
2018	₱–	₱–	₱25,829,789	₱25,829,789

- c. Risk concentrations 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 Group'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 Group's financial strength and undermine public confidence. The Group is not exposed to large concentration of credit risks.
- d. Impairment assessment  
The Group was required to revise its impairment methodology under PFRS 9 for each of class of financial assets and has determined that there has been no significant impact of the change in impairment methodology on the Group's retained earnings and equity.

Upon adoption of PFRS 9, the Group applies general approach for determining the expected credit losses of cash in banks, non-trade receivables and due from related parties. 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 are based on the assumptions about risk of default and expected loss rates. In addition, management's assessment of the credit risk on cash in bank and due from related parties as at the reporting date is low.

The Group applies the PFRS 9 simplified approach to measuring expected credit losses 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 Group has identified GDP of Asia Pacific continent to which the principal entities of the Group's customers are based as the most relevant factor, and accordingly adjust historical loss rate based on the changes on GDP growth rates.

Aside from the ECL computation the management provided additional allowance for the year amounted to ₱6.0 million for the trade receivables management has assessed to be uncollectible.

As at January 1, 2018, the Group provides allowance on balances of trade and receivables that are assessed to be uncollectible. As a result of adoption of PFRS 9 impairment of financial asset policy, additional impairment loss on trade results only to ₱43.5 million (see Notes 3 and 7).

Prior to adoption of PFRS 9, the Group applies specific/individual assessment in assessing and measuring impairment.

- Liquidity Risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit the risk, the Group maintains sufficient cash to meet operating capital requirements. The Group also monitors the maturities of its financial assets and financial liabilities and ensures that it has sufficient current assets to settle the current liabilities.

The tables below summarize the maturity profile of the Group's financial liabilities and assets as at June 30, 2019 and December 31, 2018 based on undiscounted payments:

2019					
	Note	On demand	Due within one year	Due beyond one year	Total
<i>Financial assets</i>					
Cash in banks	6	₱46,606,626	₱	₱	₱46,606,626
Trade and other receivables – net	7	272,180,117	341,910,976		614,091,093
Due from related parties	20	255,898,288			255,898,288
Due from a stockholder	20	297,274,976			297,274,976
Refundable deposits	14			7,511,752	7,511,752
		₱871,960,007	₱341,910,976	₱7,511,752	₱1,221,382,735
<i>Other financial liabilities</i>					
Trade and other payables	15	₱113,641,551	₱612,377,362	₱	₱726,018,913
Due to related parties	20	50,018,908			50,018,908
Loans payable	16		661,753,265	325,124,380	986,877,645
Lease payable	27		13,601,554		13,601,554
		₱163,660,459	₱1,287,732,181	₱325,124,380	₱1,776,517,020
2018					
	Note	On demand	Due within one year	Due beyond one year	Total
<i>Financial assets</i>					
Cash in banks	6	₱58,123,151	₱	₱	₱58,123,151
Trade and other receivables – net*	7	152,365,748	341,910,976		494,276,724
Due from related parties	20	258,781,766			258,781,766
Due from a stockholder	20	453,975,621			453,975,621
Refundable deposits	14			6,871,752	6,871,752
		₱923,246,286	₱341,910,976	₱6,871,752	₱1,272,029,014
<i>Other financial liabilities</i>					
Trade and other payables* *	15	₱123,596,332	₱612,377,362	₱	₱735,973,694
Due to related parties	20	67,357,588			67,357,588
Loans payable	16		747,135,337	325,124,380	1,072,259,717
Lease payable	27		29,793,085		29,793,085
		₱190,953,920	₱1,389,305,784	₱325,124,380	₱1,905,384,084

- 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.

*Foreign currency risk*

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

The Group has transactional currency exposures. Such exposure generally arises from cash in banks, trade receivable and payables and loans payable in Renminbi (RMB), Hong Kong Dollar (HK\$), United States Dollar (US\$) and Australian Dollar (AU\$). The Group did not seek to hedge the exposure on the change in foreign exchange rates between the RMB, US\$, HK\$, AU\$ and the Philippine Pesos. The Group does not generally believe that active currency hedging would provide long-term benefits to stockholders.

The Group's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines. The Group 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 Group is involved.

2019								
	RMB	Peso Equivalent	HKD	Peso Equivalent	US\$	Peso Equivalent	AU\$	Peso Equivalent
Financial assets:								
Cash in banks	RMB2,603,450	₱19,440,482	HK\$133,744	₱878,927	US\$342,494	₱17,589,846	AU\$	₱
Trade and other receivables	28,693,357	214,179,838	1,617,900	10,632,355				
Deposits							500,056	17,997,880
	31,296,807	233,620,320	1,751,644	11,511,282	342,494	17,589,846	500,056	17,997,880
Financial liabilities:								
Trade and other payables	57,565,571	429,853,632	491,517	3,230,104				
Loans payable	37,100,001	277,033,127			1,832,485	94,112,739		
Lease liability								
	94,665,572	706,886,759	491,517	3,230,104	1,832,485	94,112,739		
Net financial assets	(RMB63,368,765)	(₱473,266,439)	HK\$1,260,127	₱8,281,178	(US\$1,489,991)	(₱76,522,893)	AU\$500,056	₱17,997,880

  

2018								
	RMB	Peso Equivalent	HKD	Peso Equivalent	US\$	Peso Equivalent	AU\$	Peso Equivalent
Financial assets:								
Cash in banks	RMB3,554,395	₱27,288,160	HK\$83,064	₱559,386	US\$46,725	₱2,463,529	AU\$	₱
Trade and other receivables	40,767,609	312,985,165	2,707,662	18,234,479				
Deposits							172,000	6,376,074
	44,322,004	340,273,325	2,790,726	18,793,865	46,725	2,463,529	172,000	6,376,074
Financial liabilities:								
Trade and other payables	77,877,490	597,888,854	267,872	1,803,957				
Loans payable	37,100,001	284,827,838			2,682,485	141,431,339		
Lease liability					341,000	17,978,884		
	114,977,491	882,716,692	267,872	1,803,957	3,023,485	159,410,223		
Net financial assets	(RMB70,655,487)	(₱542,443,367)	HK\$2,522,854	₱16,989,908	(US\$2,976,760)	(₱156,946,694)	AU\$172,000	₱6,376,074



The equivalent exchange rates of one foreign currency in Philippine peso as at June 30, 2019 and December 31, 2018 are as follows:

	2019	2018
RMB	<b>₱7.47</b>	₱8.079
HK\$	<b>6.57</b>	6.820
US\$	<b>51.36</b>	53.522
AU\$	<b>35.99</b>	-

*Interest Rate Risk*

The Group is exposed to interest rate fluctuations on their cash in banks, loans and lease payable. Other financial assets and liabilities which principally arise in the ordinary course of its operations are generally short-term and noninterest-bearing.

Historically, the rate fluctuations relative to its cash in banks are minimal.

As at June 30, 2019 and December 31, 2018, the Group's loans payable is at interest rates that is subject for evaluation regularly. Interest risk is managed through regular monitoring.

Capital Management

The primary objective of the Group's capital management is to ensure that the Group has sufficient funds in order to support their business, pay existing obligations and maximize shareholder value. The Group considers advances from related parties as capital.

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

As at June 30, 2019 and December 31, 2018, the Group considers the following accounts as capital:

	2019	2018
Capital stock	<b>₱830,774,088</b>	₱830,774,088
Additional paid-in capital	<b>3,567,071,761</b>	3,516,841,760
Due to related parties	<b>60,018,908</b>	67,357,588
Loans payable	<b>986,877,645</b>	1,072,259,717
Total capital	<b>₱5,444,742,402</b>	₱5,487,233,153

The Group has no externally imposed capital requirement. No changes were made in the objectives, policies or processes during the period ended June 30, 2019 and December 31, 2018.

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**28. Fair Value Measurement**

Set out below is a comparison by category of carrying values and estimated fair values of Group's financial instruments as at June 30, 2019 and December 31, 2018:

2019				
	Note	Carrying value	Fair value	Significant observable inputs (Level 2)
<i>PFRS 9 measurement category:</i>				
<i>Financial assets at amortized cost</i>				
Cash in banks	6	₱46,606,626	₱46,606,626	₱46,606,626
Trade and other receivables – net*	7	614,091,093	614,091,093	614,091,093
Due from related parties	20	255,898,288	255,898,288	255,898,288
Due from stockholder	20	297,274,976	297,274,976	297,274,976
Refundable deposits	14	7,511,623	7,511,623	7,511,623
		₱1,221,382,606	₱1,221,382,606	₱1,221,382,606
<i>PFRS 9 measurement category:</i>				
<i>Financial liabilities at amortized cost:</i>				
Trade payables and other payables	15	723,481,453	723,481,453	723,481,453
Due to related parties	20	60,018,908	60,018,908	60,018,908
Loans payable	16	986,877,645	986,877,645	986,877,645
Lease liability	26	13,601,554	13,601,554	13,601,554
		₱1,783,979,560	₱1,783,979,560	₱1,783,979,560
2018				
	Note	Carrying value	Fair value	Significant observable inputs (Level 2)
<i>PFRS 9 measurement category:</i>				
<i>Financial assets at amortized cost</i>				
Cash in banks	6	₱58,123,151	₱58,123,151	₱58,123,151
Trade and other receivables – net*	7	494,276,724	494,276,724	494,276,724
Due from related parties	20	258,781,766	258,781,766	258,781,766
Due from stockholder	20	463,857,477	463,857,477	463,857,477
Refundable deposits	14	6,871,752	6,871,752	6,871,752
		₱1,281,910,870	₱1,281,910,870	₱1,281,910,870
<i>PFRS 9 measurement category:</i>				
<i>Financial liabilities at amortized cost:</i>				
Trade payables and other payables**	15	735,973,694	718,646,095	718,646,095
Due to related parties	20	67,357,588	67,357,588	67,357,588
Loans payable	16	1,072,259,717	1,072,259,717	1,072,259,717
Lease liability	26	29,793,085	29,793,085	29,793,085
		₱1,905,384,084	₱1,888,056,484	₱1,888,056,484

#### Methods and Assumptions Used to Estimate Fair Value

The management assessed that the following financial instruments approximate their carrying amounts based on the methods and assumptions used to estimate the fair values:

#### *Cash in banks, trade and other receivables, due to/from related parties and trade and other payables*

The carrying amounts of cash in banks, trade and other receivables, due to/from related parties and trade and other payables approximate their fair values due to the short-term nature of these financial instruments.

#### *Refundable deposits*

The fair value of the refundable deposits on lease contracts cannot be readily determined and reliably measured because the actual timing of receipt cannot be reasonably predicted as these deposits are generally re-deposited every renewal of lease contract, the new terms and conditions thereof are not yet known. The amount of refundable deposits that will be actually received by the Group is also attached to a conditional repayment provision that is, the faithful performance by the Group of its obligations under the lease contracts. Accordingly, the refundable deposits are carried at costs less any impairment.

*Loans and borrowings*

The carrying value of loans and borrowings approximate their fair values as their interest rates are based on market rates for debt with the same maturity profiles at the end of the reporting period.

*Lease payable*

The fair values of lease payable are based on the present value of future cash flows discounted using the current rates available for debt with the same maturity profile as at the end of the reporting period.

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**29. Segment Information**

The Group has identified its operating segments based on internal reports that are reviewed and used by the Chief Executive Officer (the chief operating decision maker) in assessing performance and in determining the allocation of resources. The operating segments identified by the management are as follows:

*Exports*

The Export segment is in charge of looking for markets abroad as well as sourcing the best quality produce possible to satisfy its growing number of clients abroad. Its main export products are fresh banana, fresh mango, and coco-water.

*Distribution*

The Distribution segment is responsible for the local sales and distribution of various produce that the Group offers to a number of supermarkets around Luzon.

*Retail*

The Retail segment is responsible for the management and operation of the Group's retail businesses.

*Foreign Trading*

The Foreign Trading segment is charge of the international distribution operations of the Group in Hong Kong and China.

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. In addition, the Group's reportable segments also include geographical areas for local and foreign operations. Foreign operations are included under "Foreign Trading" and local operations are included under the remaining reported segments.

**REVENUE**

<b>(Philippine Pesos)</b>	<b>June 30, 2019</b>	<b>June 30, 2018</b>
<b>Philippine Operations</b>		
Export	<b>1,005,795,473</b>	58,785,423
Local Distribution and Others	<b>62,153,247</b>	48,012,594
Retail & Franchising	<b>55,554,275</b>	50,758,329
<b>Sub-total</b>	<b>1,123,502,995</b>	157,556,436
<b>Foreign Operations</b>		
Hong Kong / China	<b>1,277,034,307</b>	688,756,566
<b>Total</b>	<b>2,400,537,302</b>	846,312,912