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## SECURITIES AND EXCHANGE COMMISSION

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Company Information

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SEC Registration No. CS201013282  
Company Name AXELUM RESOURCES CORP.  
Industry Classification Mfg. Of Food Products & Beverages  
Company Type Stock Corporation

Document Information

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# COVER SHEET

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S.E.C. Registration Number

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(Company's Full Name)

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

**MARIA THERESA Z. PAGUIRIGAN**

Contact Person

**02-88510715**

Company Telephone Number

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Month

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SEC FORM 17-Q  
FORM TYPE

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Month

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Day

Calendar Year

**Registered/Listed**

Secondary License Type, If Applicable

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Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Domestic

Foreign

Total Amount of Borrowings

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Top be accomplished by SEC Personnel concerned

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**STAMPS**

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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: September 30, 2019
2. SEC Identification Number: CS201013282
3. BIR Tax Identification No: 007-851-927-000
4. AXELUM RESOURCES CORP.  
Exact name of issuer as specified in its charter:
5. Cagayan de Oro City, Philippines  
Province, country or other jurisdiction of incorporation or organization:
6. Industry Classification Code:  (SEC Use Only)
7. ICS Bldg. Tiano-Montalvan Sts. Cagayan de Oro City 9000  
Address of issuer's principal office Postal Code
8. (632)-8851-0715  
Issuer's telephone number, including area code:
9. N/A  
Former name, former address and former fiscal year, if changed since last report:
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA
- |  |   |                      |
|--|---|----------------------|
| Title of each Class                            | : | <u>COMMON SHARES</u> |
| Number of shares of common stock outstanding : |   | <u>4,000,000,000</u> |
11. Are any or all of the securities listed on a Stock Exchange?
- Yes  No
- If yes, state the name of such Stock Exchange and the class/es of securities listed therein:  
PHILIPPINE STOCK EXCHANGE: COMMON SHARES
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 or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)
- Yes  No
- (b) has been subject to such filing requirements for the past ninety (90) days.
- Yes  No

## PART I - FINANCIAL INFORMATION

### ITEM 1. FINANCIAL STATEMENTS.

The unaudited condensed consolidated interim financial Statements of **Axelum Resources Corp. and Subsidiaries** (collectively, the “Group”) as of and for the period ended September 30, 2019 and the comparative period in 2018 is attached to this SEC 17-Q report, comprising of the following:

- 1.1 Consolidated Statements of Financial Position as of September 30, 2019 and December 31, 2018
- 1.2 Consolidated Statements of Income for the periods ended September 30, 2019 and 2018
- 1.3 Consolidated Statements of Cash Flows for the periods ended September 30, 2018 and 2018
- 1.4 Consolidated Statements of Changes in Shareholders' Equity for the periods ended September 30, 2019 and 2018
- 1.5 Selected Notes to Consolidated Financial Statements for the periods ended September 30, 2019 and 2018

The unaudited condensed consolidated interim financial statements and other parts of the entire SEC 17Q report as of September 30, 2019 make reference to certain financial information and disclosures in the December 31, 2018 annual audited consolidated financial statements. This SEC17Q report should be read in conjunction with the Group's annual audited consolidated financial statements as of and for the year ended December 31, 2018. The audited consolidated financial report of Axelum Resources Corp. and Subsidiaries as of December 31, 2018 is attached to the Final Prospectus which is available at the Company's website [www.axelum.ph](http://www.axelum.ph).

### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

#### FINANCIAL CONDITION

##### Assets

##### **Current Assets**

- Cash and cash equivalents amounted to P266,900 and P257,111 as of September 30, 2019 and December 31, 2018, respectively. Cash flows generated from operating activities in 2019 amounted to P856 million. Net cash used in investing activities totaled P566 million, while net cash used in financing activities amounted to P210 million.
- Trade and other receivables are mainly from customers and other non-trade receivables which represents about 22% of the total consolidated current assets. Trade receivables are generally on a 30-60 day term.
- Inventories are stated at cost which approximates its net realizable value as of the reporting dates. Finished goods represent 64% of the total inventories.
- Prepaid expenses and other current assets comprising 24% of total consolidated current assets and representing the Group's input VAT, advances to suppliers and other prepayments.

##### **Non-Current Assets**

- Of the Group's total consolidated assets, noncurrent assets comprise 67% as of September 30, 2019 and December 31, 2018.

- The Parent Company invests some of its investible funds in Republic of the Philippines (“ROP”) bonds maturing in various dates from 2030 to 2034. ROP bonds are low-risk investment instruments and are in a way liquid as these can be converted to cash within three to four working days.
- Property, plant and equipment include buildings and site improvements, plant machinery and equipment, as among others. It accounts for 62% of the total consolidated noncurrent assets. Capital expenditures for the nine month period in 2019 aggregated P476,948, composed of various projects such as plant’s re-roofing and rehabilitation of various equipment.
- Goodwill and other intangible assets represent the difference between the total fair value of identifiable assets purchased and the total consideration paid by the Parent Company in 2016.

### **Liabilities**

- Loans payable representing 75% (P2,154 million) and 32% (P971 million) of the total consolidated liabilities as of September 30, 2019 and December 31, 2018, respectively, pertain to short-term borrowings, particularly packing credit loans, availed by the Group from various banks. In 2019, the Parent Company availed bank loan amounting to P1,350 million to pay off certain obligations forming part of other current liabilities as of December 31, 2018. As of the time of this Q3 report, such bank loan has been reduced to P550 million.
- Other liabilities include trade payables, accrued expenses, finance lease liabilities, retirement benefit obligation and other liabilities.

### **Equity**

- In 2019, the Parent Company declared and issued a total of 550 million shares of stock dividends to common and redeemable preferred share (RPS) stockholders (at par value of P1.00 per share), in proportion to their respective shareholdings, out of the Parent Company’s unissued common and RPS stock. Further in 2019, all the 900 million RPS were converted at the rate of one RPS to one common share.
- Considering only interest-bearing liabilities, the Company’s net gearing ratio and net interest-bearing debt-to-EBITDA stood at 0.45x and 2.75x, respectively, as of September 30, 2019.

### **Key Performance Indicators**

	<b>September 30, 2019 (Unaudited)</b>	December 31, 2018 (Audited)
Current ratio	<b>1.02</b>	0.95
Debt-to-equity ratio	<b>0.54</b>	0.64
Asset-to-equity ratio	<b>1.54</b>	1.64

#### **Notes:**

<i>Current ratio</i>	=	<i>Current Assets / Current Liabilities</i>
<i>Debt-to-equity ratio</i>	=	<i>Total Liabilities / Total Equity</i>
<i>Asset-to-equity ratio</i>	=	<i>Total Assets / Total Equity</i>

## RESULTS OF OPERATIONS

The Group's consolidated operating results for the nine-month period ended September 30, 2019 and 2018 in absolute terms and expressed as a percentage of total sales are compared below:

	For the Nine-Month Period Ended September 30		
	2019 (Unaudited)	2018 (Unaudited)	% Change
	<i>(All amounts in P thousands, except percentages)</i>		
Sales	P3,927,012	P4,442,881	(11%)
Cost of Sales	2,725,231	3,319,769	(18%)
Gross Profit	1,201,781	1,123,112	7%
Operating Expenses	498,034	500,565	-1%
Income from Operations	703,747	622,547	13%
Interest Income	14,265	9,204	55%
Interest Expense and Other Finance Charges	(77,618)	(116,666)	(33%)
Other Income	27,065	47,818	(43%)
Income before Income Taxes	667,459	562,903	18%
Income Tax Expense	(58,472)	(87,241)	(33%)
Net Income	608,987	475,662	28%
EBITDA, before one-offs	893,223	825,874	8%
EBITDA, after one-offs	893,223	830,402	8%
Net Income, after one-offs	608,987	471,814	29%
<u>Margins</u>			
Gross Profit Margin	31%	25%	
EBITDA Margin	23%	19%	
EBITDA Margin, adjusted after one-offs	23%	19%	
Net Income Margin	15%	11%	
Net Income Margin, adjusted after one-offs	15%	11%	
<u>Other Key Financial Ratios</u>			
Return on Equity	0.12	0.08*	
Return on Total Assets	0.07	0.05*	

Notes:

Gross Profit Margin	=	Gross Profit / Sales
Adjusted after one-offs:		
EBITDA Margin	=	EBITDA / Sales
Net Income Margin	=	Net Income / Sales
Return on Equity	=	Net Income / Total Equity
Return on Total Assets	=	Net Income / Total Assets

\*Based on 2018 Audited Consolidated Financial Statements

### **Sales**

- The Group generated sales of P3,927 million for the nine months ended September 30, 2019, down by 11% year on year, due to global decline in oil prices (i.e. palm oil, crude oil) in 2018. Average selling prices per pound for the nine-month period in 2019 ranges from \$0.78 to \$0.80 as compared to the same period in 2018 which ranges from \$1.01 to \$1.03.
- The lower average selling prices in 2019 as compared to 2018 greatly impacted the sales for the period. The Group needed to lower its average selling prices to its customers to compete in the global coconut market to maintain its market share.

### **Cost of Sales**

- Cost of sales for the nine-month period ended September 30, 2019 closed at P2,725 million, resulting in a gross profit of P1,202 million, primarily due to lower coconut raw material prices, as compared to same period in 2018. Coconut prices dropped by 34% in 2018 starting at P10k per metric ton (MT) of nuts in January 2018 to as low as P6k levels in September 2018. During 2019, coconut prices continue to drop to as low to mid P5k levels per MT.
- Cost of sales for the nine-month period in 2019 was down to 69% of gross sales as compared to 75% on same period in 2018 or a cost of sales reduction of 17%.

### **Gross Profit**

- In spite of sales reduction of 11% in 2019 as compared to same period in 2018, the Group's gross profit increased to 31% of sales as compared to 25% to same period in 2018 or an increase of P79 million in 2019.

### **Operating Expenses**

- Operating expenses, composed of selling, general and administrative expenses, aggregated P498 million for the period ended September 30, 2019. This translates to a 12.7% of sales from 11.3% of sales during the same period last year.

### **Interest Income, Interest Expense and Other Finance Charges**

- Interest income in 2019 represents mainly interest earned from the Parent Company's investment in bonds. The Parent Company has invested its unutilized or temporary excess funds in ROP bonds starting about Q1 2018. Interest income earned from ROP bonds in 2019 amounted to P14 million as compared to P9 million in 2018.
- Interest expense and other financing charges in 2019 mainly represent interest incurred from the Parent Company's short term borrowings (packing credit loans) and long-term bank loans of its subsidiary, RV Foods Corp., for some tangible assets used in operations in Atlanta, Georgia. In 2018, it includes interest and penalty accrued relating to the Parent Company's certain obligations relating to the acquisition of assets made in 2016.

### **Other Income**

- Other income represents commission income earned from a third party at a fixed percentage, gain on disposal of equipment, rent income, net foreign exchange gain and other items recovered and saved by the Company in the course of its operations.

**Income Tax Expense**

- Income tax expense for the nine-month period ended September 30, 2019 totaled P58 million. This consisted of current income tax totaling P18 million representing regular corporate income tax and a P40 million deferred tax. For the nine-month period ended September 30, 2018, income tax expense netted out at P87 million, which consisted of P90 million current tax expense offset by a deferred tax benefit of P3 million.

**Net Income**

- Net income for the nine-month period ended September 30, 2019 reached P609 million for a net income margin of 15% as compared to the same period of P476 million or 11%.

**PART II - OTHER INFORMATION**

Other major information about the Group are disclosed in the appropriate notes in the previously filed Audited Consolidated Financial Statements for December 31, 2018. There is no other information not previously reported in SEC Form 17-C that needs to be reported in this section.

**SIGNATURES**

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

Issuer:

**AXELUM RESOURCES CORP.**

By:

  
**MARIA THERESA Z. PAGUIRIGAN**  
Treasurer/Chief Finance Officer

Date: November 11, 2019



# AXELUM RESOURCES CORP. AND SUBSIDIARIES

**Unaudited Condensed Consolidated Interim Financial Statements  
As of September 30, 2019 and December 31, 2018 and  
For the Nine-Month Period Ended September 30, 2019 and 2018**

**AXELUM RESOURCES CORP. AND SUBSIDIARIES**  
**UNAUDITED CONDENSED CONSOLIDATED INTERIM**  
**STATEMENTS OF FINANCIAL POSITION**  
**September 30, 2019 and December 31, 2018**  
(In Thousands)

	<b>Note</b>	<b>September 30, 2019 (Unaudited)</b>	<b>December 31, 2018 (Audited)</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5, 22, 23	<b>P266,900</b>	P257,111
Trade and other receivables	6, 22, 23	<b>572,606</b>	615,987
Inventories	7	<b>1,174,100</b>	1,194,078
Prepaid expenses and other current assets	8	<b>647,020</b>	478,063
<b>Total Current Assets</b>		<b>2,660,626</b>	2,545,239
<b>Noncurrent Assets</b>			
Investment in bonds	9, 22, 23	<b>409,781</b>	305,332
Property, plant and equipment - net	10	<b>3,415,972</b>	3,070,470
Goodwill and other intangible assets	11, 15	<b>1,673,388</b>	1,673,303
Deferred tax assets - net		-	27,566
Other noncurrent assets	22, 23	<b>7,861</b>	19,524
<b>Total Noncurrent Assets</b>		<b>5,507,002</b>	5,096,195
		<b>P8,167,628</b>	P7,641,434
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Loans payable - current	12, 22, 23	<b>P2,151,163</b>	P965,598
Accounts payable and accrued expenses	13, 22, 23	<b>416,604</b>	352,053
Finance lease liabilities - current	22, 23	<b>30,623</b>	8,692
Long-term debt - current	14, 22, 23	<b>9,992</b>	10,250
Other current liabilities	15, 22, 23	<b>40</b>	1,350,042
<b>Total Current Liabilities</b>		<b>2,608,422</b>	2,686,635
<b>Noncurrent Liabilities</b>			
Finance lease liabilities - net of current portion	22, 23	<b>117,350</b>	114,903
Retirement benefit obligation		<b>39,598</b>	29,994
Deferred tax liability - net		<b>26,025</b>	-
Loans payable - net of current portion	12, 22, 23	<b>2,862</b>	5,153
Long-term debt - net of current portion	14, 22, 23	<b>83,848</b>	92,252
Other noncurrent liabilities	15, 22, 23	-	63,011
<b>Total Noncurrent Liabilities</b>		<b>269,683</b>	305,313
<b>Total Liabilities</b>		<b>2,878,105</b>	2,991,948

Forward

	<b>Note</b>	<b>September 30, 2019 (Unaudited)</b>	December 31, 2018 (Audited)
<b>Equity</b>	16		
Common stock		<b>P3,700,000</b>	P2,400,000
Redeemable preferred stock		-	750,000
Additional paid-in capital		<b>559,670</b>	559,670
Treasury stock		<b>(500,000)</b>	(500,000)
Equity reserves		<b>66,565</b>	35,515
Retained earnings, unappropriated		<b>1,463,288</b>	1,404,301
<b>Total Equity</b>		<b>5,289,523</b>	4,649,486
		<b>P8,167,628</b>	P7,641,434

*See Selected Notes to Unaudited Condensed Consolidated Interim Financial Statements.*

**AXELUM RESOURCES CORP. AND SUBSIDIARIES**  
**UNAUDITED CONDENSED CONSOLIDATED INTERIM**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE PERIODS ENDED SEPTEMBER 30, 2019 AND 2018**  
(In Thousands, Except Per Share Data)

	Note	For the Nine-Month Period Ended September 30		For the Three-Month Period Ended September 30	
		2019 Unaudited	2018 Unaudited	2019 Unaudited	2018 Unaudited
<b>SALES - Net</b>	6	<b>P3,927,012</b>	P4,442,881	<b>P1,315,938</b>	P1,535,322
<b>COST OF SALES</b>	17	<b>2,725,231</b>	3,319,769	<b>941,234</b>	1,158,002
<b>GROSS PROFIT</b>		<b>1,201,781</b>	1,123,112	<b>374,704</b>	377,320
<b>SELLING EXPENSES</b>	18	<b>249,250</b>	270,796	<b>66,489</b>	95,915
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	19	<b>248,784</b>	229,769	<b>79,312</b>	81,731
<b>INCOME FROM OPERATIONS</b>		<b>703,747</b>	622,547	<b>228,903</b>	199,674
<b>INTEREST INCOME</b>	5, 9	<b>14,265</b>	9,204	<b>6,071</b>	6,283
<b>INTEREST EXPENSE AND OTHER FINANCING CHARGES</b>	12, 14, 15	<b>(77,618)</b>	(116,666)	<b>(37,419)</b>	(42,703)
<b>OTHER INCOME - Net</b>	20	<b>27,065</b>	47,818	<b>25,526</b>	15,361
<b>INCOME BEFORE INCOME TAXES</b>		<b>667,459</b>	562,903	<b>223,081</b>	178,615
<b>INCOME TAX EXPENSE - Net</b>		<b>(58,472)</b>	(87,241)	<b>(17,599)</b>	(23,470)
<b>NET INCOME</b>		<b>608,987</b>	475,662	<b>205,482</b>	155,145
<b>OTHER COMPREHENSIVE INCOME</b>					
<b>Item that may be reclassified to profit or loss</b>					
Gain (loss) on exchange differences on translation of foreign operations		<b>44,357</b>	72,724	<b>(9,047)</b>	(2,173)
Income tax benefit (expense)		<b>(13,307)</b>	(21,818)	<b>2,714</b>	651
		<b>31,050</b>	50,906	<b>(6,333)</b>	(1,522)
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>P640,037</b>	P526,568	<b>P199,149</b>	P153,623
<b>Earnings Per Common Share</b>	25				
Basic		<b>P0.19</b>	P0.24	<b>P0.06</b>	P0.08
Diluted		<b>P0.19</b>	P0.19	<b>P0.06</b>	P0.06

See Selected Notes to Unaudited Condensed Consolidated Interim Financial Statements.

**AXELUM RESOURCES CORP. AND SUBSIDIARIES**  
**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE PERIODS ENDED SEPTEMBER 30, 2019 AND 2018**  
(In Thousands)

	Equity Attributable to Equity Holders of the Parent Company										
	Note	Common Stock	Redeemable Preferred Stock*	Additional Paid-in Capital	Treasury Stock	Equity Reserves			Retained Earnings		Total Equity
						Translation Reserve	Reserve for Retirement Plan	Others (Note 17)	Appropriated	Unappropriated	
<b>As at January 1, 2019</b>		P2,400,000	P750,000	P559,670	(P500,000)	P30,102	P5,413	P -	P -	P1,404,301	P4,649,486
Other comprehensive income		-	-	-	-	31,050	-	-	-	-	31,050
Net income for the period		-	-	-	-	-	-	-	-	608,987	608,987
Total comprehensive income		-	-	-	-	31,050	-	-	-	608,987	640,037
Transaction with owners:											
Stock dividends	16	400,000	- 150,000	-	-	-	-	-	-	(550,000)	-
Conversion of shares		900,000	(900,000)	-	-	-	-	-	-	-	-
Total transactions with owners		1,300,000	(750,000)	-	-	-	-	-	-	(550,000)	-
<b>As at September 30, 2019</b>		P3,700,000	P -	P559,670	(P500,000)	P61,152	P5,413	P -	P -	P1,463,288	P5,289,523
<b>As at January 1, 2018</b>		P2,400,000	P500,000	P362,170	(P500,000)	P9,859	P1,839	P450,000	P300,000	P789,482	P4,313,350
Other comprehensive income		-	-	-	-	50,906	-	-	-	-	50,906
Net income for the period		-	-	-	-	-	-	-	-	647,982	647,982
Total comprehensive income		-	-	-	-	50,906	-	-	-	647,982	698,888
Transaction with owners:											
Cash dividends	16	-	-	-	-	-	-	-	-	(50,000)	(50,000)
<b>As at September 30, 2018</b>		P2,400,000	P500,000	P362,170	(P500,000)	P60,765	P1,839	P450,000	P300,000	P1,387,464	P4,962,238

See Selected Notes to Unaudited Condensed Consolidated Interim Financial Statements.

**AXELUM RESOURCES CORP. AND SUBSIDIARIES**  
**UNAUDITED CONDENSED CONSOLIDATED INTERIM**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE PERIODS ENDED SEPTEMBER 30, 2019 AND 2018**  
(In Thousands)

	<b>Periods Ended September 30</b>		
	<i>Note</i>	<b>2019</b>	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax		<b>P667,459</b>	P562,903
Adjustments for:			
Depreciation and amortization	10	<b>162,411</b>	155,509
Interest expense and other financing charges	12, 14, 15, 24	<b>77,618</b>	116,666
Retirement benefit expense	17, 19	<b>9,604</b>	12,304
Unrealized foreign exchange loss	22	<b>4,047</b>	6,649
Gain on disposal of equipment	10, 20	<b>(3,913)</b>	(11,722)
Interest income	5, 9	<b>(14,265)</b>	(9,204)
Operating income before working capital changes		<b>902,961</b>	833,105
Changes in operating assets and liabilities:			
Decreases (Increases) in:			
Trade and other receivables		<b>36,695</b>	165,252
Inventories		<b>19,978</b>	(184,056)
Prepaid expenses and other current assets		<b>(168,957)</b>	(186,751)
Increases in:			
Accounts payable and accrued expenses		<b>65,093</b>	92,854
Cash generated from operations		<b>855,770</b>	720,404
Interest received		<b>14,265</b>	9,204
Interest paid		<b>(77,618)</b>	(116,666)
Income tax paid		<b>(4,881)</b>	(173,834)
Net cash flows provided by operating activities		<b>787,536</b>	439,108
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal of asset		<b>3,913</b>	44,092
Increase in investment in bonds		<b>(104,449)</b>	(331,739)
Additions to property, plant and equipment	10	<b>(476,948)</b>	(292,257)
Decrease (Increase) in other noncurrent assets		<b>11,663</b>	(19)
Net cash flows used in investing activities		<b>(565,821)</b>	(579,923)

*Forward*

	<b>Periods Ended September 30</b>		
	<i>Note</i>	<b>2019</b>	2018
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Availment of loans	12, 24	<b>P3,361,471</b>	P2,397,943
Availment of finance lease		<b>24,378</b>	86,011
Payment of:			
Cash dividend		-	(50,000)
Long-term debt		<b>(7,658)</b>	(7,239)
Loans payable		<b>(2,175,678)</b>	(2,581,896)
Other current liabilities		<b>(1,350,002)</b>	726,867
Other noncurrent liabilities		<b>(63,011)</b>	(668,251)
Net cash flows used in financing activities		<b>(210,500)</b>	(96,565)
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>			
		<b>(1,426)</b>	2,725
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
		<b>9,789</b>	(234,655)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>			
		<b>257,111</b>	439,260
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>			
		<b>P266,900</b>	204,605

*See Selected Notes to Unaudited Condensed Consolidated Interim Financial Statements.*

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**AXELUM RESOURCES CORP. AND SUBSIDIARIES**  
**SELECTED NOTES TO THE UNAUDITED CONDENSED**  
**CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
(Amounts in Thousands, Except Per Share Data and Number of Shares)

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**1. Reporting Entity**

Axelum Resources Corp. (the Parent Company) was incorporated and registered with the Philippines Securities and Exchange Commission (SEC) on August 19, 2010. The Parent Company was established primarily to enter into direct manufacturing and or toll manufacturing of coconut water and other coconut products for domestic and international market.

The Parent Company started its commercial operations in March 2011.

On February 29, 2016, SEC approved the amendment of Articles of Incorporation to cover the manufacturing of other agricultural products for domestic and international market including the development of agricultural plantations as the Parent Company's primary purpose as approved on the September 30, 2015 meeting of the Parent Company's Board of Directors (BOD).

On July 12, 2017, the SEC approved the amendment of Article Second (B)(a) of the Articles of Incorporation to own, acquire, lease, sub-lease and/or operate manufacturing facilities, buildings, and other properties, provide consultancy and management services in food processing, render technical and professional services to other companies, conduct training, lectures, seminars and other educational course related to but not limited to coconut and food manufacturing, quality control, technician and production operations both in the Philippines and abroad.

On May 15, 2019, the BOD and the Stockholders of the Parent Company authorized the Parent Company to undertake an initial public offering of its shares with the Philippine Stock Exchange, Inc. (PSE). Subsequently on August 28, 2019 and September 23, 2019, the PSE and SEC, respectively, approved the Parent Company's application for initial public offering (IPO).

The shares of stock of the Parent Company were officially listed in the PSE on October 7, 2019. The Parent Company's initial public offering consisted of 800 million common shares comprising of 700 million primary shares (300 million shares out of unissued capital stock and 400 million shares out of treasury stock) and 100 million secondary shares, both at an offer price of P5.00 per share.

The Parent Company's principal place of business is located at ICS Building, Tiano-Montalvan Streets, Cagayan de Oro City.

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**2. Basis of Preparation**

The Group prepared its unaudited condensed consolidated interim financial statements following the new presentation rules under Philippine Accounting Standard (PAS) No. 34, *Interim Financial Reporting*. The unaudited condensed consolidated interim financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). Accordingly, the unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual audited financial statements and should be read in conjunction with the Group's annual audited financial statements



as of and for the year ended December 31, 2018, which have been prepared in accordance with PFRS.

The principal accounting policies and methods adopted in preparing the unaudited condensed consolidated interim financial statements of the Group are the same as those followed in the most recent annual audited consolidated financial statements, except for the changes in accounting policies as explained below.

The unaudited condensed consolidated interim financial statements of the Group have been prepared on a historical cost basis except for the following items which are measured on an alternative basis on each reporting date:

Items	Measurement Basis
Investment in bonds	Fair value
Defined benefit retirement asset (liability)	Fair value of the plan assets less the present value of the defined benefit retirement obligation

#### Functional and Presentation Currency

The unaudited condensed consolidated interim financial statements are presented in Philippine peso, which is the functional currency of the Parent Company. All financial information are rounded to the nearest thousands, except when otherwise indicated.

#### Basis of Consolidation

The unaudited condensed consolidated interim financial statements include the financial statements of the Parent Company and its subsidiaries. The major subsidiaries include the following:

	Percentage of Ownership		Country of Incorporation
	2019	2018	
<b>Always Progressive Holdings Pte. Ltd. (APH1)</b> and its Subsidiary, Red V Foods Corp. (formerly known as RV Industries, Inc.) (RVF)	<b>100</b>	100	<b>Singapore</b>
<b>Apo Peak Holdings Pte. Ltd. (APH2)</b> and its Subsidiary, Fiesta Ingredients Australia Pty. Ltd. (FIA)	<b>100</b>	100	<b>Singapore</b>

A subsidiary is an entity controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

When the Group has less than majority of the voting or similar rights of an investee, the Group 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 arrangements and the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are included in the unaudited condensed consolidated interim financial statements from the date when the Group obtains control, and continue to be consolidated until the date when such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances. Intergroup balances and transactions, including intergroup unrealized profits and losses, are eliminated in preparing the unaudited condensed consolidated interim financial statements.

On November 11, 2019, the Parent Company's Audit Committee endorsed for the Board of Directors' approval the release of the accompanying unaudited condensed consolidated interim financial statements of Axelum Resources Corp. and Subsidiaries.

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### 3. Significant Accounting Policies

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, Interim Financial Reporting. This condensed consolidated interim financial statements do not include all of the information required for annual consolidated financial statements, and should be read in conjunction with the annual consolidated financial statements of the Group as of and for the year ended December 31, 2017, which have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy.

This unaudited condensed consolidated interim financial statements are presented in Philippine pesos, the Group's functional and presentation currency.

The Group's accounting policies adopted in the preparation of these condensed consolidated interim financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements as of and for the year ended December 31, 2018 and the corresponding interim reporting period, except for the adoption of the following new accounting pronouncements starting January 1, 2019:

- PFRS 16, *Leases*, supercedes PAS 17, *Leases*, and the related Philippine interpretations
- Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments*
- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- Amendments to PAS 19, *Plan Amendment, Curtailment or Settlement*
- Annual Improvements to PFRS Cycles 2015-2017 Cycle
  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instrument Classified as Equity*
  - Amendments to PAS 23, *Borrowing Costs Eligible for Capitalization*

These new PFRSs and amendments did not have significant impact on the Group's condensed consolidated interim financial statements.

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### 4. Use of Judgments, Estimates and Assumptions

The preparation of the Group's condensed consolidated interim financial statements in accordance with PAS 34 requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the condensed consolidated interim financial statements. Actual results may vary from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those applied in the Group's last annual consolidated financial statements as of and for the year ended December 31, 2018.

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**5. Cash and Cash Equivalents**

This account consists of:

	<b>September 30, 2019</b>	December 31, 2018	
	<b>Note</b>	<b>(Unaudited)</b>	(Audited)
Cash on hand		<b>P680</b>	P726
Cash in banks		<b>262,292</b>	252,276
Short-term investments		<b>3,929</b>	4,109
	22, 23	<b>P266,900</b>	P257,111

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**6. Trade and Other Receivables**

This account consists of:

	<b>September 30, 2019</b>	December 31, 2018	
	<b>Note</b>	<b>(Unaudited)</b>	(Audited)
Trade receivables		<b>P546,648</b>	P585,057
Other receivables		<b>25,958</b>	30,930
	22, 23	<b>P572,606</b>	P615,987

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Trade receivables are non-interest bearing and are generally on a 30 to 60-day term.

Other receivables include advances to employees for medical insurance which are collected through salary deductions, and other advances for official business use.

No allowance for impairment losses on trade and other receivables is recognized as management believes that the receivables are fully recoverable at their carrying amounts.

Trade and other receivables written-off during the year amounted to P726 in 2018.

Certain receivables were assigned with recourse to secure the bank loans amounting to P364,786 and P601,363 as at September 30, 2019 and December 31, 2018, respectively (Note 12).

The Group recognized sales from different geographical locations:

	<b>September 30, 2019</b>	September 30, 2018
	<b>(Unaudited)</b>	(Unaudited)
Philippines	<b>P1,834,908</b>	P2,367,542
USA	<b>1,745,588</b>	1,710,040
Australia	<b>346,516</b>	365,299
	<b>P3,927,012</b>	P4,442,881

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## 7. Inventories

This account consists of:

	<b>September 30, 2019 (Unaudited)</b>	December 31, 2018 (Audited)
At cost:		
Finished goods	<b>P751,910</b>	P773,421
Packing materials and supplies	<b>335,520</b>	311,562
Raw materials	<b>56,053</b>	80,110
Inventories in-transit	<b>30,382</b>	27,210
By-product	<b>235</b>	1,775
	<b>P1,174,100</b>	P1,194,078

The cost of inventories approximates its net realizable value as at September 30, 2019 and December 31, 2018. Inventories directly written-off amounted to P66,603 in 2018.

Inventories charged to cost of sales amounted to P2,354,420 and P2,942,159 in September 30, 2019 and 2018, respectively (Note 17).

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## 8. Prepaid Expenses and Other Current Assets

This account consists of:

	<b>September 30, 2019 (Unaudited)</b>	December 31, 2018 (Audited)
Input VAT - net	<b>P445,646</b>	P367,052
Prepaid expenses	<b>136,055</b>	49,525
Advances to suppliers	<b>65,319</b>	61,486
	<b>P647,020</b>	P478,063

Input VAT represents taxes paid on purchases of goods and services.

Prepaid expenses consist of dues and subscriptions, insurance, rent, taxes and other prepayments.

Advances to suppliers pertain to advances for purchased tools, spare parts and packaging materials.

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## 9. Investment in Bonds

Investment in bonds mainly represents United States dollar denominated Republic of the Philippine (ROP) bonds with annual interest rates ranging from 5% to 9.5%, maturing in various dates from 2030 to 2034.

## 10. Property, Plant and Equipment

Property, plant and equipment consist of:

	Owned Assets							Right of Use Assets	Total
	Site Improvements	Buildings	Machinery	Delivery and Transportation Equipment	Office Furniture and Equipment	Tools and Water System	Construction in-Progress		
<b>Cost</b>									
January 1, 2018	P136,525	P600,776	P1,707,232	P85,768	P55,742	P2,926	P519,503	P -	P3,108,472
Additions	5,411	52,553	296,430	14,513	7,756	1,029	199,505	-	577,197
Disposals	-	(1,079)	(53,128)	-	(228)	-	-	-	(54,435)
Reclassification	4,648	45,561	180,608	13,748	2,182	610	(247,357)	-	-
Cumulative translation adjustments	4,453	9,220	11,129	-	241	-	-	-	25,043
December 31, 2018	151,037	707,031	2,142,271	114,029	65,693	4,565	471,651	-	3,656,277
Reclassification under PFRS 16	-	-	(43,357)	(13,252)	-	-	(86,758)	143,367	-
Additions	200	230	32,642	2,320	11,087	1,827	428,642	-	476,948
Reclassification	21,215	68,420	359,888	463	3,393	2,236	(455,615)	-	-
Disposals	-	-	(4,875)	-	-	-	-	-	(4,875)
Cumulative translation adjustments	2,041	6,084	10,749	-	1,200	-	-	-	20,074
<b>September 30, 2019</b>	<b>174,493</b>	<b>781,765</b>	<b>2,497,318</b>	<b>103,560</b>	<b>81,373</b>	<b>8,628</b>	<b>357,920</b>	<b>143,367</b>	<b>4,148,424</b>
<b>Accumulated Depreciation and Amortization</b>									
January 1, 2018	5,737	40,230	286,770	27,000	29,275	1,421	-	-	390,433
Depreciation and amortization	1,953	20,339	134,511	20,609	21,103	1,645	-	-	200,160
Disposals	-	(126)	(16,059)	-	(135)	-	-	-	(16,320)
Cumulative translation adjustments	-	3,824	7,587	-	123	-	-	-	11,534
December 31, 2018	7,690	64,267	412,809	47,609	50,366	3,066	-	-	585,807
Depreciation and amortization	4,069	11,882	121,624	14,680	6,147	1,260	-	2,749	162,411
Disposals	-	-	(4,875)	-	-	-	-	-	(4,875)
Cumulative translation adjustments	-	(4,500)	(5,681)	-	(710)	-	-	-	(10,891)
<b>September 30, 2019</b>	<b>11,759</b>	<b>71,649</b>	<b>523,877</b>	<b>62,289</b>	<b>55,803</b>	<b>4,326</b>	<b>-</b>	<b>2,749</b>	<b>732,452</b>
<b>Carrying Amount</b>									
December 31, 2018	P143,347	P642,764	P1,729,462	P66,420	P15,327	P1,499	P471,651	P -	P3,070,470
<b>September 30, 2019</b>	<b>P162,734</b>	<b>P710,116</b>	<b>P1,973,441</b>	<b>P41,271</b>	<b>P25,570</b>	<b>P4,302</b>	<b>P357,920</b>	<b>P140,618</b>	<b>P3,415,972</b>

In 2018, the Group disposed of certain machineries with a carrying amount of P32,370. In 2019, the Group disposed a fully depreciated equipment. As a result of the disposal, the Group recognized a gain amounting to P3,913 and P11,722 in September 30, 2019 and 2018, respectively.

The gain on disposal of property plant, equipment in 2018 were presented as part of "Other income - net" account in the unaudited condensed consolidated interim statements of comprehensive income (Note 20).

The carrying amount of delivery and transportation equipment under finance lease amounted to P125,396 and P185,753 as at September 30, 2019 and December 31, 2018, respectively (Notes 10 and 22).

Depreciation and amortization are distributed as follows:

	<b>Note</b>	<b>September 30, 2019 (Unaudited)</b>	September 30, 2018 (Unaudited)
Cost of sales	17	<b>P142,459</b>	P137,127
General and administrative expenses	19	<b>19,952</b>	18,382
		<b>P162,411</b>	P155,509

## 11. Goodwill and Other Intangible Assets

This account consists of:

	<b>September 30, 2019 (Unaudited)</b>	December 31, 2018 (Audited)
Goodwill	<b>P1,226,044</b>	P1,225,959
Other intangible assets	<b>447,344</b>	447,344
	<b>P1,673,388</b>	P1,673,303

The movements in goodwill are as follows:

	<b>September 30, 2019 (Unaudited)</b>	December 31, 2018 (Audited)
Balance at beginning of year	<b>P1,225,959</b>	P1,216,840
Cumulative translation adjustment	<b>85</b>	9,119
	<b>P1,226,044</b>	P1,225,959

## 12. Loans Payable

This account consists of

	September 30, 2019	December 31, 2018
Note	(Unaudited)	(Audited)
Current:		
a) Interest from 3.0% to 9.8% and 2.5% to 4.6% in 2019 and 2018, respectively	P1,908,458	P730,525
b) Interest based on LIBOR rate plus 2.25%	242,705	235,073
	<b>2,151,163</b>	965,598
Noncurrent:		
c) Interest at 2.5% payable every quarter	2,862	5,153
22, 23	<b>P2,154,025</b>	P970,751

- a) Loans availed by the Parent Company from various banks to finance the working capital requirements. The loans are generally on a one to six-month term. Certain receivables were assigned with recourse to secure the bank loans (Note 6).

On June 17, 2019, the Parent Company availed bank loan amounting to P1.35 billion which bears interest at a rate of 6% per annum. Proceeds from the loan was made to pay off certain obligations (see Note 15). The loan falls due on December 13, 2019. On October 15, 2019, the Parent Company utilized P800 million from the proceeds of its IPO as partial payment for its bank loan.

On October 15, 2019, the Parent Company paid P800 million from the proceeds of its IPO as partial payment for its bank loan to save on interest cost.

- b) RVF's revolving line of credit with a maximum borrowing limit of P236,610 (\$4.5 million). Interest is payable monthly at one-month LIBOR rate plus 2.25%. The loan is secured by all assets of RVF and is subject to a subordination agreement. The line of credit matures on May 31, 2018. In 2018, RVF renewed the line of credit and extended its maturity to May 29, 2019 which was later on renewed to extend its maturity up to May 27, 2020.

RVF's capital expenditure line of credit with a maximum borrowing limit of P15,774 (\$300). Interest is payable monthly at one-month LIBOR rate plus 2.25%. The line of credit matured on May 29, 2019. As of September 30, 2019, the credit line was renewed and will mature on May 27, 2020.

- c) Other loans amounting to P2,862 and P5,153 as at September 30, 2019 and December 31, 2018, respectively, were obtained from third party creditors which bears an annual interest rate of 2.5% payable every quarter.

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### 13. Accounts Payable and Accrued Expenses

This account consists of:

	<b>September 30, 2019</b>	December 31, 2018
	<b>Note</b>	(Audited)
	<b>(Unaudited)</b>	
Trade payables	<b>P197,226</b>	P193,179
Nontrade payables	<b>964</b>	1,027
Accrued expenses:		
Salaries, wages and employee benefits	<b>49,113</b>	33,162
Freight charges	<b>44,156</b>	61,957
Toll	<b>29,433</b>	4,078
Utilities	<b>25,675</b>	17,398
Rent	<b>542</b>	7,658
Others	<b>6,023</b>	5,645
Customer deposits	<b>50,406</b>	10,957
Interest payable	<b>6,125</b>	3,886
Government payables	<b>4,162</b>	3,586
Others	<b>2,779</b>	9,520
	<b>22, 23</b>	
	<b>P416,604</b>	P352,053

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Trade payables are generally on a 30 to 60-day term.

Nontrade payables consist of payables for utilities and contracted jobs.

Customer deposits represent advances made by customers.

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### 14. Long-term Debt

This account consists of RVF's term loan agreement in December 2013 for a total maximum borrowing of \$2.9 million, secured by all real and personal property of RVF. The funds were utilized to refinance the purchase of RVF's real and personal property. Interest is payable monthly at one-month LIBOR rate plus 2.25%. Monthly payments of fixed principal of \$16 plus interest are due with a balloon payment upon maturity in December 2018.

In 2018, RVF has worked with the lender to extend the maturity date to December 2028 at a rate of interest equal to 4.88% per annum. Monthly payments of fixed principal of \$16 plus interest are due starting January 15, 2019.

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### 15. Other Current and Noncurrent Liabilities

In 2016, the Parent Company and FBI, FFII, MIMI and CDI (collectively, the "Sellers") entered into agreements for the purchase of property and equipment for a total consideration of P1,109,464 (including input VAT). The agreement also covers the assignment of trademarks, brand names, logos and other devices (collectively as "Intangible assets") amounting to P650,000 with a present value amounting to P608,002 as of acquisition date. The Parent Company has agreed to pay the Sellers an additional consideration based on a certain percentage of gross sales from 2018 to 2033.



On December 20, 2018, the Parent Company and the Sellers entered into a Settlement Agreement wherein the Parent Company shall fully disengage from the Sellers by way of a simple lump-sum settlement in the amount of P1,350,000 (“Settlement Amount”), representing full and final settlement of all the fixed and variable considerations, interest and other incidental charges, so that the Parent Company can take full advantage of the ownership and use of the Intangible assets moving forward without future charges, payments, or similar obligations to the Sellers. The Settlement Amount was recognized and recorded in the books as part of “Other current liabilities” account in the audited consolidated statement of financial position as at December 31, 2018. On June 19, 2019, the Parent Company settled in full amount of P1,350,000 owed to the Sellers (see Note 12).

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## 16. Equity

### *a. Amendments to the Articles of Incorporation and By-Laws*

On September 30, 2015, the BOD and Stockholders of the Parent Company approved the following amendments to the Articles of Incorporation: (a) include the manufacturing of other agricultural products including the development of agricultural plantations in the Parent Company’s primary purpose; and (b) increase the authorized capital stock of the Parent Company from P5 million divided into 10,000 shares with a par value of P500.00 per share to P5 billion divided into 5 billion shares with a par value of P1.00 per share. On February 29, 2016, the SEC approved the application for the amendment of Articles of Incorporation of the Parent Company.

On December 1, 2016, the BOD and Stockholders of the Parent Company approved the conversion of P1 billion out of the Parent Company’s authorized capital stock of P5 billion into redeemable preferred shares. The authorized capital stock of the Parent Company amounting to P5 billion thereafter is divided into 4 billion common shares with a par value of P1.00 per share and P1 billion redeemable preferred shares (“RPS”) with a par value of P1.00 per share. The SEC approved the Amended Articles of Incorporation on February 8, 2017.

On July 12, 2017, the SEC approved the further amendment of Article Second (B) (a) of the Articles of Incorporation to own, acquire, lease, sub-lease and/or operate manufacturing facilities, buildings, and other properties, provide consultancy and management services in food processing, render technical and professional services to other companies, conduct training, lectures, seminars and other educational course related to but not limited to coconut and food manufacturing, quality control, technician and production operations both in the Philippines and abroad. The amendment was approved by the BOD on April 5, 2017.

On July 4, 2019, the SEC approved the amendment of Article Seventh of the Articles of Incorporation to include a statement that the holder of the shares shall not be entitled to pre-emptive rights to subscribe to any new issues of stock, nor dispositions of existing stocks, whether issued from its unissued capital or treasury shares; and amendment of Article Eighth of the Articles of Incorporation to state that in connection with the IPO and initial listing of shares by the Corporation with the PSE, the Corporation shall strictly comply with the lock-up requirements prescribed by the rules and regulations of the PSE as may be amended from time to time in accordance with amendments to the Rules of the Exchange.

b. *Common Stock*

The movements in the number of issued and outstanding shares of common stock are as follows:

	<b>September 30,</b> <b>2019</b> <b>(Unaudited)</b>	December 31, 2018 (Audited)
Issued shares at beginning of year	<b>2,400,000,000</b>	2,400,000,000
Stock dividends	<b>400,000,000</b>	-
Conversion from redeemable preferred stock to common	<b>900,000,000</b>	-
Issued shares at end of year	<b>3,700,000,000</b>	2,400,000,000
Less treasury shares	<b>400,000,000</b>	400,000,000
Outstanding shares at end of year	<b>3,300,000,000</b>	2,000,000,000

c. *Redeemable Preferred Stock and Additional Paid-in Capital*

On February 10, 2017, the Parent Company entered into a Subscription agreement for the subscription of RPS with a par value of P1.00 per share at an initial price of US\$0.054 or P2.70 per share ("Original Share Price") under the terms of the RPS subscription. If the Group does not fulfill certain operating objectives, the issue price shall be adjusted subject to a floor of US\$0.036 or P1.80 per share ("Adjusted Share Price") which will result in the issuance of a maximum of 250 million additional RPS, subject to the terms and conditions as set forth in the Subscription Agreement.

The RPS, among other features, are redeemable, at the option of the Parent Company, voting, participating, convertible and have liquidation preference.

The RPS shall rank pari passu with common shares upon conversion at any time by notice to the Corporation.

The RPS shall be entitled to participate pro-rata in any regular dividend declared for the common shares to be paid out of the unrestricted retained earnings at the same rate and upon the same terms as declared and paid to the common shareholders.

The Parent Company shall have the option to redeem the RPS if approved by the BOD and the redemption shall be pursuant to a written redemption agreement executed by the Parent Company and the relevant holder of the RPS. In no case shall the redemption price of the actual number of RPS to be redeemed be less than the cost of such shares plus an 8% annual yield net of dividends paid.

On August 4, 2017, the Parent Company received \$27 million or P1.35 billion for the subscription of RPS at the original share price of US\$0.054 or P2.70 per share, subject to certain condition as provided for in the subscription agreement.

In 2018, in connection with certain conditions set forth in the subscription agreement, the Parent Company made an adjustment to the subscription price using the adjusted share price of US\$0.036 or P1.80 per share as set forth in the Subscription Agreement and issued an additional 250 million of RPS to the subscriber.

During 2018, the Parent Company made retroactive adjustments to the comparative information for the year ended December 31, 2018 to appropriately reflect the adjusted share price of US\$0.036 or P1.80 per share pertaining to the originally issued 500 million RPS or a total subscription price of P900 million and reflected the value of the contingent preferred stock amounting to P450 million as part of "Equity reserves" account in the 2018 consolidated statement of financial position.

On November 12, 2018, upon the approval by the BOD of the Parent Company, additional 250 million RPS was issued with a total subscription price of P450 million. As a result, the amount reflected as part of "Equity reserves" account was reclassified to RPS amounting to P250 million and additional paid-in capital amounting to P200 million, net of stock issuance cost amounting to P2,500.

On January 23, 2019, the BOD approved the conversion of 750 million RPS into common shares at the rate of one (1) RPS share to one (1) common share, to be issued out of the Unissued Common Stock of the Corporation. Accordingly the BOD also approved the conversion of any and all stock dividends in the form of RPS, which may accrue to the aforementioned 750 million RPS after the date of the approval, into Common shares to be issued also out of the Unissued Common Stock of the Corporation. All of the RPS shares, including additional 150 million shares issued as stock dividends (refer to note 17f under Dividend Declaration), shall be converted at the rate of one RPS to one Common share. On March 20, 2019, the BOD approved and/or ratified the conversion of all the 900 million RPS into common shares. As a consequence of the said conversion of all issued and outstanding RPS into common shares, the Parent Company's 1 billion authorized RPS reverted to unissued RPS as of the conversion date.

*d. Treasury Stock*

The Parent Company acquired 400 million of its own common shares from stockholders on August 7, 2017 at P1.25 per share or a total cost of P500 million. The shares are held as "Treasury stock" and have been deducted from equity. The Parent Company has the right to reissue these shares at a later date.

*e. Appropriated Retained Earnings*

*Appropriation for Acquisition of Assets*

On October 25, 2017, the BOD approved a fresh appropriation of retained earnings amounting to P300 million to support the acquisition of plant equipment in 2018 and, on November 21, 2018, the BOD approved for its reversal.

*f. Dividend Declaration*

Cash Dividend

On August 1, 2018, the Parent Company's BOD approved the declaration of cash dividends in the amount of P0.02 per share or a total of P50 million out of the unrestricted retained earnings of the Parent Company as at December 31, 2017 payable to stockholders (common and redeemable preferred shares) of record as of July 31, 2018, and to be paid on or before September 15, 2018.

Stock Dividend

On February 7, 2019, the Parent Company's BOD approved the declaration of a total 550 million shares of stock dividends to common and RPS stockholders (at par value of P1.00 per share), in proportion to their respective shareholdings, out of the Parent Company's unissued common and RPS stock. The stock dividend is payable to Common and RPS stockholders of record as at December 31, 2018 and were issued on March 20, 2019.

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**17. Cost of Sales**

This account consists of:

		<b>September 30, 2019 (Unaudited)</b>	September 30, 2018 (Unaudited)
Inventories		<b>P2,354,420</b>	P2,942,159
Depreciation and amortization	10	<b>142,459</b>	137,127
Salaries, wages and employee benefits		<b>114,140</b>	114,431
Retirement benefit expense		<b>829</b>	829
Others		<b>113,383</b>	125,223
		<b>P2,725,231</b>	P3,319,769

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**18. Selling Expenses**

This account consists of:

		<b>September 30, 2019 (Unaudited)</b>	September 30, 2018 (Unaudited)
Freight		<b>P97,878</b>	P154,223
Brokerage		<b>42,466</b>	41,536
Rent		<b>33,003</b>	21,744
Advertising		<b>28,584</b>	10,381
Warehouse and storage		<b>28,484</b>	27,210
Pallets and packaging		<b>8,231</b>	6,115
Insurance		<b>4,004</b>	3,119
Travel and transportation		<b>3,730</b>	2,766
Commission		<b>1,790</b>	2,402
Others		<b>1,080</b>	1,300
		<b>P249,250</b>	P270,796

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**19. General and Administrative Expenses**

This account consists of:

		<b>September 30, 2019 (Unaudited)</b>	September 30, 2018 (Audited)
Salaries, wages and employee benefits		<b>P134,815</b>	P113,684
Depreciation and amortization	10	<b>19,952</b>	18,382
Professional fees		<b>18,226</b>	24,939
Utilities		<b>12,068</b>	9,998
Insurance		<b>11,693</b>	12,172
Travel and transportation		<b>11,364</b>	13,020
Retirement benefit expense		<b>8,775</b>	11,475
Representation		<b>7,679</b>	4,605
Taxes and licenses		<b>5,770</b>	3,983
Rent		<b>4,067</b>	3,962
Office supplies		<b>1,355</b>	1,133
Repairs and maintenance		<b>494</b>	224
Meetings and seminars		<b>232</b>	209
Research and development		<b>131</b>	30
Others		<b>12,163</b>	11,953
		<b>P248,784</b>	P229,769

Others include fringe benefit, freight, dues and subscriptions and bad debts expense.

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## 20. Other Income - net

This account consists of:

		<b>September 30, 2019</b>	September 30, 2018
	<b>Note</b>	<b>(Unaudited)</b>	(Unaudited)
Commission income		<b>P15,575</b>	P26,238
Gain on disposal of equipment	10	<b>3,913</b>	11,722
Rent income		<b>5,804</b>	1,719
Foreign exchange gain - net	22	<b>1,300</b>	7,952
Others		<b>473</b>	187
		<b>P27,065</b>	P47,818

Commission income pertains to a co-packing commission earned from a third party at a fixed percentage.

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## 21. Related Party Transactions

The Parent Company and its related parties, in the normal course of business, purchase products and services from one another. Amounts owed by/owed to related parties are collectible/ to be settled in cash. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates.

Key management compensation refers to the salary of key management amounted to P29,174 in September 30, 2019 and 2018, respectively.

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

### Objectives and Policies

The Group has significant exposure to the following financial risks primarily from its use of financial instruments:

- Liquidity Risk
- Credit Risk
- Foreign Currency Risk
- Interest Rate Risk

This note presents information about the exposure to each of the foregoing risks, the objectives, policies and processes for measuring and managing these risks, and for management of capital.

The main purpose of the Group's financial instruments is to fund the Group's operations and to acquire and improve its property, plant and equipment. The main risks arising from the use of financial instruments are liquidity risk, credit risk, foreign currency risk and interest rate risk. The Group's BOD reviews and monitors the policies for managing each of these risks.

*Liquidity Risk.* Liquidity risk pertains to the risk that the Group will encounter difficulty to meet payment obligations when they fall due under normal and stress circumstances.

The Group seeks to manage its liquidity profile to be able to finance its capital expenditures and cover its operating costs. The Group's objective is to maintain a balance between continuity of funding and flexibility through valuation of projected and actual cash flow information. Additional short-term funding is obtained from related party advances when necessary.

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

September 30, 2019	Carrying Amount	Contractual Cash Flow	1 Year or Less	More than 1 Year but Less than 5 Years	More than 5 Years
<b>Financial Assets</b>					
Cash and cash equivalents	P266,900	P266,900	P266,900	P -	P -
Trade and other receivables*	558,908	558,908	558,908	-	-
Investment in bonds	409,781	671,221	-	-	671,221
Other noncurrent assets	7,861	7,861	-	-	7,861
<b>Financial Liabilities</b>					
Loans payable	2,154,025	2,154,025	2,151,163	-	2,862
Accounts payable and accrued expenses**	362,036	362,036	362,036	-	-
Finance lease liabilities	147,973	147,973	30,623	-	117,350
Long-term debt	93,840	93,840	9,992	-	83,848
Other current liabilities	40	40	40	-	-

\* Excluding advances to employees.

\*\* Excluding customer deposits and government payables amounting to P54,568 as of September 30, 2019.

December 31, 2018	Carrying Amount	Contractual Cash Flow	1 Year or Less	More than 1 Year but Less than 5 Years	More than 5 Years
<b>Financial Assets</b>					
Cash and cash equivalents	P257,111	P257,111	P257,111	P -	P -
Trade and other receivables*	604,813	604,813	604,813	-	-
Investment in bonds	305,332	534,765	-	-	534,765
Other noncurrent assets	19,524	19,524	-	-	19,524
<b>Financial Liabilities</b>					
Loans payable	970,751	970,751	965,598	-	5,153
Accounts payable and accrued expenses**	337,510	337,510	337,510	-	-
Finance lease liabilities	123,595	123,595	8,692	114,903	-
Long-term debt	102,502	102,502	10,250	-	92,252
Other current liabilities	1,350,042	1,350,042	1,350,042	-	-
Other noncurrent liabilities	63,011	63,011	63,011	-	-

\* Excluding advances to employees.

\*\* Excluding customer deposits and government payables amounting to P14,543 as of December 31, 2018.

**Credit Risk.** Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from trade and other receivables.

The Group controls this risk through monitoring procedures and regular coordination with the customers. Receivable balances are monitored on an ongoing basis with the risks of exposure to bad debts are not significant.

The carrying amount of financial assets which represents the Group's maximum exposure to credit risk without the effects of collaterals and other risk mitigation techniques is presented below:

	<b>Note</b>	<b>September 30, 2019 (Unaudited)</b>	<b>December 31, 2018 (Audited)</b>
Cash and cash equivalents (excluding cash on hand)	5	<b>P266,220</b>	P256,385
Trade and other receivables*	6	<b>558,908</b>	604,813
Investment in bonds	9	<b>409,781</b>	305,332
Other noncurrent assets		<b>7,861</b>	19,524
		<b>P1,242,770</b>	P1,186,054

\*Excluding advances to employees.

The table below presents the Group's exposure to credit risk and shows the credit quality of the financial assets by indicating whether the financial assets are subjected to 12-month ECL or lifetime ECL. Assets that are credit-impaired are separately presented.

### 2019

	Financial Assets at Amortized Cost			Financial Assets at FVPL	Total
	12-month ECL	Lifetime ECL not Credit Impaired	Lifetime ECL Credit Impaired		
Cash and cash equivalents (excluding cash on hand)	<b>P266,220</b>	P -	P -	P -	<b>P266,220</b>
Trade receivables	<b>546,648</b>	-	-	-	<b>546,648</b>
Other receivables as part of "Trade and other receivables" account	-	<b>12,260</b>	-	-	<b>12,260</b>
Investment in bonds	-	-	-	<b>409,781</b>	<b>409,781</b>
Other noncurrent assets	<b>7,861</b>	-	-	-	<b>7,861</b>
	<b>P820,729</b>	<b>P12,260</b>	P -	<b>P409,781</b>	<b>P1,242,770</b>

### 2018

	Financial Assets at Amortized Cost			Financial Assets at FVPL	Total
	12-month ECL	Lifetime ECL not Credit Impaired	Lifetime ECL Credit Impaired		
Cash and cash equivalents (excluding cash on hand)	P256,385	P -	P -	P -	P256,385
Trade receivables	585,057	-	-	-	585,057
Other receivables as part of "Trade and other receivables" account	-	19,756	-	-	19,756
Investment in bonds	-	-	-	305,332	305,332
Other noncurrent assets	19,524	-	-	-	19,524
	P860,966	P19,756	P -	P305,332	P1,186,054

The aging of trade and other receivables is as follows:

<b>September 30, 2019</b>	<b>Trade</b>	<b>Others</b>	<b>Total</b>
Current	<b>P300,801</b>	<b>P17,106</b>	<b>P317,907</b>
Past due:			
Less than 30 days	<b>219,139</b>	<b>6,047</b>	<b>225,186</b>
31 - 60 days	<b>13,727</b>	<b>979</b>	<b>14,706</b>
61 - 90 days	<b>12,981</b>	<b>630</b>	<b>13,611</b>
Over 90 days	-	<b>1,196</b>	<b>1,196</b>
	<b>P546,648</b>	<b>P25,958</b>	<b>P572,606</b>

December 31, 2018	Trade	Others	Total
Current	P213,464	P20,383	P233,847
Past due:			
Less than 30 days	222,076	7,205	229,281
31 - 60 days	117,117	1,167	118,284
61 - 90 days	16,036	750	16,786
Over 90 days	16,364	1,425	17,789
	P585,057	P30,930	P615,987

The Group believes that neither past due nor impaired and unimpaired amounts that area past due by more than 30 days are still collectible based on historical payment behavior and analyses of the underlying customer credit ratings.

*Credit Quality Per Class of Financial Assets*

The credit quality of financial assets is managed by the Group using internal audit ratings.

High grade cash are working cash fund in local banks belonging to the top 10 banks in the Philippines in terms of resources and profitability.

High grade accounts, other than cash, are accounts considered to be of high value. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits. High grade financial assets include cash in banks and cash equivalents and investment in bonds amounting P676,001 and P561,717 as at September 30, 2019 and December 31, 2018, respectively.

Standard grade accounts are active accounts with propensity of deteriorating to mid-range age brackets. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly. Standard grade financial assets include trade and other receivables amounting to P317,907 and P233,847 as at September 30, 2019 and December 31, 2018, respectively.

Substandard grade accounts are accounts which have probability of impairment based on historical trend. These accounts show propensity to default in payments despite regular follow-up actions and extended payments terms. Substandard grade accounts includes past due accounts but not impaired amounting to P254,699 and P382,140 as at September 30, 2019 and December 31, 2018, respectively.

*Foreign Currency Risk.* The Group's exposure to foreign currency risk results from significant movements in foreign exchange rates that adversely affect the foreign currency denominated transactions of the Group.

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



Information on the Group's foreign currency-denominated monetary assets and monetary liabilities and their Philippine peso equivalents are as follows:

<b>September 30, 2019</b>	<b>SGD</b>	<b>AUD</b>	<b>USD</b>	<b>Peso Equivalent</b>
<b>Assets</b>				
Cash and cash equivalents	98	462	698	56,172
Trade and other receivables	-	1,519	6,306	381,223
<b>Liabilities</b>				
Accounts payable and accrued expenses	-	(82)	(678)	(38,130)
Loans payable	-	-	(4,664)	(242,704)
Long-term debt	-	-	(1,858)	(96,703)

  

<b>December 31, 2018</b>	<b>SGD</b>	<b>AUD</b>	<b>USD</b>	<b>Peso Equivalent</b>
<b>Assets</b>				
Cash and cash equivalents	98	376	635	51,071
Trade and other receivables	-	4,172	8,786	616,571
Investment in bonds	-	-	5,807	305,332
<b>Liabilities</b>				
Accounts payable and accrued expenses	-	(1,195)	(2,316)	(166,078)
Loans payable	-	-	(17,259)	(907,466)
Long-term debt	-	-	(1,949)	(102,502)

The following table demonstrates the sensitivity to a reasonably possible change in foreign currency exchange rates with all other variables held constant of the Group's profit before tax due to changes in the fair value of monetary assets and monetary liabilities:

	<b>2019</b>		<b>2018</b>	
	<b>Effect on Income before Income Tax</b>		<b>Effect on Income before Income Tax</b>	
	<b>Increase by 5%</b>	<b>Decrease by 5%</b>	<b>Increase by 5%</b>	<b>Decrease by 5%</b>
USD	2,993	(2,993)	(P10,154)	P10,154

The Group reported net foreign exchange gain amounting to P1,300 and P7,952 in September 30, 2019 and 2018, respectively (Note 20), arising from the translation of its foreign-currency denominated financial instruments. These mainly resulted from the movements of the Philippine peso against the USD as shown in the following table:

	<b>2019</b>	<b>2018</b>
USD to Philippine Peso	52.04	52.58
AUD to Philippine Peso	34.91	37.07
SGD to Philippine Peso	37.80	38.32

**Interest Rate Risk.** Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates. The Group's exposure to changes in interest rates relates primarily to its loan payable, long-term debt, finance lease liabilities and other noncurrent liabilities. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. On the other hand, borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group manages its interest cost by using an optimal combination of fixed and variable rate debt instruments. Management is responsible for monitoring the prevailing market-based interest rate and ensures that the mark-up rates charged on its borrowings are optimal and benchmarked against the rates charged by other creditor banks.

In managing interest rate risk, the Group aims to reduce the impact of short-term fluctuations on the earnings. Over the longer term, however, permanent changes in interest rates would have an impact on profit or loss.

The management of interest rate risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various standard and non-standard interest rate scenarios.

The sensitivity to a reasonably possible 5% increase in the interest rates, with all other variables held constant, would have decreased the Group's profit before tax by P119,792 and P59,842 in 2019 and 2018, respectively. A 5% decrease in the interest rate would have had the equal but opposite effect. These changes are considered to be reasonably possible given the observation of prevailing market conditions in those periods. There is no impact on the Parent Company's other comprehensive income.

#### Interest Rate Risk Table

The terms and maturity profile of the interest-bearing financial instruments, together with its gross amounts, are shown in the following tables:

	September 30, 2019			Total
	Less than 1 Year	1 Year but Less than 5 Years	More than 5 Years	
<b>Foreign currency-denominated (expressed in Philippine Peso)</b>				
Loans payable	P2,151,163	P -	P2,862	P2,154,025
Interest rate	3% - 9.75%	-	3% - 9.75%	
Long-term debt	9,992	49,958	33,890	93,840
Interest rate	LIBOR + 2.25%	LIBOR + 2.25%	LIBOR + 2.25%	
<b>Philippine Peso-denominated</b>				
Finance lease liabilities	30,623	103,917	13,433	147,973
Interest rate	4.25% - 7.75%	4.25% - 7.75%	4.25% - 7.75%	
	<b>P2,191,778</b>	<b>P153,875</b>	<b>P50,185</b>	<b>P2,395,838</b>
	December 31, 2018			
	Less than 1 Year	1 Year but Less than 5 Years	More than 5 Years	Total
<b>Foreign currency-denominated (expressed in Philippine Peso)</b>				
Loans payable	P965,598	P -	P5,153	P970,751
Interest rate	2.5% - 4.6%	-	2.55%	
Long-term debt	10,250	41,000	51,252	102,502
Interest rate	LIBOR + 2.25%	LIBOR + 2.25%	LIBOR + 2.25%	
<b>Philippine Peso-denominated</b>				
Finance lease liabilities	8,692	73,294	41,609	123,595
Interest rate	4.25% - 7.75%	4.25% - 7.75%	4.25% - 7.75%	
	<b>P984,540</b>	<b>P114,294</b>	<b>P98,014</b>	<b>P1,196,848</b>

#### Capital Management

The Group maintains a sound capital base to ensure its ability to continue as a going concern, thereby continue to provide returns to stockholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The Group manages its capital structure and makes adjustments in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, pay-off existing debts, return capital to shareholders or issue new shares.

The Group monitors capital on the basis of debt-to-equity ratio, which is calculated as total debt divided by total equity. Total debt is defined as total current liabilities and total noncurrent liabilities, while equity is total equity as shown in the unaudited condensed consolidated interim statements of financial position.

The Group's capital for the reporting periods is summarized in the table below:

	<b>2019</b>	2018
Total liabilities	<b>P2,878,105</b>	P2,991,948
Total equity	<b>5,289,523</b>	4,649,486
Debt to equity ratio	<b>0.54:1</b>	0.64:1

RVF is required to comply with the following debt covenants in relation to its loan payable and long-term debt from a local bank: (1) maintain a tangible net worth of not less than \$5,000; (2) maintain a fixed charge coverage ratio, as of the last day of each month for the period of twelve months then ended, of not less than 1.2 to 1.0; and (3) maintain, as of the last day of each month a ratio of total debt to tangible net worth of not greater than 2.5 to 1.0. RVF complied with the above requirements as at September 30, 2019 and December 31, 2018.

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

### 23. Financial Assets and Financial Liabilities

The table presents comparison by category of the carrying amounts and fair values of the Group's financial instruments:

	<b>September 30, 2019</b>		December 31, 2018	
	<b>Carrying Amount</b>	<b>Fair Value</b>	Carrying Amount	Fair Value
<b>Financial Assets</b>				
Cash and cash equivalents	<b>P266,900</b>	<b>P266,900</b>	P257,111	P257,111
Trade and other receivables*	<b>558,908</b>	<b>558,908</b>	604,813	604,813
Investment in bonds	<b>409,781</b>	<b>409,781</b>	305,332	305,332
Other noncurrent assets	<b>7,861</b>	<b>7,861</b>	19,524	19,524
<b>Financial Liabilities</b>				
Accounts payable and accrued expenses**	<b>362,036</b>	<b>362,036</b>	337,510	337,510
Loans payable	<b>2,154,025</b>	<b>2,154,025</b>	970,751	970,751
Long-term debt	<b>93,840</b>	<b>93,840</b>	102,502	102,502
Finance lease liabilities	<b>147,973</b>	<b>147,973</b>	123,595	123,595
Other current liabilities	<b>40</b>	<b>40</b>	1,350,042	1,350,042
Other noncurrent liabilities	-	-	63,011	63,011

\* Excluding advances to employees.

\*\* Excluding customer deposits and government payables amounting to P54,568 and P14,543 in September 30, 2019 and December 31, 2018, respectively.

*Cash and Cash Equivalents, Trade and Other Receivables, Other Noncurrent Assets, Accounts Payable and Accrued Expenses, Loans Payable - current, and Other Current Liabilities*

The carrying amounts of cash, trade and other receivables, other noncurrent assets accounts payable and accrued expenses, loans payable - current and other current liabilities approximate their fair values due to relatively short-term maturities of these financial instruments.

*Investment in Bonds, Finance Lease Liabilities, Loans Payable - net of current portion, Long-term Debt, and Other Noncurrent Liabilities*

The fair value of investment in bonds, obligation under finance lease, loans payable - net of current portion, long-term debt and other noncurrent liabilities is estimated as the present value of all future cash flows discounted using the prevailing market rate of interest for a similar instrument as at the end of the reporting period.

## 24. Supplemental Cash Flows Information

Supplemental information with respect to the unaudited condensed consolidated interim statements of cash flows is presented below:

Changes in liabilities arising from financing activities are shown below:

	Loans Payable	Finance Lease Liabilities	Long-term Debt	Other Noncurrent Liabilities
Balance as at January 1, 2019	P970,751	P123,595	P102,502	P63,011
Changes from financing cash flows				
Proceeds from availment	3,361,471	24,378	-	-
Payments	(2,175,678)	-	(7,658)	(63,011)
Total changes from financing cash flows	1,185,793	24,378	(7,658)	(63,011)
Effects of change in foreign exchange rates	(2,519)	-	(1,004)	-
	(1,183,274)	24,378	(8,662)	(63,011)
<b>Balance as at September 30, 2019</b>	<b>P2,154,025</b>	<b>P147,973</b>	<b>P93,840</b>	<b>P -</b>
Balance as at January 1, 2018	P1,313,791	P6,650	P106,184	P668,251
Changes from financing cash flows				
Proceeds from availment	2,397,943	86,011	-	-
Payments	(2,581,896)	-	(7,239)	(668,251)
Total changes from financing cash flows	(183,953)	86,011	(7,239)	(668,251)
Effects of change in foreign exchange rates	10,045	-	8,563	-
	173,908	86,011	1,324	(668,251)
<b>Balance as at September 30, 2018</b>	<b>P1,139,883</b>	<b>P92,661</b>	<b>P107,508</b>	<b>P -</b>

## 25. Basic and Diluted Earnings Per Share

Basic and diluted EPS is computed as follows:

	September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)
Net income available to common shares (a)	P608,987	P475,662
Weighted average number of common shares outstanding (in thousands) (b)	3,225,000	2,000,000
Effect of dilution of common shares	-	416,667
Weighted average number of common shares outstanding - (c)	3,225,000	2,416,667
Basic Earnings Per Share (a/b)	0.19	0.24
Diluted Earnings Per Share (a/c)	0.19	0.19

\*Earnings per share are computed based on amounts in thousands.

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## 26. Other Matters

a) Registration with the BOI

On March 9, 2011, the Parent Company was registered as a BOI registered enterprise, as a pioneer status, and is entitled to ITH Incentive provided under Article 39(a) of Executive Order No. 226 as amended by R.A. 7918 to produce tetra prisma packed coconut water and its variants. The Parent Company has an ITH entitlement period of six years, from March 9, 2011 to March 8, 2017.

On June 1, 2016, BOI granted the Parent Company an extension, as non-pioneer status and with the same registered product, of the ITH entitlement for a period of four years from February 2017 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

The Parent Company is also entitled to the following key incentives:

- Importation of capital equipment, spare parts and accessories at zero duty from date of effectivity of Executive Order (EO) No. 70 and its Implementing Rules and Regulations for a period of five years reckoned from the date of registration or until the expiration of EO No. 70, whichever is earlier.
- Additional deduction from taxable income of 50% of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year if the project meets the prescribed ratio of capital equipment to the number of workers set by the Board. This may be availed of for the first five (5) years from date of registration but not simultaneously with the ITH.
- Importation of consigned equipment for a period of ten (10) years from date of registration, subject to posting of re-export bond.
- Tax credit equivalent to the national internal revenue taxes and duties paid on raw materials and suppliers and semi-manufactured products its export product and forming part thereof for a period of ten (10) years from start of commercial operations.
- Exemption from wharfage dues and any export tax, duty, impost and fee for a period of ten (10) years from date of registration.

b) Certain accounts in prior years have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported financial performance for any period.