111142019001703

SECURITIES AND EXCHANGE COMMISSION

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Company Information

SEC Registration No.	CS200319138
Company Name	ALLIANCE SELECT FOODS INTERNATIONAL, INC.
Industry Classification	Prod., Processing & Preserv. Of Meat, Fish & Other Seafoods
Company Type	Stock Corporation

Document Information

Document ID	111142019001703
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Remarks	

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

CS200319138

COMPANY NAME

ALLIANCE SELECT FOODS INTERNATIONAL, INC. AND SUBSIDIARIES (A Subsidiary of Strongoak Inc.)

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

Suite 3104A, West Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Avenue, Pasig City

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q		N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
info@allianceselectfoods.com	632 7747-3798	–

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
237	June 15	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Raymond K.H. See	info@allianceselectfoods.com	632 7747-3798	–

CONTACT PERSON'S ADDRESS

Suite 3104A, West Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Avenue, Pasig City

***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.*

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

SEC Number **CS200319138**
File Number

ALLIANCE SELECT FOODS INTERNATIONAL, INC.
AND ITS SUBSIDIARIES

(Company's Full Name)

Suite 3104A West Tower PSEC Exchange Rd.
Ortigas Center Pasig City

(Company's Address)

632 7747-3798

(Telephone Number)

December 31

(Calendar Year Ending)
(month & day)

SEC FORM 17-Q

(Form Type)

(Amendment Designation if applicable)

For the Period Ended September 30, 2019

(Period Ended Date)

(Secondary License Type and File Number)

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. Commission identification number **CS200319138**

3. BIR Tax Identification No. **227-409-243-000**

4. Exact name of issuer as specified in its charter **Alliance Select Foods International, Inc.**

5. **Pasig City, Philippines**
   Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: (SEC Use Only)

7. **Suite 3104A West Tower PSEC Exchange Rd. Ortigas Center Pasig City** — **1605**
   Address of issuer's principal office — Postal Code

8. **632 7747 - 3798**
   Issuer's telephone number, including area code

9. **Not Applicable**
   Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common shares, P0.50 par value	**2,499,712,463 shares**

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:

    The Phil. 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 II - FINANCIAL INFORMATION

Item 1. Financial Statements

The unaudited financial statements of Alliance Select Foods International, Inc. (the "Company" or "Parent Company") and its Subsidiaries (collectively referred to as the "Group") as at and for the nine months ended September 30, 2019 (with comparative figures as at December 31, 2018 and for the nine months ended September 30, 2018) and selected notes to the Consolidated Financial Statements are hereto attached as Annex "A".

The unaudited financial statements of the Group are presented in US$, the currency of the primary economic environment in which the Group operates.

Item 2. Management's discussion and analysis of financial condition and results

The following discussion should be read in conjunction with the attached unaudited financial statements of the Group as at and for nine months ended September 30, 2019, with comparative figures at December 31, 2018 and for the nine months ended September 30, 2018, as appropriate.

The table below shows the comparison of key operating results for the nine-month period ended September 30, 2019 versus the same period in 2018.

	For the Nine Months Ended September 30	
In USD'000	**2019**	**2018**
Revenue – net	**$66,668**	**$74,152**
Gross Profit	7,900	10,663
Gross Profit Margin	***12%***	***14%***
Selling and Administrative Expenses	5,924	6,056
Other Income (Charges) - Net	(134)	262
Finance Costs	1,600	1,190
Income Before Tax	**242**	**3,678**
Income Tax Expense	189	354
Income for the Period	**53**	**3,324**
Attributable to:		
Equity holders of the parent	$48	$3,231
Non-controlling interest	4	94
	$53	**$3,324**

**Due to rounding, numbers may not add up.*

Results of operations
Nine months ended September 30, 2019 versus September 30, 2018

The Group's consolidated net revenue dropped by 10% versus 2018 from $74.2 million to $66.7 million. There is a decline in sales for the tuna business mainly due to lower average selling price despite increased export volume during the current year. The salmon segment ended the period with 7% lower revenues than the previous year mainly due to a lost customer in the US based company.

The year to date gross profit totaled $7.9 million with a corresponding GP rate of 12%.

Selling and administrative expenses declined by 2% versus same period last year driven by reduction in people cost, travel and delivery/freight expenses.

Finance cost increased by 35% due to higher borrowing rates and higher capital requirements for operations.

Financial Position
As at September 30, 2019 versus December 31, 2018

The Group's trade and other receivables balance dropped by 6% despite the higher third quarter revenue of the current period versus the fourth quarter of last year mainly due to improvement in the collection process.

The growth in the Group's inventory level is driven by the net increase in ASFII's inventory.

KEY PERFORMANCE INDICATORS

The Group uses the following key performance indicators in order to assess the Group's financial performance from period to period. Analyses are employed by comparisons and measurements based on the financial data on the periods indicated below:

Liquidity and Solvency	September 30, 2019	December 31, 2018
Current ratio	1.01	1.02
Debt to equity ratio	1.20	1.12

	For the Nine Months Ended September 30	
Profitability	**2019**	**2018**
Revenue growth rate	-10.10%	39.49%
Net profit margin	0.07%	4.36%
Return on average stockholders' equity	0.13%	8.19%

The following defines each ratio:

- Liquidity ratio (expressed in proportion) = current assets / current liabilities
- Debt to equity ratio (expressed in proportion) = total liabilities / total stockholders' equity
- Revenue growth rate (expressed in percentage) = (current year's revenue – previous year's revenue) / previous year's revenue
- Net profit margin (expressed in percentage) = net income attributable to equity holders of parent / net revenues
- Return on average stockholders' equity (expressed in percentage) = net income attributable to equity holders of the parent / average stockholders' equity

PART II - OTHER INFORMATION

All current disclosures were already reported under SEC Form 17-C.

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.

ALLIANCE SELECT FOODS INTERNATIONAL, INC.

MA. CRISTINA C. VILLARUZ
Group Comptroller

LISA ANGELA Y. DEJADINA
Senior Vice President for Group Operations

SUBSCRIBED AND SWORN to before me this 13 NOV 2019 at PASIG CITY affiants exhibiting to me their government issued identification cards, as follows:

NAMES	GOV'T.ISSUED ID NO.	DATE OF ISSUE	PLACE OF ISSUE	EXPIRATION
Ma. Cristina C. Villaruz	Passport-P3443139A	06-21-2017	DFA, General Santos	06-20-2022
Lisa Angela Y. Dejadina	Passport-P1427002A	12-30-2016	DFA, NCR East	12-29-2021

ATTY. GINO MARCO P. BAUTISTA
Notary Public for Pasig, San Juan, and Pateros
Commission No. 135 (2018-2019)
Until December 31, 2019
3104 A, West Tower, Phil. Stock Exchange Centre,
Exchange Road, Ortigas Center, Pasig City
PTR No. 5281587/1-14-2019/Pasig City
IBP No. 069385/1-15-2019/Quezon City
Roll of AttorneysNo. 58507
MCLE Compliance No. VI-0025935;4-29-2019

GINO MARCO P. BAUTISTA
PASIG
SAN JUAN
PATEROS
PHILS.
ROLL NO. 58507

Doc. No. 397
Page No. 81
Book No. I
Series of 2019

ALLIANCE SELECT FOODS INTERNATIONAL, INC. AND SUBSIDIARIES

(A Subsidiary of Strongoak Inc.)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	September 30, 2019	December 31, 2018
ASSETS			
Current Assets			
Cash and cash equivalents	5	$5,249,296	$7,012,332
Trade and other receivables	6	11,193,014	11,848,595
Inventories	7	18,126,534	13,945,762
Other current assets	8	9,239,303	8,154,691
Total Current Assets		$43,808,147	40,961,380
Noncurrent Assets			
Property, plant and equipment	9	15,553,811	15,486,050
Goodwill	4	9,401,463	9,502,585
Deferred tax assets		9,502,585	9,433,423
Other noncurrent assets		1,740,457	1,655,214
Total Noncurrent Assets		36,198,316	36,077,272
		$80,006,463	$77,038,652
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	10	$7,921,388	$9,119,103
Loans payable	11	35,116,150	30,917,296
Due to related parties		85,959	91,530
Income tax payable		89,283	186,662
Total Current Liabilities		43,212,780	40,314,591
Noncurrent Liabilities			
Loans payable - net of current portion		95,345	46,989
Net retirement benefit obligation		228,239	223,134
Deferred tax liabilities		142,616	142,544
Refundable lease deposits		20,926	20,655
Total Noncurrent Liabilities		487,126	433,322
Total Liabilities		43,699,906	40,747,913
Equity	12		
Capital stock		26,823,389	26,823,389
Additional paid-in capital		1,486,546	1,486,546
Other comprehensive income		946,962	960,207
Retained earnings		9,339,793	9,291,312
		38,596,690	38,561,454
Treasury shares		(5,774)	(5,774)
Equity attributable to equity holders of the Parent Company		38,590,916	38,555,680
Non-controlling interests		(2,284,359)	(2,264,941)
Total Equity		36,306,557	36,290,739
		$80,006,463	$77,038,652

See accompanying Notes to Consolidated Financial Statements.

ALLIANCE SELECT FOODS INTERNATIONAL, INC. AND SUBSIDIARIES
(A Subsidiary of Strongoak Inc.)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		For the Quarter Ended September 30		For the Nine Months Ended September 30	
		2019	2018	**2019**	2018
NET SALES		**$23,572,991**	$26,162,269	**$66,667,685**	$74,151,820
COST OF GOODS SOLD	13	**(20,941,690)**	(22,664,626)	**(58,767,884)**	(63,488,917)
GROSS PROFIT		**2,631,301**	3,497,643	**7,899,801**	10,662,903
SELLING AND ADMINISTRATIVE EXPENSES		**(2,033,917)**	(2,073,573)	**(5,923,592)**	(6,056,152)
INTEREST EXPENSE	11	**(538,896)**	(452,043)	**(1,600,298)**	(1,189,616)
OTHER INCOME (CHARGES) - Net		**12,447**	18,385	**(134,054)**	261,650
INCOME BEFORE INCOME TAX		**70,935**	990,412	**241,857**	3,678,785
INCOME TAX EXPENSE (BENEFIT)		**36,192**	(33,405)	**189,311**	354,308
NET INCOME		**34,743**	1,023,817	**52,546**	3,324,477
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		**(101,469)**	74,965	**(13,245)**	(172,721)
TOTAL COMPREHENSIVE INCOME (LOSS)		**($66,726)**	$1,098,782	**$39,301**	$3,151,756
NET INCOME (LOSS) ATTRIBUTABLE TO:					
Equity holders of the Parent Company		**$41,212**	$1,045,373	**48,481**	$3,230,745
Noncontrolling interests		**(6,469)**	(21,556)	**4,065**	93,732
		$34,743	$1,023,817	**$52,546**	$3,324,477
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:					
Equity holders of the Parent Company		**(35,938)**	$1,110,163	**$58,719**	$3,075,611
Noncontrolling interests		**(30,788)**	(11,381)	**(19,418)**	76,145
		($66,726)	$1,098,782	**$39,301**	$3,151,756
EARNINGS PER SHARE					
Basic and diluted earnings per share	14	**$0.00002**	$0.00042	**$0.00002**	$0.00129

See accompanying Notes to Consolidated Financial Statements.

ALLIANCE SELECT FOODS INTERNATIONAL, INC. AND SUBSIDIARIES

(A Subsidiary of Strongoak Inc.)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	September 30, 2019	December 31, 2018	September 30, 2018	December 31, 2017
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY					
Capital Stock	12				
Balance at beginning of year		**$26,823,389**	$53,646,778	$53,646,778	$53,646,778
Effect of equity restructuring		**–**	(26,823,389)	(26,823,389)	–
Balance at end of period		**26,823,389**	26,823,389	26,823,389	53,646,778
Additional Paid-in Capital (APIC)					
Balance at beginning of year		**1,486,546**	6,662,001	6,662,001	6,662,001
Effect of equity restructuring		**–**	26,823,389	26,823,389	–
Application of APIC to Deficit		**–**	(31,998,844)	(31,998,844)	–
Balance at end of period		**1,486,546**	1,486,546	1,486,546	6,662,001
Other Comprehensive Income					
Cumulative Remeasurement on Retirement Obligation					
Balance at beginning of year		**87,276**	55,190	55,190	55,190
Remeasurement gain on retirement		**–**	32,086	–	–
Balance at end of period		**87,276**	87,276	55,190	55,190
Revaluation Reserves					
Balance at beginning and end of period		**275**	275	275	275
Cumulative Translation Adjustment					
Balance at beginning of year		**872,656**	877,684	877,684	893,534
Exchange differences on foreign currency translation		**(13,245)**	(5,028)	(172,721)	(15,850)
Balance at end of period		**859,411**	872,656	704,963	877,684
Total balance at end of year of other comprehensive income		**946,962**	960,207	760,428	933,149
Retained Earnings (Deficit)					
Balance at beginning of year		**9,291,312**	(25,231,797)	(25,231,797)	(26,669,068)
Application of APIC to Deficit		**–**	31,998,844	31,998,844	–
Net income		**48,481**	2,524,265	3,230,745	1,437,271
Balance at end of period		**9,339,793**	9,291,312	9,997,792	(25,231,797)
Treasury Shares		**(5,774)**	(5,774)	(5,774)	(5,774)
NON-CONTROLLING INTERESTS					
Balance at beginning of year		**(2,264,941)**	(2,315,859)	(2,315,859)	(2,470,729)
Total comprehensive income (loss) attributable to non-controlling interests		**(19,418)**	50,918	76,145	154,870
Balance at end of period		**(2,284,359)**	(2,264,941)	(2,239,714)	(2,315,859)
		$36,306,557	$36,290,739	$36,822,667	$33,688,498

See accompanying Notes to Consolidated Financial Statements.

ALLIANCE SELECT FOODS INTERNATIONAL, INC. AND SUBSIDIARIES

(A Subsidiary of Strongoak Inc.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Period Ended September 30	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**$241,857**	$3,678,785
Adjustments for:		
Depreciation and amortization	**763,633**	886,100
Interest expense	**1,600,298**	1,189,616
Provision for impairment losses on:		
Inventories	**–**	12,376
Trade and other receivables	**794**	15,000
Unrealized foreign exchange gain	**240,473**	(431,544)
Retirement benefit	**64,879**	66,322
Interest income	**(90,025)**	(103,958)
Loss on disposal of property, plant and equipment	**–**	768
Operating income before working capital changes	**2,821,909**	5,313,465
Decrease (increase) in:		
Trade and other receivables	**394,224**	(3,955,550)
Inventories	**(4,183,936)**	1,196,273
Other current assets	**(1,100,261)**	952,752
Other noncurrent assets	**(218,990)**	(301,226)
Decrease in trade and other payables	**(1,176,489)**	(1,869,578)
Net cash used in operations	**(3,463,543)**	1,336,136
Income tax paid	**(254,727)**	(205,141)
Interest received	**90,025**	103,958
Net cash used in operating activities	**(3,628,245)**	1,234,953
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	**(894,289)**	(600,176)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net loan availment	**4,268,653**	10,180,925
Payments of interest	**(1,574,692)**	(991,238)
Decrease in due to a related party	**(5,924)**	(49,220)
Net cash from financing activities	**2,688,037**	9,140,467
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**71,461**	150,221
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,763,036)**	9,925,465
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**7,012,332**	4,427,478
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**$5,249,296**	$14,352,943

See accompanying Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

General Information
Alliance Select Foods International, Inc. (ASFII or the "Parent Company"), a public corporation under Section 17.2 of the Securities Regulation Code (SRC), was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on September 1, 2003. The Parent Company is primarily engaged in the business of manufacturing, canning, importing and exporting of food products such as marine, aquaculture and other processed seafood. Its shares are listed in the Philippine Stock Exchange (PSE) since November 8, 2006.

Strongoak Inc. (Strongoak), the immediate parent of ASFII, owns 55.32% of ASFII. Strongoak is a domestic company engaged in investment activities.

As of December 31, 2018, the Group's retained earnings amounted to $9.29 million.

In August 2018, the Parent Company notified the SEC on the change of its principal place of business to Suite 3104A, West Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Avenue, Pasig City. The Parent Company has a plant located in General Santos City, Philippines.

Subsidiaries
The consolidated financial statements include the accounts of ASFII and the following subsidiaries (collectively referred herein as the "Group") as at September 30, 2019 and December 31, 2018:

Name of Subsidiary	% of Ownership	Nature of Business	Principal Place of Business
Spence & Company Ltd. (Spence)	100	Salmon and other seafoods processing	United States of America
Big Glory Bay Salmon and Seafood Company, Inc. (BGB)	100	Salmon and other seafoods processing	Philippines
ASFI Thailand	100	Sales office	Thailand
PT International Alliance Food Indonesia (PTIAFI)	99.98	Canned fish processing	Indonesia
Alliance MHI Properties, Inc. (AMHI)	98.89	Leasing	Philippines
Akaroa Salmon (NZ) Ltd. (Akaroa)	80	Salmon farming and processing	New Zealand
PT Van De Zee (PT VDZ)	49	Fishing	Indonesia

Spence. In a special board meeting held on October 23, 2019, ASFII approved the divestment of its 100% equity investment in its wholly owned subsidiary Spence & Co. Ltd. The sale of Spence & Co. Ltd. is part of FOOD's strategy to focus on its Asia Pacific operations, which is home to most of the Company's assets.

BGB. BGB has plant facilities that are located in Barrio Tambler, General Santos City.

ASFI Thailand. ASFI Thailand was established as a sales representative office. The Parent Company announced the consolidation of sales and marketing operations in the Philippines after closing ASFI Thailand in February 2019.

PTIAFI and PT VDZ. PTIAFI was established under the Indonesian Foreign Capital Investment Law and is primarily engaged in canned fish processing exclusively for international market. The plant is located in Bitung Indonesia. In a special board meeting held on October 18, 2019, ASFII approved the change of its wholly-owned PTIAFI core business operations from processing to export trading.

PTIAFI owns 49% of PT VDZ, a fishing company.

Akaroa. Akaroa holds 25% stake in Salmon Smolt NZ Ltd. (SSNZ), an entity operating a modern hatchery, which quarantines and consistently supplies high quality smolts (juvenile salmon) for Akaroa's farm.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

The interim consolidated financial statements of the Group have been prepared on a historical cost basis. The financial statements have been prepared in accordance with the Philippine Accounting Standard (PAS) 34, Interim Financial Reporting.

The interim consolidated financial statements are presented in United States (U.S.) Dollar, the functional currency of the primary economic environment in which the Parent Company operates.

The interim consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's audited consolidated financial statements as of December 31, 2018.

Basis of Consolidation

The interim consolidated financial statements comprise the financial statements of the Parent Company and all of its subsidiaries. As of June 30, 2019, there were no changes in the Parent Company's ownership interests in its subsidiaries.

Significant Accounting Judgments, Estimates and Assumptions

The preparation of the interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Changes in these estimates and assumptions could result in outcomes that may require material adjustments to the carrying amounts of the affected assets and liabilities in the future.

Except as otherwise stated, there were no significant changes in accounting judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes.

3. Summary of Significant Accounting Policies

New and Amended Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended standards and interpretations which the Group adopted effective January 1, 2019:

- PFRS 16, *Leases*

  PFRS 16 replaces PAS 17 *Leases*, IFRIC 4, *Determining whether an Arrangement contains a Lease*, SIC-15, *Operating Leases-Incentives,* and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

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

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

Management has assessed that the adoption of PFRS 16 will not have a significant effect on the amounts reported in the Group's financial statements because the underlying assets under lease have low value and no purchase options or the lease is temporary. Additional disclosures will be included in the notes to financial statements, as applicable.

- Amendments to PAS 28, *Investments in Associates*, on long-term interests in associates and joint ventures

  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

  The amendments also clarify that, in applying PFRS 9, an entity does not take into account any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS.

Deferred effectivity

- Amendment to PFRS 10, *Consolidated Financial Statements* and PAS 28 - *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture*
  The amendments address a current conflict between the two standards and clarify that a gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the consolidated financial statements of the Group. Additional disclosures will be included in the notes to consolidated financial statements, as applicable.

4. Goodwill

Goodwill resulted from the acquisition by the Parent Company of the following subsidiaries:

Spence. The Parent Company acquired 100% ownership of Spence in 2011. The acquisition of Spence's salmon processing facilities in USA allows the Group to diversify its product line.

Akaroa. The Parent Company acquired 80% ownership of Akaroa in 2012.

5. Cash and Cash Equivalents

This account consists of cash on hand, cash in banks, and cash equivalents.

Cash in banks earn interest at prevailing bank deposit rates.

Cash equivalents pertain to cash placement with a bank for varying periods of up to three months depending on the immediate cash requirements of the Group.

6. Trade and Other Receivables

This account consists of:

	September 30, 2019	December 31, 2018
Trade receivables	**$10,633,393**	$12,208,171
Others	**2,606,571**	1,687,374
	13,239,964	13,895,545
Less allowance for impairment losses	**2,046,950**	2,046,950
	$11,193,014	$11,848,595

Trade receivables are generated from the sale of inventories and are generally collectible within 30 to 60 days.

Other receivables include claims for refunds from government agencies and claims from insurance, suppliers and other parties.

7. Inventories

This account consists of:

	September 30, 2019	December 31, 2018
Finished goods	**$9,959,415**	$7,049,815
Raw materials	**8,005,363**	7,089,102
Parts and supplies	**379,298**	325,299
Work-in-process	**277,166**	240,694
Allowance for impairment loss	**(494,708)**	(759,148)
	$18,126,534	$13,945,762

8. Other Current Assets

This account consists of:

	September 30, 2019	December 31, 2018
Advances to suppliers	**$8,019,894**	$7,068,066
Input VAT	**713,789**	611,827
Other prepayments	**505,620**	474,798
	$9,239,303	$8,154,691

9. Property, Plant and Equipment

	September 30, 2019	December 31, 2018
Cost		
Beginning of period	**$25,611,632**	$25,186,930
Net additions	**831,394**	424,702
End of period	**26,443,026**	25,611,632
Accumulated depreciation and amortization		
Beginning of period	**8,427,118**	7,384,097
Depreciation and amortization	**763,633**	1,043,021
End of period	**9,190,751**	8,427,118
Allowance for impairment		
Beginning and end of period	**1,698,464**	1,698,464
	$15,553,811	$15,486,050

10. Trade and Other Payables

This account consists of trade payables, accrued expenses, customers' deposit and statutory payables.

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

Accrued expenses include accruals for salaries and wages, professional fees, interest, freight, business development expenses, security services, commission and customers' claims. Accrued expenses are usually settled in the following month.

Statutory payable includes amounts payable to government agencies such as SSS, Philhealth and Pag-IBIG and are normally settled in the following month.

11. Loans Payable

Loans payable include borrowings from local banks and investment banks.

Loans from local banks represent availments of revolving facilities, export packing credit, export bills purchase, import letters of credit and trust receipts, with term ranging from 3 to 6 months.

Loans from investment banks are unsecured promissory notes used to finance the Group's working capital requirements, with 90-day term renewable.

12. Equity

Capital Stock

Details of the Company's capital stock as at September 30, 2019 and December 31, 2018 are as follows:

	2019		2018	
	Shares	**Amount**	Shares	Amount
Authorized				
Ordinary shares at ₱0.5 and ₱1 par value				
Balance at beginning of year	**3,000,000,000**	**₱1,500,000,000**	3,000,000,000	₱3,000,000,000
Effect of equity restructuring	**–**	**–**	–	1,500,000,000
Balance at end of year	**3,000,000,000**	**₱1,500,000,000**	3,000,000,000	₱1,500,000,000
Issued and Outstanding				
Balance at beginning of year	**2,500,000,000**	**$26,823,389**	2,500,000,000	$53,646,778
Effect of equity restructuring	**–**	**–**	–	26,823,389
Total issued and fully paid	**2,500,000,000**	**26,823,389**	2,500,000,000	26,823,389
Treasury Stock	**(287,537)**	**(5,774)**	(287,537)	(5,774)
Balance at end of year	**2,499,712,463**	**$26,817,615**	2,499,712,463	$26,817,615

On March 23, 2018, the SEC approved the Parent Company's application for the equity restructuring. Accordingly, the resulting APIC of $26.82 million from the restructuring and APIC of $6.66 million as of December 31, 2016, were used to fully wipe out the Parent Company's deficit amounting to $32.00 million as at December 31, 2017.

13. Cost of Goods Sold

This account consists of:

	2019	2018
Raw materials used	**$49,258,511**	$53,240,324
Direct labor	**6,308,839**	5,769,237
Manufacturing overhead	**6,110,134**	5,689,152
Total manufacturing costs	**61,677,484**	64,698,713
Finished goods, beginning	**7,049,815**	5,413,534
Total cost of goods manufactured	**68,727,299**	70,112,247
Finished goods, ending	**(9,959,415)**	(6,623,330)
	$58,767,884	$63,488,917

Manufacturing overhead consists of depreciation and amortization, utilities, fuel, rent, indirect labor, repairs and maintenance, outside services and insurance, among others.

14. Income Per Share

The calculation of the basic and diluted income per share is based on the following data:

	2019	2018
Net income attributable to Parent Company	**$48,481**	$3,230,745
Weighted average number of ordinary shares outstanding	**2,499,712,463**	2,499,712,463
	$0.00002	$0.00129

The weighted average number of shares refers to shares in circulation during the period that is after the effect of treasury shares.

15. Significant Agreements

Supply Agreement

The Parent Company entered into an exclusive supply agreement with a customer to provide specified products for duration of five years starting 2018, renewable upon mutual agreement by both parties.

Operating Lease Agreements

A number of operating lease agreements were entered into by the Group. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term. Operating lease receipts are recognized as an income in profit or loss on a straight-line basis over the lease term.

16. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise mainly of cash and cash equivalents, trade and other receivables, trade and other payables (excluding statutory payable and customers' deposit), loans payable, due to related parties and refundable lease deposits. The main purpose of these financial instruments is to finance the Group's operations.

The Group is exposed to credit risk, market risk and liquidity risk. The Group's BOD and management review and approve the policies for managing each of the risks summarized below.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The gross maximum exposure of the Group to credit risk before taking into consideration collateral and other credit enhancements amounted to $19.4 million and $21.8 million as of September 30, 2019 and December 31, 2018, respectively.

Risk Management. Credit risk is managed on a group basis. The Group deals only with reputable banks and customers to limit this risk. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, the Group assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management. The compliance with credit limits by customers is regularly monitored by management.

As at September 30, 2019 and December 31, 2018, the aging analysis of the Group's financial assets is as follows:

	2019					
		Past Due Accounts but not Impaired				
	Neither Past Due nor Impaired	**1 - 30 Days Past Due**	**31 - 60 Days Past Due**	**Over 60 Days**	**Impaired Financial Assets**	**Total**
Cash in banks	**\$5,233,142**	**\$–**	**\$–**	**\$–**	**\$–**	**\$5,233,142**
Cash equivalents	**10,932**	**–**	**–**	**–**	**–**	**10,932**
Trade and other receivables	**5,819,005**	**2,904,367**	**1,509,885**	**959,757**	**2,046,950**	**13,239,964**
Receivable from PFNZ*	**887,270**	**–**	**–**	**–**	**–**	**887,270**
	\$11,950,349	**\$2,904,367**	**\$1,509,885**	**\$959,757**	**\$2,046,950**	**\$19,371,308**

**Under other noncurrent assets*

	2018					
		Past Due Accounts but not Impaired				
	Neither Past Due nor Impaired	1 - 30 Days Past Due	31 - 60 Days Past Due	Over 60 Days	Impaired Financial Assets	Total
Cash in banks	\$7,000,668	\$–	\$–	\$–	\$–	\$7,000,668
Cash equivalents	4,958	–	–	–	–	4,958
Trade and other receivables	7,978,428	2,277,696	888,407	704,064	2,046,950	13,895,545
Receivable from PFNZ*	887,270	–	–	–	–	887,270
	\$15,871,324	\$2,277,696	\$888,407	\$704,064	\$2,046,950	\$21,788,441

* *Under other noncurrent assets*

High Grade. Pertains to counterparty who is not expected by the Group to default in settling its obligations, thus credit risk exposure is minimal. This normally includes large prime financial institutions and companies. Credit quality was determined based on the credit standing of the counterparty.

Standard Grade. Other financial assets not belonging to high grade financial assets are included in this category.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings, deposits and debt and equity investments.

The sensitivity analyses in the following sections relate to the position as at September 30, 2019 and December 31, 2018.

The following assumptions have been made in calculating the sensitivity analyses:

- The sensitivity of the relevant items in the statement of comprehensive income is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at September 30, 2019 and December 31, 2018.

- The sensitivity of equity is calculated by considering the effect of any associated cash flow hedges and hedges of a net investment in a foreign operation at September 30, 2019 for the effects of the assumed changes of the underlying risk.

Foreign Currency Risk. The Group has transactional currency exposures arising from purchase and sale transactions denominated in currencies other than the reporting currency. The Group does not enter into forward contracts to hedge currency exposures.

As part of the Group's risk management policy, the Group maintains monitoring of the fluctuations in the foreign exchange rates, thus managing its foreign currency risk.

Liquidity Risk. Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet commitments from financial instruments. It may result from either the inability to sell assets quickly at fair values or failure to collect from counterparty.

The Group's objective is to maintain a balance between continuity of funding and flexibility through related party advances and aims to manage liquidity as follows:

a. To ensure that adequate funding is available at all times;

b. To meet commitments as they arise without recurring unnecessary costs; and

c. To be able to assess funding when needed at the least possible cost.

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit standing and stable capital ratios in order to support its business and maximize shareholder value. The Group maintains its current capital structure and will make adjustments, if necessary, in order to generate a reasonable level of returns to stockholders over the long term. No changes were made in the objectives, policies or processes during the year.

The Group considers the equity presented in the consolidated statements of financial position as its core capital.

The Group monitors capital using debt to equity ratio, which is total debt divided by total equity. The debt-to-equity ratio as at September 30, 2019 and December 31, 2018, follows:

	2019	2018
Debt	**$43,699,906**	$40,747,913
Equity	**36,306,557**	36,290,739
Debt-to-Equity Ratio	**$1.20:1**	$1.12:1

The Group is not subject to any externally imposed capital requirements.

Debt is composed of trade and other payables, loans payable, due to related parties and income tax payable, while equity includes share capital, reserves of the Group and non-controlling interests, less treasury shares. The computed ratios above are acceptable.

The Group reviews its capital structure on an annual basis. As part of this review, the Group considers the cost of capital and the risks associated with it.