COVER SHEET

A S 0 9 4 0 5 0 6 6

SEC Registration Number

S W I F T   F O O D S ,   I N C .

(Company's Full Name)

4 F   R F M   C O R P O R A T E   C E N T E R

S H E R I D A N   C O R .   P I O N E E R   S T R E E T S

M A N D A L U Y O N G   C I T Y

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

Atty. Jose A. Bernas

(Contact Person)

631-8101

(Company Telephone Number)

1 2 — 3 1

Month *Day*

(Calendar Year)

SEC 1 7 Q

(Form Type)

Month *Day*

(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Not Applicable

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

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

1. For the quarterly period ended **30 June 2014**

2. SEC Identification Number **AS094-005066**   3. BIR Tax Identification No. **003-973-161**

4. Exact name of registrant as specified in its charter: **SWIFT FOODS, INC.**

5. **Philippines**   6. ________ Industry Classification Code (SEC use only)
   Province, Country, or other jurisdiction of incorporation or organization

7. 4F RFM Corporate Center, Sheridan cor. Pioneer Streets, Mandaluyong City   1603
   Address of principal office   Postal Code

8. (632) 631-81-01   Registrant's telephone number, including area code

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

10. Securities registered pursuant to Sections 4 and 8 of the SRC

Title of Each Class	Numbers of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock, P1 par value	1,814,423,473
Preferred Stock, P1 par value	49,035,012

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

12. Check whether the registrant:

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

Yes [x]   No [ ]

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

Yes [x]   No [ ]

PART I – FINANCIAL INFORMATION

Item I. Financial Statements

Please refer to pages 21 to 25 of the attached report.

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

Results of Operations:

For the 2nd quarter of 2014, the company generated revenue of P15.16M. This is 20.40% lower compared to last year's 2nd quarter revenue of P18.26M. The 2014 2nd quarter revenue is solely generated by Palawan branch, which is the only entity that remains in operation.

The cost of goods sold as a percentage of sales for the 2nd quarter 2014 is 97.95% vs. 95.60% for the cost of goods sold for the 2nd quarter of 2013. The increase is due to increase in cost of feeds and day old chicks.

The 2nd quarter 2014 gross profit is 2.05% of its net sales as compared to 4.40% gross profit of 2nd quarter 2013. The decrease of 2.35% in gross profit is due to increase in cost of live broiler.

The operating expense for 2nd quarter of 2014 is P2.003M compared to P4.264M of 2nd quarter of 2013. The decrease of 2.261M is due to payment of various taxes for the year 2013.

In summary, the result of operation for 2014 2nd quarter represents the sole performance of remaining Palawan branch.

Financial Position:

The Company's assets as of 30 June 2014 amounted to P153 million. This is a decrease from 31 December 2013 assets of P158 million due to payment of various payables. Current ratio as of 30 June 2014 is 67.37:1 against 31 December 2013 of 72.13:1. Cash & Cash Equivalents increase by 27.43% due to collections of accounts receivables. Accounts receivables decreased by 97.54% due to collections of receivables from various customers. Inventories increased by .28m due to purchases of day old chicks and feeds for Palawan branch. Biological Assets (current portion) decreased by 1.82% due to decrease of volume of livestock (harvest of live broiler) in Palawan. Accounts Payable & Accrued Expenses decreased by P3.45% due to payment of various suppliers.

Summary of Significant Accounting and Financial Reporting Policies:

Basis of Preparation

The financial statements were prepared on a historical cost basis, except for agricultural produce and investment properties, which are carried at fair value. The financial statements are presented in Philippine peso (Peso), which is the Company's functional and presentation currency. All values are rounded off to the nearest thousand (₱000), except for the number of shares and earnings/loss per share or when otherwise indicated.

Statement of Compliance

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

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following which were adopted as of January 1, 2013:

- Revised PAS 19, *Employee Benefits*

  On January 1, 2013, the Company adopted the Revised PAS 19, *Employee Benefits*. For defined benefit plans, the Revised PAS 19 requires all actuarial gains and losses to be recognized in other comprehensive income and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.

  The Revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net balance sheet defined benefit liability or asset by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period.

  Prior to adoption of the Revised PAS 19, the Company recognizes actuarial gains and losses in other comprehensive income in the current period. The amended standard has no significant impact on the Company's accounting for retirement benefits.

  The Revised PAS 19 also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee's entitlement to the benefits. In addition, the Revised PAS 19 modifies the timing of recognition for termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized.

  Changes to definition of short-term employee benefits and timing of recognition for termination benefits do not have any significant impact to the Company's financial position and financial performance.

  The adoption of Revised PAS 19 did not have an effect on the total assets, equity, and net income previously reported. Also, the adoption of the standard did not have an impact on the 2012 statement of cash flows.

- PFRS 13, *Fair Value Measurement*

  This establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS. PFRS 13 defines fair value as an exit price and requires additional disclosures. As a result of the guidance in PFRS 13, the Company reassessed its policies for measuring fair values, in particular, its valuation inputs such as non-proforma risk for fair value measurement of liabilities. Application of PFRS 13 has not materially impacted the fair value measurements of the Company.

The following amended PFRS and amendments to existing PAS and interpretations became effective on January 1, 2013 but have no significant impact on the Company's financial statements.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income (OCI)*
- PFRS 7*, Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments)
- PFRS 1, *First-time Adoption of International Financial Reporting Standards* - *Government Loans* (Amendments)
- PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*PFRS 10, *Consolidated Financial Statements*
- PFRS 11, *Joint Arrangements*
- PFRS 12, *Disclosure of Interests in Other Entities*
- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
- PAS 1, *Presentation of Financial Statements - Clarification of the requirements for comparative information*
- PAS 16, *Property, Plant and Equipment - Classification of servicing equipment*
- PAS 27, *Separate Financial Statements* (as revised in 2011)
- PAS 28, *Investmentsin Associates and Joint Ventures* (as revised in 2011)
- PAS 19, *Employee Benefits (Revised)*
- PAS 32, *Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments*
- PAS 34, *Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities*

The significant accounting policies adopted in the preparation of the financial statements are set out below:

Cash and Cash Equivalents

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

Fair Value Measurement

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

value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

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

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

As of December 31, 2013 and 2012, the Company’s investment property is carried at fair value and with recurring fair value measurements.

Financial Assets and Financial Liabilities

Date of recognition

The Company recognizes a financial asset or a financial liability in the balance sheet when it becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place are recognized on the settlement date.

Initial recognition of financial instruments

All financial assets and financial liabilities are recognized initially at fair value. Except for securities at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. Subsequent to initial recognition, the Company classifies its financial assets in the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, and available-for-sale (AFS) investments. The classification depends on the purpose for which the investments were acquired or whether they are quoted in an active market. The Company also classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities.

The Company determines the classification of its financial assets at initial recognition and, where allowed and appropriate, reevaluates such designation at each balance sheet date.

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

As of December 31, 2013 and 2012, the Company's financial assets and financial liabilities consist of loans and receivables and other financial liabilities. The Company does not have contracts identified as having embedded derivatives characteristics.

Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivables. After initial measurement, loans and receivables are subsequently carried at cost or amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in the statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Loans and receivables are classified as current assets if maturity is within 12 months from the balance sheet date. Otherwise, these are classified as non current assets.

This category primarily includes the Company's cash and cash equivalents, trade receivables, amounts due from related parties, employees, and other receivables and rental deposits.

Other financial liabilities

This category pertains to financial liabilities that are not held for trading or not designated as at FVPL at inception. These include liabilities arising from operations or borrowings.

Other financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization for any related premium, discount and any directly attributable transaction cost. The Company's other financial liabilities include accounts payable and accrued liabilities, trust receipts and acceptances payable and bank loans.

<u>Impairment of Financial Assets</u>

An assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of financial assets is impaired.

Loans and receivables

The Company first assesses whether an objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through the use of an allowance account and the amount of the loss shall be recognized in the statement of income. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset.

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

Loans and receivables, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Company. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance for impairment losses account. If a future write-off is later recovered, the recovery is recognized in the statement of income under "Other income" account. Any subsequent reversal of an impairment loss is recognized in the statement of income under "Provision for (reversal of) impairment losses" account, to the extent that the carrying value of the asset does not exceed its amortized cost at reversal date.

In relation to trade receivables, a provision for doubtful accounts is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through the use of an allowance account. Impaired receivables are written off when assessed as uncollectible.

Derecognition of Financial Assets and Financial Liabilities

Financial assets

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

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

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

Financial liabilities

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

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

<u>Offsetting Financial Instruments</u>

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related financial assets and financial liabilities are presented at gross in the balance sheet.

<u>Inventories</u>

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

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

NRV, except for spare parts and supplies, is the selling price in the ordinary course of business, less the estimated costs necessary to make the sale. For spare parts and supplies, NRV is the value of the inventories when sold at their condition at the balance sheet date.

Agricultural Produce

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

Biological Assets

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

The Company's growing breeding stocks are raised until they reach the laying stage where they produce day-old chicks. These day-old chicks will be grown as livestock, which will either be sold as live chicken or transferred to the dressing plant for processing as dressed chicken.

Growing livestock and hatching eggs are classified as current assets while growing and laying breeding stocks are classified as non current.

Growing livestock and goods in process are carried at accumulated cost while breeding stocks are carried at accumulated cost less accumulated amortization and any accumulated impairment losses. This measurement is adopted by the Company since fair value cannot be determined due to the absence of a relevant active market and other reliable market basis to measure at fair value. Moreover, estimates necessary to compute for the current value of expected net cash flows involve various data which may not result in a reliable basis for the fair value.

Amortization of laying breeding stocks is calculated using the unit-of-production method whereby all costs and expenses incurred by the Company during the approximately 25-week growing stage of its breeding stock are accumulated and amortized starting on about the 26th week over the expected total egg production of such breeders until the 65th week on the average (65 weeks useful life). Amortization is included under the cost of goods sold account in the statement of income.

Biological assets are assessed for any indication of impairment at each balance sheet date.

Creditable Withholding Tax

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

Investment Properties

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

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

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

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

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

For a transfer from investment property to owner-occupied property, the deemed cost of the property for subsequent accounting is its fair value at the date of change in use. If an owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant, and equipment up to the date of change in use. The difference between the fair value of the property, plant and equipment transferred to investment property and its carrying value is credited to the revaluation increment account.

Property, Plant and Equipment

Property, plant and equipment, except land, are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The initial cost of property, plant and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance costs, are normally charged to current operation. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally

assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment.

Land is measured initially at fair value as of January 1, 2004 as permitted by PFRS 1, *First Time Adoption of Philippine Financial Reporting Standards*. This fair value is the "deemed cost" of the land, which is subjected to impairment testing. The fair value of the land has been determined based on the appraisal reports conducted by independent appraisers and taking into account the economic conditions prevailing at the time the valuations were made. The difference between the fair value of the land and the carrying value was credited to deficit.

Depreciation and amortization of property, plant and equipment begins when it becomes available for use (i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management). It ceases at the earlier of the date that it is classified as held-for-sale or derecognized. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets as follows:

	Number of Years
Silos, buildings and improvements	20
Machinery and equipment	10
Transportation and delivery equipment	5
Office furniture, fixtures and equipment	5

The estimated useful lives of the assets and depreciation and amortization methods are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from the derecognition of the asset (computed as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of income in the year the item is derecognized.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment losses are removed from the accounts. Any resulting gain or loss is recognized in the statement of income.

Borrowing Costs

Borrowing costs are capitalized to the extent that is directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Borrowing cost consists of interest and other costs that an entity incurs in connection with the borrowing of fund.

Other borrowing costs are recognized as an expense when incurred.

Impairment of Non financial Assets

The carrying values of property, plant and equipment and biological assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset (or cash generating unit) exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the statement of income in those expense categories consistent with the function of the impaired asset.

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

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts and output value-added tax (VAT). The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods

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

Fair valuation of agricultural produce

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

Rental income

Rental income on leased properties under operating lease arrangements is recognized on a straight-line basis over the lease contracts.

Interest income

Interest income is recognized as the interest accrues using the effective interest yield on the asset.

Other income

All other income are recognized when earned or when the right to receive payment is established.

Costs and Expenses

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

Cost of goods sold

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

General, administrative, selling and marketing expenses

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

Interest expense

Interest expense is recognized in profit or loss as the interest accrues taking into account the effective yield on the related liability. The Company's interest expense pertains mainly to its bank loans and trust receipts and acceptances payable.

Other Comprehensive Income (Loss)

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

Leases

The determination of whether an arrangement is, or contains a lease as provided in Philippine Interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease*, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

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

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

The determination whether a lease agreement is a finance or an operating lease is dependent on the retention or transfer of substantially all the risks and rewards incidental to ownership to the leased asset.

Company as lessee

Leases were the lessor retains substantially all the risk and rewards of ownership of the asset are classified as operating lease. Operating leases are recognized as an expense in the statement of income on a straight-line basis over the term of the lease.

Retirement Benefits Cost

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

Retirement benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Re-measurements of net defined benefit liability or asset

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

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

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

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

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

Employee leave entitlement

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

Foreign Currency-denominated Transactions

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

Income Taxes

Current income tax

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

Deferred income tax

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

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

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

utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that sufficient future taxable profits will allow the deferred income tax assets to be recovered.

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

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

Capital Stock

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

Retained Earnings (Deficit)

Retained earnings (deficit) represent the cumulative balance of total comprehensive income (losses) and effects of changes in accounting policy. A deficit is not an asset but a deduction from equity.

Shares Held in Treasury

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

Basic/Diluted Earnings (Loss) Per Share

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

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

Provisions and Contingencies

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

financial statements but disclosed in the notes to financial statements when an inflow of economic benefits is probable.

Events After the Balance Sheet Date

Post year-end events that provide additional information about the Company's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

Segment Reporting

The Company's operating business is organized and managed according to the nature of the products and services provided to represent a strategic business unit that offers different products and serves different markets. The Company's asset producing revenues are located in the Philippines.

Events after the Reporting Period

Post year-end events that provide additional information about the Company's position at balance sheet date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

Future Changes in Accounting Policies

Standards issued and effective after December 31, 2013 are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended standards and interpretations to have a significant impact on its financial statements.

Effective in 2014

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments), remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments have no impact on the Company's financial position or performance.

- Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27),are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The amendments have no impact on the Company's financial position or performance.

- Philippine Interpretation IFRIC 21, *Levies*, clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the

relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The interpretation has no impact on the Company's financial position or performance.

- PAS 39, *Financial Instruments: Recognition and Measurement -Novation of Derivatives and Continuation of Hedge Accounting* (Amendments),provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014.The amendments have no impact on the Company's financial position or performance.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments),clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments have no impact on the Company's financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

Effective in 2015

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments),apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service.

  Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014.The amendments have no impact on the Company's financial position or performance.

Annual Improvements to PFRS

These improvements contain non-urgent but necessary amendments to PFRSs. The amendments are effective for annual periods beginning on or after July 1, 2014.

2010-2012 Cycle

- PFRS 2, *Share-based Payment - Definition of Vesting Condition,* revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. This amendment does not apply to the Company as it has no share-based payments.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*, clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified

as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Company shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*,require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The Company expects that this amendment will not have any impact on its financial position or performance.

- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*, clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.

- PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*, clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

  The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment has no impact on the Company's financial position or performance.

- PAS 24, *Related Party Disclosures - Key Management Personnel*, clarifies that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The

amendments affect disclosures only and have no impact on the Company's financial position or performance.

- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*, clarifies that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.

  b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments have no impact on the Company's financial position or performance.

2011-2013 cycle

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs'*, clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Company as it is not a first-time adopter of PFRS.

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*, clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1 2014 and is applied prospectively.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*, clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1 2014 and is applied prospectively. The amendment has no significant impact on the Company's financial position or performance.

- PAS 40, *Investment Property*, clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for

annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Company's financial position or performance.

Effectivity not yet determined

- PFRS 9, *Financial Instruments*, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replace PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For liabilities designated as at FVPL using the fair value option, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

- On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting. PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Company will not adopt the standard before the completion of the limited amendments and the second phase of the project.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the FRSC have deferred the effectivity of this interpretation until the

final Revenue standard is issued by the IASB and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Company.

Discussion and Analysis of Material Events/s and Uncertainties:

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

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

Key Performance Indicators:

	2nd Quarter 2014	2nd Quarter 2013
Sales Revenue (Decline)	(16.94%)	(5.86%)
Operating Margin	(10.13%)	(9.24)%
Net Income (Loss)	(1.54M)	(3.33M)
ROS	(10.13%)	(18.25%)
Current Ratio	67.37%	99.20%

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

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

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

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

Financial Risk Management Objectives and Policies:

The Company's principal financial instruments comprise of cash and cash equivalents, trade and contract grower receivables, due from related parties, due from officers and employees, guarantee deposits, trust receipts and acceptances payable and bank loans. The main purpose of these financial instruments is to ensure adequate funds for the Company's operations and capital expansion. The Company has other financial instruments such as receivables and accounts payable and accrued liabilities arising directly from its operations.

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

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

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

Credit risk

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

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

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

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

Collaterals held by the Company as securities for the payment of some outstanding receivables accounts are composed of real properties. The collaterals had neither been sold nor transferred in the name of the Company as of March 31, 2011.

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

Liquidity risk

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

Company also enters into restructuring agreements with creditor banks, as the need arises.

Interest rate risk

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

Foreign currency risk

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

Financial risk management related to agricultural activities

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

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

Major raw materials for livestock production like yellow corn expose the Company to risk particularly with the supply and price. The fluctuation of the price of yellow corn is dependent on the harvest results. Production cost will be unfavorably affected if there will be shortage in the supply. The Company closely monitors production requirements particularly of bulk raw materials to avail of competitive prices. In case of shortages in certain areas, the Company sources the raw materials from other areas of the country if the prices are competitive. However, whenever domestic supply of yellow corn falls short of industry requirements, the government has been flexible in regulating the supply of corn by allowing importation of corn when domestic supply is short.

Another option is to use a substitute feed ingredient like wheat, which is readily available in the international market and priced competitively.

Plan of Operation:

The management continues to wait for better business opportunities and carefully evaluate various business plans. There are no definite plans of raising additional funds from external source in the next 12 months.

The company is neither conducting any product research & development nor expecting to purchase plants and equipments within the next twelve (12) months.

Only the Palawan branch shall remain to be the only company operated facility to produce quality Sariwanok chicken.

PART II – OTHER INFORMATION

Other than appearing on page 26 (Notes to Financial Statements), there are no significant or material information that occurred during the 2nd quarter of the year 2014 that require to be disclosed in this report or in SEC Form 17-C.

SIGNATURES

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

SWIFT FOODS, INC.
Issuer

ALEJANDRO B. LOPEZ
Accounting Manager
8 August 2014

JOSE A. BERNAS
Corporate Secretary
8 August 2014

SWIFT FOODS, INC.
BALANCE SHEET
JUNE 30, 2014 & DECEMBER 31, 2013

ASSETS	June 30, 2014 INTERIM	DEC. 31, 2013 AUDITED
Current Assets		
Cash & Cash Equivalents	37,814,501.07	29,674,000.00
Accounts Receivable	358,092.55	14,567,000.00
Biological Assets	3,557,993.59	3,624,000.00
Inventories	1,885,907.64	1,606,000.00
Other Current Assets (Prepaid Exp+Dep on Purch+Marginal)	1,236,321.97	264,000.00
Total Current Assets	44,852,816.82	49,735,000.00
Noncurrent Assets		
Investment Properties	416,751.77	416,751.77
Property, Plant & Equipment	182,474,580.80	182,474,580.80
Less: Accumulated Depreciation	74,633,585.80	74,633,585.80
Property, Plant & Equipment -Net	107,840,995.00	107,840,995.00
Other Assets (Inv in Stocks/Def Chgs&HO/BR)	253,790.00	255,000.00
Total Noncurrent Assets	108,511,536.77	108,512,746.77
TOTAL ASSETS	153,364,353.59	158,247,746.77
LIABILITIES & STOCKHOLDER'S EQUITY		
Current Liabilities		
Accounts Payable & Accrued Expenses	66,573,980.14	68,952,540.52
Income Tax Payable		
Total Current Liabilities	66,573,980.14	68,952,540.52
Noncurrent Liabilities		
Retirement benefits obligations	2,883,933.45	2,763,000.00
Deferred income tax liabilities	32,156,974.91	32,156,974.91
Total Noncurrent Liabilities	35,040,908.36	34,919,974.91
Total Liabilities	101,614,888.50	103,872,515.43
Stockholder's Equity		
Capital Stock-Common	1,814,416,888.21	1,814,416,888.21
Capital Stock-Preferred	49,035,671.30	49,035,671.30
Capital in excess of par value	1,185,147,671.83	1,185,147,671.83
Treasury shares		
Total	3,048,600,231.34	3,048,600,231.34
Net Income	(2,625,766.37)	
Retained Earnings, Appropriated		
Retained Earnings, Unappropriated	(3,315,801,999.12)	(3,315,801,999.24)
Revaluation increment	321,576,999.24	321,576,999.24
Cumulative actuarial gains(losses)		
Total Retained Earnings	(2,996,850,766.25)	(2,994,225,000.00)
Total Stockholder's Equity	51,749,465.09	54,375,231.34
TOTAL LIAB. & STOCKHOLDER'S EQUITY	153,364,353.59	158,247,746.77

SWIFT FOODS, INC.

STATEMENTS OF INCOME

(Amounts in Thousands, Except Basic Loss Per Share)

	Unaudited	Unaudited
	Jan-June, 2014	**Jan-June, 2013**
NET SALES	33,126	36,721
COST OF GOODS SOLD	30,994	33,954
GROSS INCOME (LOSS)	2,132	2,766
OPERATING EXPENSES	(5,143)	(34,905)
FINANCE EXPENSES	-	-
Interest Expense - net		
OTHER INCOME (CHARGES)	385	129
INCOME (LOSS) BEFORE INCOME TAX	(2,626)	(32,010)
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current		
Deferred		
NET INCOME (LOSS)	(2,626)	(32,010)
Basic Earnings (Loss) Per Share	(0.001)	(0.02)
Common Stocks Outstanding	1,814,423,473	1,812,906,883

SWIFT FOODS, INC.

STATEMENTS OF INCOME

(Amounts in Thousands, Except Basic Loss Per Share)

	Unaudited	Unaudited
	Jan-Mar, 2014	**Jan-Mar, 2013**
NET SALES	17,961	18,462
COST OF GOODS SOLD	16,141	16,499
GROSS INCOME (LOSS)	1,821	1,963
OPERATING EXPENSES	(3,139)	(30,641)
OTHER INCOME (CHARGES)	229	0
INCOME (LOSS) BEFORE INCOME TAX	(1,089)	(28,677)
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current		
Deferred		
NET INCOME (LOSS)	(1,089)	(28,677)
Basic Earnings (Loss) Per Share	(0.001)	(0.02)
Common Stocks Outstanding	1,814,416,883	1,812,906,883

SWIFT FOODS, INC.

STATEMENTS OF INCOME

(Amounts in Thousands, Except Basic Loss Per Share)

	Unaudited	Unaudited
	Apr-June, 2014	Apr-June, 2013
NET SALES	15,165	18,258.12
COST OF GOODS SOLD	14,853	17,455.19
GROSS INCOME (LOSS)	311	802.93
OPERATING EXPENSES	(2,004)	(4,264.73)
OTHER INCOME (CHARGES)	156	128.97
INCOME (LOSS) BEFORE INCOME TAX	(1,537)	(3,332.83)
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current		
Deferred		
NET INCOME (LOSS)	(1,537)	(3,332.83)
Basic Earnings (Loss) Per Share	(0.001)	(0.00)
Common Stocks Outstanding	1,814,423,473	1,812,906,883

SWIFT FOODS, INC.
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED JUNE 2014 & 2013
(Amounts in Thousands)

	Unaudited	Unaudited
	June, 2014	June 30, 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss)	(2,626)	(32,010)
Adjustments to Reconcile Net Income (Loss) to Net Cash		
Used in Operating Activities:		
Depreciation		114
Changes in Assets & Liabilities:		
Decrease(Increase) in Assets:		
Accounts Receivable	14,209	108,073
Inventories	(280)	(544)
Biological Assets	66	1,669
Other Current Assets	(972)	(16,997)
Increase(Decrease) in Liabilities:		
Accounts Payable & Accrued Expenses	(2,379)	(63,409)
Net Cash Provided (Used)-Operating Activities	8,018	(3,104)
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase)/Decrease in:		
Property, Plant and equipment	-	284
Other Assets	1	1
Net Cash Provided (Used)-Investing Activities	1	285
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds(Payment) of:		
Retirement benefits obligations	121	(21,526)
Deferred income tax liabilities	-	(0)
Capital in Excess of par value	-	(0)
Net Cash Provided (Used)-Financing Activities	121	(21,526)
Net Increase(Decrease) in Cash & Cash Equivalents	8,141	(24,345)
Cash & Cash Equivalents at Beg. of Period	29,674	84,074
Cash & Cash Equivalents at End of Period	37,815	59,729

SWIFT FOODS, INC.
STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY
JUNE 30, 2014 & 2013
in Thousand Pesos

CAPITAL STOCK	JUNE, 2014	JUNE, 2013
PREFERRED STOCK		
Balance, beginning of the year	60,134	60,816
Redemption of shares	-	-
Balance, June30, 2014 & 2013	60,134	60,816
COMMON STOCK		
Issued	1,814,417	1,807,695
Payment of subscription receivable	-	-
Balance, June30, 2014 & 2013	1,814,417	1,807,695
CAPITAL IN EXCESS OF PAR VALUE		
PREFERRED STOCK		
Balance, beginning of the year	418,137	424,277
Redemption of shares	-	-
Balance, June30, 2014 & 2013	418,137	424,277
COMMON STOCK	866,895	866,895
Total Capital in excess of par value	1,285,032	1,291,172
RETAINED EARNINGS (DEFICIT)		
Balance, beginning	(3,315,802)	(3,266,654)
Net Income (loss)	(2,626)	(32,010)
Revaluation increment	321,577	321,577
Cumulative actuarial gains(losses)		
Balance, June30, 2014 & 2013	(2,996,851)	(2,977,086)

SWIFT FOODS, INC.,
AGEING OF ACCOUNTS RECEIVABLE - TRADE
AS OF JUNE, 2014
(Amount in thousands)

Current	**624**
1 - 30	**276**
31 - 60	**76**
61 - 90	**75**
Over 90 days	**1,647**
TOTAL	**2,698**

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

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

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

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

The Company has no contingent assets or liabilities.

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

There are no material off-balance sheet transactions, arrangements, obligations and other relationships of the company with unconsolidated entities or other persons created during the reporting period other than what is disclosed in Page 2, Part II-Other Information.

There are no material commitments for Capital Expenditures.

Segment Information - This is no longer applicable