COVER SHEET

4 4 8 5 2

D & L INDUSTRIES INC

(Company's Full Name)

6 5 CALLE INDUSTRIA

BAGUMBAYAN QUEZON CITY

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

ALVIN D. LAO	8635-0680
Contact Person	Company Telephone Number

1 2 / 3 1	SEC Form 17-A as of December 31, 2019	0 9 / 1 8
Month Day	FORM TYPE	Month Day
Fiscal Year		Annual Meeting

Secondary License Type, if Applicable

C F D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

137	P 3,400,000,000	-
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC personnel concerned

File Number

LCU

Document I.D.

Cashier

Stamps

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, *AS AMENDED*

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION
141 OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended: **December 31, 2019**

2. Commission identification number: **44852**

3. BIR Tax Identification No: **000-421-957-000**

4. Exact name of issuer as specified in its charter**: D&L Industries, Inc.**

5. Province, country or other jurisdiction of incorporation or organization: **Metro Manila**

6. Industry Classification Code:______(SEC Use Only)

7. Address of issuer's principal office: **65 Calle Industria, Bagumbayan, Quezon City** Postal Code: **1110**

8. Issuer's telephone number, including area code: **(02) 8635 0680**

9. Former name, former address and former fiscal year: **not applicable**

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

    Title of Each Class: **Common Stock, P1 par value**
    No. of Shares of Common Stock Issued and Outstanding: **7,142,857,990 Shares***

    **Reported by stock transfer agent as of December 31, 2019*

    Amount of Debt Outstanding**: 3,400,000,000 (as of December 31, 2019)**

11. Are any or all of the securities listed on a Stock Exchange?

    Yes [√] No [ ]

    If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

    Philippine Stock Exchange; A total of 7,142,857,990 shares of common stock with par value of P1.00 each.

12. Check whether the issuer:

(a) Has filed all reports required to be filed by Section 17 of the SRC 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 one hundred eighty (90) days.

Yes [√] No [ ]

13. Aggregate market value of the voting stock held by non-affiliates of the registrant:

The aggregate market value of the 2,100,957,732 voting stock held by non-affiliates (public shares) as of December 31, 2019 computed based on the closing share price of P9.50 on the last trading day on December 27, 2019, is P19,959,098,454.

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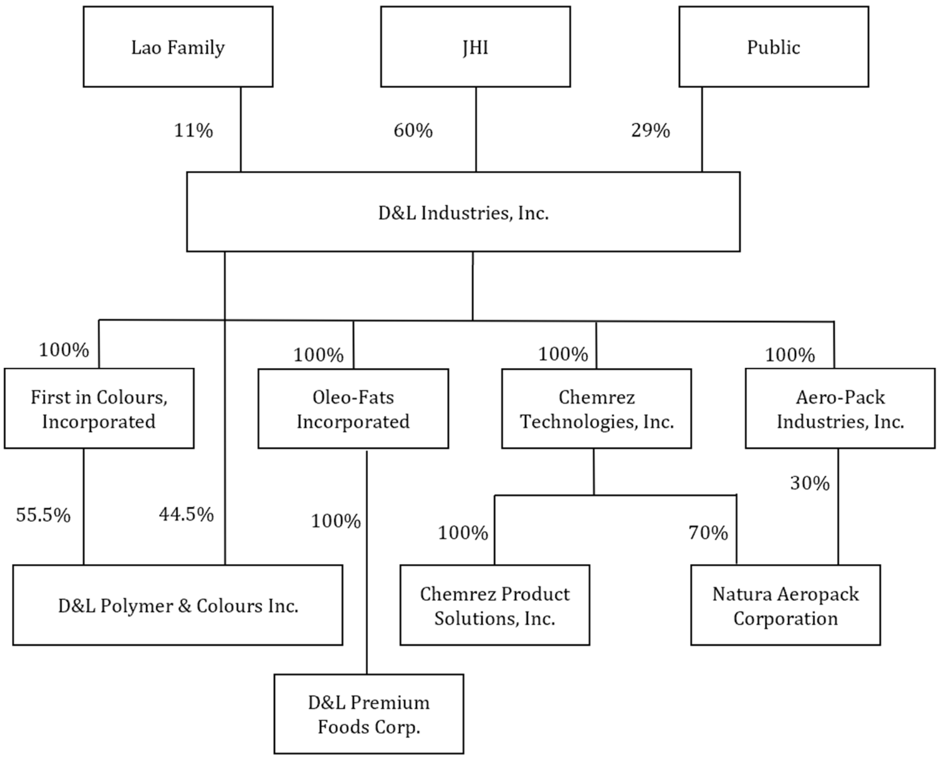
PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

The Company

D&L Industries, Inc. (the "Company" or "D&L") was incorporated on July 27, 1971. The Company is a publicly listed company, which is 70% beneficially owned by the Lao family, the rest by the public. The Company's registered office address and principal place of business is 65 Calle Industria, Brgy Bagumbayan, Quezon City.

The Company is the holding company for a group of companies with interests in the customization, development and manufacturing of food ingredients, colorants, additives, engineered polymers, aerosol products, oleochemicals, resins, and powder coating. It also renders management and other services to subsidiaries and affiliate companies. It was officially listed on the Philippine Stock Exchange (PSE)
The following diagram shows the corporate structure of the Company, excluding beneficial ownership of securities held by the Lao family members. As of December 31, 2019, the Company is 60% owned by Jadel Holdings Co., Inc. (JHI) and 11% owned by the Lao Family. The remaining 29% of the shares outstanding are publicly held.



D&L's major subsidiaries and their corresponding dates of incorporation with the SEC are as follows:

Subsidiary / Affiliate	Date of incorporation
Oleo-Fats, Incorporated (OFI)	May 04, 1987
Chemrez Product Solutions, Inc. (CPSI)	November 16, 1988
First in Colours, Incorporated (FIC)	November 17, 1988
Chemrez Technologies, Inc. (Chemrez)	June 01, 1989
Aero-Pack Industries, Inc. (Aero-Pack)	September 29, 1989
D&L Polymer & Colours, Inc. (DLPC)	March 30, 2006
Natura Aeropack Corporation (NAC)	June 20, 2016
D&L Premium Foods Corp. (DLPF)	June 29, 2017

Overview of the Business

The Company today is principally a holding company, which derives the majority of its income from subsidiaries engaged in four principal business lines, as set out below:

- *Food ingredients* – The Company, operating through its subsidiary OFI and soon through NAC and DLPF, manufactures a line of bulk and specialty fats and oils, culinary and other specialty food ingredients. The Company contract manufactures and provides food ingredient products to most of the leading food manufacturers and quick-service restaurant chains in the Philippines, and also produces food safety solutions such as cleaning and sanitation agents for various customers;

- *Colorants and plastics additives* – The Company, operating through its subsidiaries FIC and DLPC, manufactures a line of pigment blends, color and additive masterbatches and engineered polymers for a wide range of applications, introducing a number of products into the Philippine market and expanding into the export of certain products overseas. The Company's products add properties such as precise coloring, reduced friction, increased resistance to degradation, as well as biodegradability for plastics used in consumer goods, appliances and outdoor furniture;

- *Aerosols* – The Company, operating through its subsidiary Aero-Pack, manufactures three-piece aerosol cans and components and provides aerosol contract filling and compounding services. The Company also toll manufactures a range of related products, including insect control, industrial maintenance chemicals, and home and personal care products, among others.

- *Oleochemicals, resins and powder coatings* – The Company, operating through Chemrez Technologies, and its subsidiary Chemrez Product Solutions, Inc., manufactures CME, also known as coco-biodiesel, using the Philippines' first continuous-process methyl ester plant. The Company also manufactures oleochemicals which are chemicals derived from vegetable oils, resins such as polystyrene, acrylic emulsions and polyester, and a line of powder coatings.

Principal Products, Markets and Revenue Contribution

<u>Food Ingredients</u>

The Company, through OFI, markets and distributes a line of bulk edible oils and specialty food ingredients. The Company believes that it is the leading manufacturer of bulk and specialty fats and oils and other food ingredients in the Philippines. It serves customers across the food and beverage industry, including manufacturers of instant noodles and snack food, dairy and culinary, food service, biscuits and confectionery and bakeries, as well as domestic and international quick-service restaurant chains. The Company also contract manufactures food ingredient products for certain customers. The Company's product line has expanded to over 1,000 varieties of food ingredients, including specialty fats, dry and liquid mixes, and specialty condiments, driven by its ability to create customized products according to its customers' requirements. As a result, the Company derives more than half of its food ingredients revenue from the manufacture and sale of customized products, which generally provide higher profit margins than bulk items such as refined vegetable oils.

In addition to food ingredients and oils, the Company provides food safety solutions and services such as customized cleaning and sanitation systems, designed and manufactured to meet the needs of customers. All of the Company's food safety solutions are supported by professional and technical services.

Colorants and Plastics Additives

The Company, through its subsidiaries FIC and DLPC, manufactures custom designed and formulated pigment blends, color and additive masterbatches and engineered polymers for a wide range of applications in the plastics industry. FIC focuses on the domestic market, while DLPC focuses primarily on the export market.

The Company believes it has the longest history in the Philippine plastics color and compound industries, and its brands have been trusted by customers for over 50 years for their color concentrate requirements for films, tapes, moldings, wires and cables, high-end fibers and other engineered polymers. The Company at various times has entered into technical assistance agreements with select international partners to increase its expertise in terms of research and development. Also, the Company works with customers to create color products and solutions that best represent the customer's products in the market, with research showing that a product's color and appearance are key factors in a consumer's buying decision and a critical element in the successful marketing of products. The state-of-the-art technology used by the Company has given end-user customers a broad range of color choices and forms.

The Company also provides additives for plastics processed by customers that enable reduced production costs or add desirable features and properties to plastics. Appropriate filler additives can reduce production costs by substituting polymers with relatively inert and inexpensive materials that make the end product cheaper by weight. Filler additives may also increase the performance of a plastic by modifying its properties, as additives contribute a wide range of properties to plastic products. For example, additives can make plastic products biodegradable and compostable. Additives can also lower the flammability of plastics used in household items, reduce friction between plastic parts, or increase a plastic's resistance to degradation caused by light sources for items such as outdoor furniture.

In addition to providing colorants or additives to customers for their own processing, the Company also provides custom engineered polymers, or engineered polymers, designed to have the precise color and properties required by the customer. Custom compounded products are delivered as plastic pellets to the customer's production plant for conversion into end-use products.

The Company also offers its customers toll compounding services. Toll compounding services enable customers to offer specialty compounds branded with their own label. Customers may take advantage of the Company's extensive engineering and manufacturing experience to handle production and logistics, increasing their effective manufacturing capacity without incurring expansion costs.

Oleochemicals, Resins, and Powder Coatings

Chemrez Technologies (and its subsidiary Chemrez Product Solutions, Inc.) manufactures and markets an extensive line of oleochemicals (chemicals derived from vegetable oils such as biodiesel), resins, and powder coatings for both domestic and export markets. Exports comprised approximately 24%, 24%, and 23% of Chemrez's revenues in 2017, 2018 and 2019, respectively. Oleochemicals and other specialty chemical products represented 61% and 39%, respectively, of Chemrez's consolidated revenues for 2019.

Oleochemicals – CME/biodiesel

Under its Oleochemicals division, Chemrez manufactures commodity biodiesel and high margin oleochemicals.

Biodiesel accounts for about half of the revenues of the Oleochemicals business. The Company's biodiesel facility is IMS-certified and it is the pioneer and the only continuous process methyl ester facility in the Philippines. The said facility and coco-biodiesel products are accredited with the Department of Energy and registered with the Board of Investments with pioneer status.

Chemrez serves as a major contributor to the National Biofuels Program under RA 9367, otherwise known as the Biofuels Act of 2006. The Biofuels Act provides for national mandates for increased use of biofuels and, in February 2009, the biodiesel mandate was increased from a 1% (B1) to a 2% (B2) blend. While this required a significant step-up in production commitment to satisfactorily meet higher local demand, there are sufficient indigenous sources of coconut oil (CNO) feedstock in the country.

Presently, the local biodiesel industry is composed of 13 DOE-accredited producers including the Company. The Company believes that its commitment to excellence in quality, delivery, and cost competitiveness would allow it to be a primary domestic supplier of choice by oil companies and institutional buyers. The extensive quality management systems of the Company and its investments in logistics infrastructure and supply chain management were designed to help assure the continuous bulk supply of compliant biodiesel to local oil companies and generate cost efficiencies that are passed on to its customers.

While biodiesel accounts for about half of the revenues of the Oleochemicals business, high margin oleochemicals account for the majority of the gross profit given that its margins are higher than that of biodiesel. Products under high margin oleochemicals include Glycerin and other Coconut Methyl Ester (CME) derivatives which are used mainly as surfactants or foaming agents for soaps and detergents. Chemrez also manufactures and sells medium-chain triglyceride (MCT) oil derived from coconut oil. Products under this segment are sold principally in the export markets. As part of the Company's strategy to grow its CME exports, Chemrez continues to develop new applications of CMEs to expand its product and market base. Through the use of pioneering process technology, products that have high export potential have been recently developed.

Other Specialty Chemicals

The Company has a solid record of experience and expertise in the manufacture and marketing of powder coating, resins, and other specialty resin-based chemicals.

- Powder coatings are protective materials applied to metal and other surfaces through an electrostatic coating process to provide resistance against heat, weather and UV light, and certain chemicals. It is used in home appliances, metal furniture, fixtures and fittings, mechanical parts, tools and equipment and also in the construction industry.

- Resins are polymerized or chemically modified substances, which are manufactured in a variety of technical specifications to suit specific industry uses, end-user applications, and customer requirements. It includes polystyrene resins for the plastics industry, polymer emulsions for the paint industry, and polyester resins for the construction, shipping, and furniture industries.

- Other specialty resin-based chemicals comprise of additives, colorants, and solvents.

The Company has maintained its market leadership in powder coatings and resins through competitive pricing, consistent quality, and the ability to offer product customization and provide on-site after-sales technical support to customers. The Company also continues to invest in research and development to develop new powder coating and resin products with improved and innovative features. It competes mainly against importers and traders.

The Company attributes its strong market position to several factors. Its operating scale allows it to manufacture products at highly competitive costs. Beyond price competition, the Company has established long-standing relationships with its customers. These partnerships allow the Company to respond quickly to customer requirements and offer newer and better products out of its extensive efforts and achievements in research and development.

Aerosols

The Company, through Aero-Pack, is the first and only company in the Philippines to design and develop customized aerosol products focusing on maintenance chemicals and home and personal care products. Aero-Pack also supplies three-piece aerosol cans and components, which comprise the majority of aerosol product requirements in the Philippines and globally. Aero-Pack also provides customized contract filling and formulation services.

The Company offers products with a wide range of applications, including insect control, industrial maintenance chemicals, and home and personal care products. The Company also produces, on a toll manufacturing basis, non-aerosol products such as insecticides, liquid and gel disinfectants, cleaners, polishers and liquid soaps.

Management and administration

D&L maintains significant operational control of OFI, FIC (including DLPC), Chemrez, and Aero-Pack, as well as of several affiliate companies that provide goods and services complimentary to those provided by the Company, including FIC Marketing Co. Inc., FIC Tankers, Inc., Consumer Care Products Inc. and LBL Prime Properties, Inc., among others, through a contractual "shared services" model. In particular, D&L Industries provides the following services to its subsidiaries and affiliate companies:

- *Executive Management* - including supervision of all business operations;

- *Administrative Support* - including finance, treasury, accounting, internal audit, human resources, information technology and legal services;

- *Logistics Support* - which includes warehousing, distribution and delivery, transportation fleet management, tank farm management, port clearing and procurement; and

- *Technical Services* - which include research and development, quality control and assurance and use of trademarks. The technical services for all business operations are concentrated in D&L's research and development department, which the Company believes has been a critical driver for the success of each of its business lines.

D&L maintains its own analytical laboratory that provides technical services and is located in its headquarters in Quezon City, Metro Manila. While D&L continues to provide management services for this facility, specific research, development and application activities are conducted, and expenses are incurred, by OFI, FIC (including DLPC), Chemrez Technologies, and Aero-Pack independently. D&L's and its subsidiaries' research laboratories employ highly qualified chemical engineers, chemists, consultants, technicians and support staff who service the customers of the Company in the following industries: plastics and rubber, aerosol, paint and ink, soap and detergent, paper, adhesive, textile, cosmetics and food and beverage.

General Operations

- Additional discussion on other business risks are also provided in Note 22 of the 2019 Consolidated Audited Financial Statement of the Company attached herein.

- The Company, in the ordinary course of business, transacts with related parties. These transactions include the purchase/sale of goods and services. Details of the Related Party Transaction are discussed under Notes 18 (Related Party Transaction) of the Notes to the Consolidated Financial Statements of the Company.

- As of December 31, 2019, the Company and its subsidiaries have a total of 773 employees. There are ancillary processes however serviced by different outsourced providers. None of the employee groups have a collective bargaining agreement. The Company does not expect any significant change in its existing workforce level for 2020.

Management of Key Risks related to the Company

Risks relating to the Philippines

As of end 2019, 79% of the Company's consolidated revenues are domestic. With a substantial portion of its business conducted and all of its assets located in the Philippines, the Company is exposed to risks associated with the Philippines, including political instability, exchange rate fluctuations, and occurrence of natural disasters such as typhoons and earthquakes.

The Company has contingency plans in place in cases of incidents – natural and man-made. These include centralized fire protection and disaster prevention systems. The Company also self-insures by maintaining a relatively high level of asset liquidity in the form of cash and cash equivalents and receivables, to protect its businesses against other potential risks. As of end-2019, cash and cash equivalents were 9% of the Company's total assets.

Risk relating to failure to keep up with technological innovation

The Company derives 69% of its consolidated revenues from high margin specialties. These are innovation-driven products, mostly tailor-made to the customer's needs. The higher the level of customization involved, the higher the profitability. Failure to anticipate and meet the requirements of our customers, as well as keep pace with evolving technological innovations in its markets might adversely impact business activities and profitability.

To make sure that the Company can respond effectively and efficiently to market needs, about 14% of its workforce is in the technical department (R&D and IT). These employees pursue various research and development activities, including product development and application, as well as quality assurance.

Risk from volatility in raw material prices

As a manufacturing company, 80% of total costs and expenses are raw materials, primarily palm oil, coconut oil, and other types of vegetable oils, as well as monomers, polymers, and other chemicals. Prices of these raw materials tend to be volatile and the Company's ability to pass on significant changes in the cost of raw materials to customers is largely dependent upon contractual relationships and market condition.

The Company does not fix the selling price for most of its contracts with customers. Prices for the contracts are reset every month on average, enabling the Company to pass on relevant price changes in raw material costs.

Risk from customer concentration

The Company's largest customers account for a sizeable portion of the business. The top three largest customers, mostly food ingredients customers, accounted for 21% of consolidated revenues in 2019. These customers are large multinational and local corporations. Significant changes in any of these customers' purchases might have material impact on the Company's businesses and profitability.

The products sold to these customers are mostly customized for which the Company is almost the sole supplier, in turn generating a stable base of sales volume for the Company. Nonetheless, cognizant of the risk of customer concentration, the Company continues to work closely with customers in order to get good demand visibility. Part of managing risks associated with customer concentration is assessing such risks against operational and strategic factors including economies of scale and knowledge accumulation.

Item 2. Properties

Real Properties

The Company does not own any land and operates an asset-light business model. It leases real property, barges, and storage tanks used in its businesses from related parties LBL Prime Properties, Inc, FIC Tankers, Inc., and FIC Marketing, as well as from other third party lessors. The Company's lease agreements are typically for a period of one to five years and are renewable unless terminated by either party. Lease rates are all at arms-length basis, and annual escalations are done at reasonable levels. None of the Company's properties used in its operations are subject to any material liens, encumbrances or restrictions of use.

To support the Company's centralized distribution and motor pool functions, the Company owns 69 delivery trucks, with a total capacity of 1,463 MT. The Company also contracted 6 cargo barges owned by affiliates with an aggregate capacity of approximately 10,400 MT.

The Company's production and warehouse/storage facilities are ISO 9001 (quality), ISO 14001 (environmental), OHSAS 18001/ ISO 45001 (Occupational Health and Safety) certified which indicate its commitment to excellence in quality, delivery, care for the environment, health and safety of its employees, and cost competitiveness to its customers. In addition, OFI's facility is FSSC 22000 (Food Safety Standard Certification) and HALAL certified.

In January 2019, the Company's laboratory facility renewed its Certificate of Accreditation as an ISO 17025 Chemical Testing Lab by the Department of Trade and Industry's Philippine Accreditation Office, attesting to its high-quality facilities and employees. The Company has continuously upgraded this and its other application laboratories to allow it to continuously seek and implement innovations across the Company's entire product design and development cycle.

Intellectual Properties

The Company believes that all proprietary product names, devices and logos used by the Company and its subsidiaries are registered with or are covered by a pending Application for Registration with the Intellectual Property Office of the Philippines, and have been filed or are owned by the Company.

As of December 31, 2019, the Company and its affiliates had over 334 registered trademarks covering a wide range of products such as resins, colorants, foam concentrates, fats and oils, powder coating and biofuel compounds, among others.

Item 3. Legal Proceedings

As of date of this report, the Company is not a party to any litigation or arbitration proceedings of material importance, which could be expected to have a material adverse effect on the Company or on the results of its operations. No litigation or claim of material importance is known to be pending or threatened against the Company or any of its properties.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted during the fourth quarter of the fiscal year covered by this report to a vote of security holders, through the solicitation of proxies or otherwise.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

(1) The Company's common shares are traded on the First Board of the Philippine Stock Exchange. The common shares were listed on December 12, 2012. The following table shows the high and low prices (in pesos) of the Company's shares in the Philippines Stock Exchange for the year 2019:

	High	Low
Full Year 2019 (January 01 - December 31)	P12.00	P8.24

Source: Bloomberg

The market capitalization of the Company's common shares as of end-2019, based on the closing price of P9.50 per share was P19,959,098,454.

The last traded price of the Company's shares as of May 11, 2020 was P5.08.

(2) Total shares outstanding as of December 31, 2019 was 7,142,857,990 with a par value of P1.00.

The top 20 shareholders [1] as of the same date are:

	Name	No. of shares held	% to total outstanding
1	Jadel Holdings Co., Inc.	3,930,114,072	55.02
2	PCD Nominee Corporation (Non-Filipino)	1,332,673,602	18.66
3	PCD Nominee Corporation (Filipino)	1,120,725,188	15.69
4	Smartworks Trading Co., Inc.	118,828,450	1.66
5	Allvee United, Inc.	95,524,564	1.34
6	Jadana Inc.	80,973,722	1.13
7	Prime Spin Inc.	80,146,296	1.12
8	CEE Industries, Inc.	80,146,296	1.12
9	John L. Lao	65,987,202	0.92
10	Yin Yong L. Lao	65,987,202	0.92
11	Alex L. Lao	65,159,776	0.91
12	Leon L. Lao	60,608,934	0.85
13	Dean L. Lao	27,305,048	0.38
14	Ivie Mae Dim Lao	2,502,000	0.04
15	Yvonne Keh	1,946,500	0.03
16	Emily Chua	1,649,400	0.02
17	Alvin D. Lao	1,100,000	0.02
18	Vincent D. Lao ITF Lorenzo Vince Tan Lao	1,100,000	0.02
19	Dim Shirley or Sy Ivie Mae	1,100,000	0.02
20	Mao Corporate Holdings, Inc.	1,100,000	0.02
	Total	7,134,678,252	99.89

Note: [1] Figures are based on the report rendered by the stock transfer agent and exclude shares under the PCD accounts.

Dividends

The Company's current dividend policy provides that at least 50% of its prior year's consolidated recurring net income shall be declared as dividends in favor of the stockholders of record date to be determined by the Board.

The dividends to be received by the stockholders shall be based on the recommendation of the Board after considering factors such as the Company's operating expenses, implementation of business plans, working capital requirements, cash flow position and capital expenditure requirements, as among other factors. The Company's Board of Directors may change the dividend policy at any time, as well as declare special dividends on top of the 50% commitment.

Declaration date	Payment Date	Dividend rate per share	Amount
June 11, 2019	July 22, 2019	P0.286 per share	P2,042,857,385
June 04, 2018	July 09, 2018	P0.260 per share	P1,857,143,077
July 13, 2017	August 10, 2017	P0.235 per share	P1,678,571,628
June 06, 2016	July 08, 2016	P0.20 per share	P1,428,571,598
June 08, 2015	July 08, 2015	P0.15 per share	P535,714,350
June 02, 2014	June 30, 2014	P0.20 per share	P714,285,799
June 24, 2013	August 19, 2013	P0.15 per share	P535,714,350
August 28, 2012	September 06, 2012	P0.85 per share	P863,434,640

Item 6. Management's Discussion and Analysis of Financial Condition, Changes of Financial Conditions and Result of Operations

As at December 31, 2019, 2018 and 2017, the consolidated financial statements include the Company and 100% of its subsidiaries, namely: FIC, DLPC, OFI, API, CTI, CSPI, NAC, and DLPF.

FY2019 versus FY2018

Results of Operations

- Reported net income available to common shareholders decreased by 18% to P2.6 billion in 2019 from P3.2 billion in 2018, or earnings per share of P0.37 versus 2018's P0.45.
- Consolidated revenues of P22.4 billion in 2019 were 16% lower than P26.5 billion in 2018. The decline in revenue was mainly due to lower sales volume and lower commodity oil prices which were passed on to customers. Coconut oil and palm oil average prices were down 27% and 6% yoy in 2019, respectively.
- Gross profit for the year decreased by 8% to P4.7billion from P5.1 billion in 2018, mainly due to lower volume for the period.
- Selling and marketing expenses were flat at P740 million for the period.
- Administrative expenses were also flat at P400 million for the period.
- The company booked other operating losses of P25 million in 2019 versus other operating income of P71 million recorded in 2018 mainly due to forex losses incurred for the period.
- Finance cost increased by 38% y-o-y to P217 million as the company recorded interest on finance lease with the adoption of PFRS 16 on leases.
- Income tax expense increased by 1% to P672mn in 2019.

Segment Operations

Food Ingredients

- The food ingredients segment posted meaningful margin expansion for the year, as both HMSP and commodity margins showed improvements. Blended margins expanded by 3.1ppts y-o-y in FY19. Meanwhile, volume in 4Q19 saw a sharp recovery as it grew 15% YoY, bringing total volume decline for the year to just 4% YoY from a 10% YoY decline recorded in 9M19. Net income in 4Q19 was up 13% YoY, bringing FY net income growth to 2% YoY.

Oleochemicals and Specialty Oleochemicals

- Chemrez group saw its total volume decline by 13% for the year. This was mainly due to the confluence of external factors such as the delayed passage of the budget for the year and uncertainties in the global export market related to the trade war which dampened demand for most of the year. Moreover, expiration of income tax holiday for Oleochemicals, a sub-segment of Chemrez, and forex losses resulted in a steeper decline in income. Overall, the group posted a 35% YoY decline in profits for the period.

Specialty Plastics

- Specialty plastics net income was down 18% y-o-y in FY19. This was mainly due to the 12% decline in total volume as demand for both engineered polymers and colorants and additives remained soft. This segment continues to feel the effects of the slowdown in the global auto industry as about half of its sales come from export-oriented raw materials for automotive wire harness applications.

Aerosols

- Aerosols segment has shown signs of recovery in the fourth quarter as net income increased by 12% YoY, bringing full year net income growth to 1% YoY from a 2% net income decline recorded in 9M19. Blended gross profit margins improved by 2.4 ppts while total volume grew by 2% YoY for the year.

Key Financial Performance Indicators

	2019	**2018**
Gross Profit margin [a]	21%	19%
Net profit margin [b]	12%	12%
Return on Equity [c]	15%	19%
Current ratio [d]	2.61%	3.05x
Interest cover [e]	16x	25x
Net debt to equity ratio [f]	0.08x	0.10x
Asset-to-Equity ratio [g]	1.3x	1.35x
Book Value per share [h]	2.40	2.32
Return on Invested Capital [i]	18.8%	21.2%

[a] Gross Profit/ Revenues
[b] Net Income available to common shareholders/ Revenues
[c] Net Income available to common shareholders/ Shareholders' Equity
[d] Current Assets/ Current Liabilities
[e] Earnings before interest and taxes/ Interest Expense

[f] (Borrowings – Cash) / Shareholders' Equity
[g] Total Assets/ Total Equity
[h] Shareholders' Equity (available to owners of the Parent) / weighted average outstanding number of common shares
[i] Pre-tax income / invested capital (total assets – cash – non-interest bearing liabilities)

Financial Condition

- The Company's current ratio stood at 2.61x in 2019 vs 3.05x in 2018.

- Cash level at the end of 2019 stood at P1.99 billion from P1.8 billion at the end of 2018.

- Excluding the impact of VAT in the account balances, cash conversion cycle stood at 161 days with Accounts Receivable days, Inventory days, and Accounts Payable days at 60, 117, and 16, respectively.

- Prepayments and other current assets increased by 21% to P2.2 billion in 2019 from P1.8 billion mainly due to higher input VAT and creditable withholding taxes.

- Net debt to equity ratio in 2019 went down to 0.08x from 0.10x in 2018. Interest cover remains comfortable at 28x. Total borrowings as of end-2019 remained at P3.4 billion.

- Retained earnings increased by 10% in 2019 to P6.5 billion mainly as a result of net income for the year. Total dividends paid amounted to Php2.0 billion which translated to a 64% payout ratio based on previous year's net income.

- Total equity increased by 3% to P17.1 billion on the back of higher retained earnings.

- The Company remained operating cash flow and free cash flow positive in 2019.
    - Net cash generated from operating activities stood at P4.8 billion, due to lower working capital requirements for the year given lower coconut oil and palm oil prices.
    - Net cash used in investing activities amounted to P2.1 billion which was mainly spent on acquisition of property and equipment. This was higher by 148% compared to the P858 million cash used in investing activities in 2019. This may go up further as the company ramps up spending on its expansion plan in Batangas.
    - Net cash used in financing activities amounted to P2.4 billion, majority of which went to dividend payment amounting to P2.0 billion.

<u>FY2018 versus FY2017</u>

Results of Operations

- Reported net income available to common shareholders increased by 10% to P3.2 billion in 2018 from P2.9 billion in 2017, or earnings per share of P0.45 versus 2017's P0.41.

- Consolidated revenues of P26.5billion in 2018 were 4% lower than P27.8 billion in 2017. The decline in revenue was mainly due to lower commodity oil prices which were passed on to customers. Coconut oil and palm oil average prices were down 39% and 14% in 2018, respectively.

- Gross profit for the year increased by 9% to P5.1billion from P4.7 billion in 2017, driven by higher volume and overall gross profit margin expansion of 2.3 ppts for the period.

- Selling and marketing expenses increased by 13% to P740 million from P654 million in 2017 as delivery charges increased by 15%.

- Administrative expenses increased by 21% to Php398 million coming off from P330 million in 2017 as taxes and licenses increased by 26%.

- Other income (net), which include foreign exchange gains and losses, interest income, dividend income, and other miscellaneous income, increased by 83% to P71 million as the Company booked higher foreign exchange gain of P24 million in 2018 compared to P14 million in 2017.

- Finance cost was almost unchanged at P157mn in 2018.

- Income tax expense increased by 1% to P667mn in 2018.

Segment Operations

Food Ingredients

- Higher inflation in 2018 peaked in the fourth quarter, translating to generally negative consumer sentiment for the year. The impact was most pronounced in the group's food ingredients business where net profits dropped by 3% y-o-y. Nonetheless, the continued growth in the HMSP food segment (which managed to post 10% y-o-y volume growth) remains encouraging, representing the continued strength of recurring business. In addition, the average margin of specialty fats and oils showed signs of recovery, expanding 5.7 ppts in 4Q18 alone vs. the first nine months of the year. HMSP food now accounts for 57% of total revenues, a meaningful improvement from just 51% in FY17.

- The export business remains one of the growth drivers for the food segment. Exports as percentage of total food revenues stood at 17% in FY18, a sharp improvement from just 6% two years ago. This was largely driven by partnerships with foreign principals such as Ventura and Bunge. Going forward, the company will focus on further growth in exports through direct sales, as well as through other partnerships.

- In line with the company's export target, the group has embarked on an expansion plan for the food business. The new facility will be located in First Industrial Township, a Special Economic Zone in Batangas. The project broke ground in August 2018, with completion targeted for 2021.

Oleochemicals and Specialty Oleochemicals

- Chemrez delivered 30% earnings growth in FY18. This was largely driven by the strong performance of the Oleochemicals segment which more than offset the weakness in the Other Specialty Chemicals segment.

- Oleochemicals refer to chemical compounds derived from vegetable or animal fats and oil. Chemrez manufactures oleochemicals that are solely derived from coconut oil. The Oleochemical segment of Chemrez includes both high margin oleochemicals (surfactants, foaming agents, MCT oil) which are mostly exported and commodity biodiesel which is exclusively sold domestically.

- With the increasing appreciation of coconut-based products globally, HMSP oleochemcals volume grew by 29% y-o-y. In the beauty industry, coconut oil has increasingly been used as hydrating and moisturizing components in hair and skin care products, in line with purported anti-aging, anti-bacterial, and anti-inflammatory benefits. Meanwhile, commodity biodiesel volume increased by 14% y-o-y in FY18, a recovery from the 18% volume decline posted in FY2017.

- Overall margins for the segment expanded by 4.5 ppts, largely driven by the 8.3 ppts margin expansion in the Oleochemicals space. This has more than offset the margin contraction of 3.2 ppts in Other Specialty Chemicals that resulted from higher prices of petrochemical-based raw materials.

- Together with expanded facilities for the food business, new production capacity for this segment is being planned as part of the group's expansion project in First Industrial Township.

Specialty Plastics

- The specialty plastics group grew net income by 13% y-o-y in FY18, despite higher prices of petrochemical-based raw materials for the year. Total volume for the period declined by 1%. Meanwhile, the colorants and additives segment saw its gross profit margins expand by 2.4 ppts which was more than enough to offset the 3.2 ppts margin contraction in the engineered polymers segment. Overall margins are expected to recover once raw material prices start to stabilize. The company's price pass-through mechanism allows it to pass on changes in raw material prices and forex to customers. It normally takes the company 30-45 days to adjust its selling prices.

Aerosols

- Aerosols group posted 12% y-o-y net income growth in FY18, with volumes growing faster at 29% y-o-y. Meanwhile, the blended gross profit margin contracted by 4.3 ppts due to higher raw material prices. The company's price pass through mechanism is uniformly applied across all of its businesses; thus, margins in aerosols are also expected to recover once underlying raw material prices start to stabilize.

Key Financial Performance Indicators

	2018	**2017**
Gross Profit margin [a]	19%	17%
Net profit margin [b]	12%	10%
Return on Equity [c]	19%	19%

Current ratio [d]	3.05x	2.30x
Interest cover [e]	25x	24x
Net debt to equity ratio [f]	0.10x	0.25x
Asset-to-Equity ratio [g]	1.35x	1.53x
Book Value per share [h]	2.32	2.13
Return on Invested Capital [i]	21.2%	19.2%

[a] Gross Profit/ Revenues
[b] Net Income available to common shareholders/ Revenues
[c] Net Income available to common shareholders/ Shareholders' Equity
[d] Current Assets/ Current Liabilities
[e] Earnings before interest and taxes/ Interest Expense
[f] (Borrowings – Cash)/ Shareholders' Equity
[g] Total Assets/Total Equity
[h] Shareholders' Equity (available to owners of the Parent) / weighted average outstanding number of common shares
[i] Pre-tax income / invested capital (total assets – cash – non-interest bearing liabilities)

Financial Condition

- The Company's current ratio remained healthy in 2018. It improved to 3.05x from 2.30x in 2017 largely due to the decline in short-term borrowings given higher operating cash generated from operations.

- Cash level at the end of 2018 stood at P1.8 billion from P2.9 billion at the end of 2017.

- Excluding the impact of VAT in the account balances, cash conversion cycle stood at 147 days with Accounts Receivable days, Inventory days, and Accounts Payable days at 58, 104, and 15, respectively.

- Prepayments and other current assets increased by 12% to P1.8 billion in 2018 from P1.6 billion mainly due to advances to supplier.

- Net debt to equity ratio in 2018 went down to 0.10x from 0.25x in 2017 as the company paid off some of its borrowings. Interest cover remains comfortable at 25x. Total borrowings as of end-2018 decreased to P3.4 billion from P6.6 billion. Long-term debt stood at P1 billion.

- Retained earnings increased by 33% in 2018 to P5.4 billion mainly as a result of higher net income for the year. Total dividends paid amounted to Php1.9 billion which translated to a 64% payout ratio based on previous year's net income.

- Total equity increased by 9% to P16.6 billion on the back of higher retained earnings.

- The Company remained operating cash flow and free cash flow positive in 2018.
  - Net cash generated from operating activities stood at P4.1 billion, a significant improvement from the P171 million generated in 2017 due to lower working capital requirements for the year given lower coconut oil and palm oil prices.
  - Net cash used in investing activities amounted to P858 million which was mainly spent on acquisition of property and equipment. This was higher by 86% compared to the P461 million

cash used in investing activities in 2017. This is expected to go up further as the company ramps up spending on its expansion plan in Batangas.
- Net cash used in financing activities amounted to P5.2 billion. The company paid a total of P1.9 billion in dividends while net proceeds from debt availment amounted to P2.9 billion.

FY2017 versus FY2016

Results of Operations

- Reported net income available to common shareholders increased by 10.6% to P2.9 billion in 2017 from P2.6 billion in 2016, or earnings per share of P0.41 versus 2016's P0.37.

- Consolidated revenues of P27.8 billion in 2017 were 25% higher than P22.2 billion in 2016. The growth in consolidated revenues was mainly driven by the broad-based increase in sales volume and higher prices of raw materials.

- Gross profit for the year increased by 15% to P4.6 billion from P4 billion in 2016, driven by higher volume and margin expansion in the High Margin Specialty Products (HMSP) segment. Meanwhile, overall gross profit margin declined by 1.5 ppts largely due to margin compression on the commodity side of the business.

- Selling and marketing expenses increased by 16% to P654 million from P564 million in 2016 as delivery charges increased by 18%.

- Administrative expenses increased by 23% to Php330 million coming off from P268 million in 2016 as taxes and licenses and contracted services increased by 14% and 120%, respectively.

- Other income (net), which include foreign exchange gains and losses, interest income, dividend income, and other miscellaneous income, declined by 54% to P39 million as the Company booked lower foreign exchange gain of P14 million in 2017 compared to P69 million in 2016.

- Finance costs was higher by 72% at P157 million due to higher debt levels in 2017 compared to 2016.

- Income tax expense grew 14% to P662 million from P581 million in 2016 driven by higher taxable income for the year.

Segment Operations

Food Ingredients

- The food ingredients segment grew its earnings by 11% in FY17. In 4Q17 alone, net income for the segment grew by 23% y-o-y. Blended gross profit margin compressed by 1.1ppts due to lower commodity straight oil margins. Meanwhile, the high margin specialty product segments (specialty fats/oils and specialty ingredients) saw a 0.7ppt margin expansion. Over the long-term, continued investments in R&D as well as growing GDP per capita will drive margin expansion for the food ingredients business.

- 2017 witnessed the first full-year contribution of the agreement with Ventura. Export sales of the food ingredients business grew by 292% y-o-y. Moving forward, growth prospects for exports remain healthy, given Ventura's low penetration in the region and various opportunities in the export market. The contract with Ventura covers the entire Asia Pacific, while only four countries (China, Hong Kong, Japan, and Indonesia) are currently being serviced to date.

- Overall utilization for the food ingredients plant now stands at 65%. In November 2017, the company announced plans to put up a new food ingredients facility in order to sufficiently serve its growing domestic and export business. The new plant will be located in First Industrial Township, which is a Special Economic Zone in Batangas.

<u>Oleochemicals and Specialty Oleochemicals</u>

- Chemrez posted 9% increase in net income in full year 2017. The robust growth in the high margin oleochemicals business offset the weakness in biodiesel. Nonetheless, biodiesel recovered in the second half of the year with volume growing by 6% y-o-y. Biodiesel ended 2017 with a lower volume decline of just 18% compared to the 33% volume decline recorded in the first half of the year. Meanwhile, high margin oleochemicals and specialty chemicals posted 12% y-o-y volume growth.

- Moving forward, Chemrez's growth is underpinned by the increasing appreciation of coconut-based products globally. The company announced in November 2017 that it is putting up new facilities dedicated for the manufacture of coconut oil fractions, coconut-based surfactants, and downstream consumer products which are sustainable, naturally-derived, mild and non-irritant. Product applications extend to health care, personal care, home care as well as baby care. The said facilities will also be located in First Industrial Township.

<u>Specialty Plastics</u>

- The specialty plastics group grew its net income by 11% in FY17. Blended gross profit margin improved by 0.5ppt due to an improved product mix, as revenue contribution of colorants and additives now exceeds revenue contribution of engineered polymers.

- A ramp up in sales towards the second half of the year compensated for the negative volume growth in the first half. In 2H17 alone, volume sold grew by 11%. The specialty plastics group finished the year with a 4% volume growth.

<u>Aerosols</u>

- Aerosols segment remains the fastest growing segment of the company, posting 20% y-o-y earnings growth in full year 2017. Blended margins expanded by 2.2ppts which resulted from a shift to higher value and more R&D-intensive products. The aerosols group now contributes 6% to D&L's overall consolidated income, compared with 3% five years ago.

- The company expects the segment's strong growth momentum to continue as aerosol penetration in the Philippines remains low. Moreover, the segment should benefit from the increasing consumer demand across all categories, due to rising disposable income in the country.

Key Financial Performance Indicators

	2017	**2016**
Gross Profit margin [a]	17%	18%
Net profit margin [b]	10%	12%
Return on Equity [c]	19%	19%
Current ratio [d]	2.30x	2.68x
Interest cover [e]	24x	29x
Net debt to equity ratio [f]	0.25x	0.15x

Asset-to-Equity ratio [g]	1.53x	1.45x
Book Value per share [h]	P2.13	P1.96
Return on Invested Capital [i]	18.8%	19.9%

[a] Gross Profit/ Revenues
[b] Net Income available to common shareholders/ Revenues
[c] Net Income available to common shareholders/ Shareholders' Equity
[d] Current Assets/ Current Liabilities
[e] Earnings before interest and taxes/ Interest Expense
[f] (Borrowings – Cash)/ Shareholders' Equity
[g] Total Assets/Total Equity
[h] Shareholders' Equity (available to owners of the Parent) / weighted average outstanding number of common shares
[i] Pre-tax income / invested capital (total assets – cash – non-interest bearing liabilities)

Financial Condition

- The Company's current ratio remained healthy in 2017. It stood at 2.30x, marginally lower than 2.68x in 2016 as the Company incurred higher short-term borrowings to finance the increase in working capital requirements of the business driven by higher sales.

- Cash level at the end of 2017 stood at P2.9 billion which was marginally higher by P75 million year-on-year.

- Excluding the impact of VAT in the account balances, cash conversion cycle stood at 129 days with Accounts Receivable days, Inventory days, and Accounts Payable days at 53, 89, and 13, respectively.

- Prepayments and other current assets decreased by 21% to P1.6 billion in 2017 from P2.1 billion mainly due to lower input VAT and creditable withholding taxes.

- While the Company's net debt to equity ratio increased to 0.25x in 2017 from 0.15x in 2016, it remains lightly geared. Interest cover remains comfortable at 24x. Total borrowings as of end-2017 increased to P6.6 billion from P4.9 billion as the company increased short-term borrowings to finance the increase in working capital requirements. Long-term debt stood at P1 billion.

- Retained earnings increased by 39% in 2017 to P4.6 billion mainly as a result of higher net income for the year. P500 million from retained earnings was appropriated in 2017 for additional investments needed for capacity building activities of CTI and its subsidiaries. Total dividends paid amounted to Php1.7 billion which translated to a 64% payout ratio based on previous year's net income.

- Total equity increased by 9% to P15 billion on the back of higher retained earnings.

- The Company remained operating cash flow and free cash flow positive in 2017 despite higher commodity prices and peso depreciation.
  - Net cash generated from operating activities stood at P636 million, 29% lower than the P897 million generated in 2016. The P261 million difference resulted from higher working capital requirements for the year.
  - Net cash used in investing activities amounted to P461 million which was mainly spent on acquisition of property and equipment. This was higher by 20% compared to the P384 million cash used in investing activities in 2016.

- Net cash used in financing activities amounted to P107 million. The company paid a total of P1.7 billion in dividends while net proceeds from debt availment amounted to P1.7 billion.

D&L's Plan of Operation for 2020

With the COVID-19 pandemic affecting the global economy, the company may experience challenges in terms of logistics, supply chain management, and reduced manpower. While the company sources some of its raw materials from China and some delays are expected, it has already been able to find alternative suppliers. As of this writing, the company is able to maintain selected operating capabilities specifically for food and sanitation chemicals which are crucial given the current situation. The company currently has ample inventory on hand with inventory days at over 100.

The food ingredients business will likely take a hit with slower demand from the hotel/restaurant/catering (HoReCa) sector as lockdowns continue to be in place. As a countermeasure, the company is aligning resources to serve the increase in demand for immunity-boosting food supplements, cleaning solutions, alcohol, and disinfectants.

Despite the disruptions that COVID-19 brings, management is optimistic that the company can weather this storm given its strong balance sheet. The company's net gearing and interest cover stood at 8% and 18x, respectively, as of end-2019.

Once things start to normalize, the company's growth will largely be driven by 1) increasing GDP per capita and consumer spending in the Philippines, 2) robust export business, and 3) continued margin expansion in the High Margin Specialty Ingredients (HMSP) segment. As such, the Company's efforts and resources will continue to be directed towards seizing these opportunities. The Company will continue to invest in research and innovation initiatives that will further strengthen its reputation as a market leader in customized specialty products.

Over the long-term, management targets export revenues to account for 50% of the Company's total revenues. Moreover, HMSP should comprise a bigger portion of overall sales given the amount of resources allocated in growing this segment.

Item 7. Financial Statements

The Financial Statements of the Company are incorporated herein by reference and attached as an integral part of this SEC Form-17A.

Item 8. Information on Independent Public Accountant and Other Related Matters

1. **Independent Public Accountant**

(a) Audit and Audit-Related Fees

The Company's independent public accountant is the accounting firm of Isla Lipana & Co. The Company's Audit Committee recommended for approval of the Board the appointment of external auditor for the ensuing year. The stockholders then approved and ratified the appointment of external auditor at the annual stockholder's meeting held on June 11, 2019. Isla Lipana has not expressed any intention to resign as the Company's principal auditor nor has it indicated any hesitance to accept re-election after the completion of their last audit.

Pursuant to the General Requirements of the SRC Rule 68, paragraph 3 (Qualifications and Reports of

Independent Auditors), the Company has engaged Isla Lipana & Co. as external auditor. Mr. Roderick M. Danao was the audit engagement partner-in-charge for the Company's financial statement audit from 2019 and 2018. Ms. Gina S. Detera was the audit engagement partner-in-charge for the Company's financial statement audit in 2017 and 2016. Ms. Imelda Dela Vega-Mangundaya was the audit engagement partner-in-charge for the Company's financial statement audit from 2010 to 2015.

The aggregate fees billed for each of the last three (3) fiscal years for professional services that are normally rendered by Isla Lipana & Co (formerly Joaquin Cunanan & Co.) for the audit of the company's Annual Financial Statements are the following:

Year	Audit Fees
2017	P5,385,000
2018	P5,600,000
2019	P5,670,000

There are no other assurance and related services by Isla Lipana & Co. that are related to the performance of the audit or review of the Company's Financial Statements.

(b) All Other Fees

There are no aggregate fees billed in each of the last three (3) fiscal years for products and services provided by Isla Lipana & Co., other than the services reported under item (a) above and a non-audit service for IT consultancy work (P805,000) performed in 2017.

(c) Audit Committee's Approval Policies and Procedures

The composition of the Audit Committee is as follows:

Mrs. Corazon S. de la Paz-Bernardo, as Chairman (Independent Director), Atty. Mercedita S. Nolledo (Independent Director) and Mr. Filemon T. Berba Jr. (Independent Director).

The Audit Committee meets on a regular basis to:

a) Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;

b) Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the corporation;

c) Perform oversight functions over the corporation's internal and external auditors. It should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;

d) Review the annual internal audit plan to ensure its conformity with the objectives of the corporation. The plan shall include the audit scope, resources and budget necessary to implement it;

e) Prior to the commencement of the external audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;

f) Establish an internal audit function, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;

g) Monitor and evaluate the adequacy and effectiveness of the corporation's internal control system, including financial reporting control and information technology security;

h) Review the reports submitted by the internal and external auditors;

i) Review the quarterly, half----year and annual financial statements before their submission to the Board, with particular focus on the following matters:

- Any change/s in accounting policies and practices
- Major judgmental areas
- Significant adjustments resulting from the audit
- Going concern assumptions
- Compliance with accounting standards
- Compliance with tax, legal and regulatory requirements

j) Coordinate, monitor and facilitate compliance with laws, rules and regulations;

k) Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the corporation's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the corporation's annual report; and

l) Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit Committee. The Audit Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties.

2. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Changes in Accounting Policies

Refer to Note 23 – Summary of Significant Accounting Policies under Changes in Accounting Policies and Disclosures discussion on the Consolidated Financial Statement as of the year ended December 31, 2019 included in this report.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

The Articles of Incorporation provide for the election of seven (7) directors to the Board to serve for a term of one year. The Board is responsible for the overall management and direction of the Company. It meets on a regular basis to review and monitor the Company's financial position and operations.

The following sets forth certain information as to the Directors and executive officers of the Company and key officers of the Company's wholly-owned subsidiaries:

Advisory Board Members

Name	Age	Nationality	Position
Dean L. Lao	81	Filipino	Chairman Emeritus
Leon L. Lao	77	Filipino	Member, Advisory Board
Alex L. Lao	74	Filipino	Member, Advisory Board

Directors, Executive Officers, and Key Officers of wholly-owned subsidiaries:

Name	Age	Nationality	Position
Yin Yong L. Lao	67	Filipino	Chairman
John L. Lao	65	Filipino	Director and Vice Chairman
Alvin D. Lao	48	Filipino	Director, President and Chief Executive Officer
Mercedita S. Nolledo	79	Filipino	Independent Director
Filemon T. Berba, Jr.	81	Filipino	Independent Director
Corazon S. de la Paz-Bernardo	79	Filipino	Independent Director
Lydia R. Balatbat-Echauz	72	Filipino	Independent Director
Amorsolo M. Rosario	59	Filipino	CFO, Treasurer, Compliance Officer
Joselito P. Rivera	57	Filipino	Chief Operating Officer
Dean A. Lao, Jr.	52	Filipino	Managing Director, Chemrez Technologies
Lester A. Lao	52	Filipino	Managing Director, FIC and DLPC
Vincent D. Lao	46	Filipino	Managing Director, Oleo-Fats, Inc.
Kristine Ann C. Catindig-Ong	38	Filipino	Corporate Secretary
Ainslee Anne T. Lao	29	Filipino	Assistant Corporate Secretary

The business experience for the past five years of each of the directors and executive officers is set forth below.

Dean L. Lao is the Co-founder and Chairman Emeritus of the Company, having previously served as Chairman and President of the Company from 1971 to 2013. He now sits on the Advisory Board of the Company since 2017. He was the founder of the various companies belonging to the Lao Family which include FIC Marketing, Inc. (1986), Oleo-Fats, Incorporated (1988), Corro-Coat, Inc (1990), Aero-Pack Industries, Inc. (1990), First in Colors, Incorporated (1991), and Chemrez Product Solutions, Inc. (1991). He currently serves as Director of the following companies: Aero-Pack Industries, Inc., Chemrez Product

Solutions, Inc., First in Colours, Incorporated, Oleo-Fats Incorporated, Malay Resources, Inc., FIC Marketing, Inc., FIC Tankers Corporation, LBL Prime Properties Incorporated, Ecozone Properties, Inc., First Batangas Industrial Park, Inc., Color-Chem Corp., North Mactan Industrial Corporation and Jadel Holdings Co., Inc. Dean obtained his B.S. in Chemical Engineering from the Polytechnic Colleges of the Philippines.

Leon L. Lao is the co-founder of D&L Industries, Inc. Having previously served the Company in various capacities (Director, Chairman, President and Chief Operating Officer), Leon Lao now sits on the Advisory Board of the Company since 2017. He currently serves as the President of Chemrez Technologies, Inc., First in Colors, Incorporated and D&L Polymer & Colours, Inc., and Director of Aero-Pack Industries, Inc., Chemrez Product Solutions, Inc., First in Colours, Incorporated, Oleo-Fats Incorporated, Malay Resources, Inc., LBL Prime Properties Incorporated, Ecozone Properties, Inc., First Batangas Industrial Park, Inc., Color-Chem Corp., North Mactan Industrial Corporation and Jadel Holdings Co., Inc. Leon obtained his B.S. in Chemical Engineering from the Polytechnic Colleges of the Philippines.

Alex L. Lao is a member of the Advisory Board of the company. He was a Director of the Company from 1971 to 2017. He has also been a Director of other subsidiaries and affiliates of D&L Industries. He previously served as Alternate Director of Axis REIT a real estate investment trust listed in Malaysia. Mr. Lao is also a Director of the following: Aero-Pack Industries, Inc., Chemrez Product Solutions, Inc., First in Colours, Incorporated, Oleo-Fats Incorporated, Malay Resources, Inc., FIC Marketing, Inc., LBL Prime Properties Incorporated, First Batangas Industrial Park, Inc., Anonas LRT Property and Dev't Corp., Hotel Acropolis, Inc., Color-Chem Corp., North Mactan Industrial Corporation and Jadel Holdings Co., Inc. Alex obtained his B.S. in Chemical Engineering from the Polytechnic Colleges of the Philippines.

Yin Yong L. Lao is the Chairman of the Company, having been a Director since 1971 and having previously served as President. He is a Director as well as President and Chief Executive Officer of LBL Prime Properties Incorporated, Anonas LRT Property and Dev't Corp., Hotel Acropolis, Inc. and Ecozone Properties, Inc. Yin Yong is also a Trustee of the Association of Petrochemical Manufacturers of the Philippines. He also serves as a director of the following: Aero-Pack Industries, Inc., Chemrez Technologies, Inc., Chemrez Product Solutions, Inc., First in Colours, Incorporated, Oleo-Fats, Incorporated, Malay Resources, Inc., First Batangas Industrial Park, Inc., Color-Chem Corp., North Mactan Industrial Corporation, and Jadel Holdings Co., Inc. He graduated from the Ateneo de Manila University with a Bachelor of Arts degree in General Studies.

John L. Lao is the Vice Chairman of the Company. He previously served as the President until August 2016. He is currently the President of Aero-Pack Industries, Inc. and Executive Vice President of Chemrez Technologies. His other directorships include North Mactan Industrial Corporation, Chemrez Technologies, Inc., Chemrez Product Solutions, Inc., First in Colours, Incorporated, D&L Polymer & Colours, Inc., D&L Powder Coating, Inc., Oleo-Fats Incorporated, Malay Resources, Inc., FIC Marketing, Inc., LBL Prime Properties Incorporated, Ecozone Properties, Inc., Anonas LRT Property and Dev't Corp., Hotel Acropolis, Inc., First Batangas Industrial Park, Inc., Color-Chem Corp. and Jadel Holdings Co., Inc. John obtained his B.S. in Business Administration from the University of the East.

Mercedita S. Nolledo is an independent director of the Company. She also serves currently as a Director and/or officer in various capacities for Bank of the Philippine Islands, BPI Capital Corporation, BPI Family Savings Bank, BPI Foundation, Inc., BPI Investment Management, Inc., BPI Asset Management and Trust Corporation, Xurpas, Inc., Ayala Foundation, Inc., Ayalaland Commercial REIT, Inc., Anvaya Cove Beach & Nature Club, Michigan Holdings, Inc., and Sonoma Properties, Inc. Mrs. Nolledo obtained a B.S. in Business Administration and Accountancy (Magna Cum Laude and class valedictorian) and a Bachelor of Laws (Ll.B degree – cum laude and class valedictorian) from the University of the Philippines. She placed 2nd in both the Certified Public Accountant exams and bar exams in 1960 and 1965, respectively.

Filemon T. Berba, Jr. is an independent director of the Company. He is the Chairman of the Philippine Foundation for Science &Technology, President Emeritus of the Philippine Quality Award Foundationa nd serves as independent director of EEI Corporation.He also previously served as Senior ManagingDir ector of Ayala Corporation from 1991 to 2003, seconded as Vice Chairman andPresident of Manila Wat er Company from 1997 to 2003, President of Globe Telecom from 1995 to 1997, Vice Chairman andPre sident of Integrated Microelectronics, Inc. from 1991 to 2003, President and Chief Executive Officer of P hilippine ElectricCorporation from 1987 to 1990, President of Westinghouse Asia Controls Corporation from 1979-1987, Group President of various companies under the Herdis Group from 1975-1979, Vice President for Manufacturing and Logistics Services for United Laboratoriesfrom 1973 to 197 5, as well as other senior management positions in the First Philippine Holdings Group. Mr. Berba obtai ned a B.S. inElectrical Engineering (Magna Cum Laude) from the University of the Philippines and obtai ned his Masters of BusinessAdministration degree (with distinction) from the Wharton School of the U niversity of Pennsylvania.

Corazon de la Paz-Bernardo is an independent director of the Company. She headed the Social Security System from 2001 to 2008 as President and CEO. Prior to this, she built a successful career as a certified public accountant at Joaquin Cunanan & Co (Price Waterhouse Coopers Philippines) from 1967 to 2001 where she was the Chairman and Senior Partner of the firm from 1981 to 2001. She was also the first non-European President of the International Social Security Association from 2004 to 2010. She continues to be an independent director or trustee of other companies including Roxas & Co., Republic Glass Holdings Corp., University of the East, University of the East RMMMCI, Miriam College, Del Monte Philippines, and Phinma Education Holdings Inc.. She is an adviser to the board and audit committee of BDO Unibank, Inc. and adviser to the audit committee of PLDT. She is currently the Vice Chairman of the Shareholders Association of the Philippines. Mrs. de la Paz-Bernardo is a graduate of the University of the East (Magna Cum Laude) and obtained first place in the 1960 CPA board examination. She obtained her MBA from the Cornell University Johnson School of Management as a Fulbright grantee and UE scholar.

Lydia Balatbat-Echauz is an independent director of the Company. She has more than three decades of leading the country's top schools. She served as President of publicly listed Far Eastern University from 2002 to 2012. Previous to this, she was Associate Director at the Graduate School of Business, Ateneo de Manila University until 1985 and Dean of the Graduate School of Business, De La Salle University from 1986 to 2002. Her expertise extends beyond the academe as she also sits on the board of several companies which include Metro Pacific Investments Corporation, Pilipinas Shell Petroleum Corp., PLDT Beneficial Trust Fund, Global Business Power Corporation, SM Foundation, Inc., Henry Sy Foundation, Inc., PhilStar Group, Riverside College, Inc., NBS College, Felicidad T. Sy Foundation, Inc., FERN Realty Corporation, BusinessWorld Publishing Corporation, Superior Parañaque Homes, Inc., Bancholders, Inc., and Tahanan Mutual Building and Loan Association.

Alvin D. Lao became a Director and President and Chief Executive Officer of the Company in August 2016. He also serves as a Director of Axis REIT, a real estate investment trust listed in Malaysia. He is a Vice President of the Technology Club of the Philippines (Philippine alumni of the Massachusetts Institute of Technology) and past president of the Entrepreneurs Organization (EO, Philippine Chapter). He is a current member of the Financial Executives Institute of the Philippines (FINEX), Wallace Business Forum, Akademyang Filipino, and Management Association of the Philippines. He is a member of the Advisory Board of Urban Land Institute – Philippine Branch. He is also the Executive Vice President and Treasurer of LBL Prime Properties Incorporated and Ecozone Properties, Inc. His other directorships include: Gurango Software Corporation, First in Colours, Incorporated, D&L Polymer & Colours, Incorporated, FIC Tankers Corporation, Anonas LRT Property and Dev't Corp., Ecozone Properties, Inc. and Hotel Acropolis, Inc. He was previously a faculty member of the De La Salle University Graduate School of Business. He graduated from the University of Western Australia with a Bachelor of Science in Information Technology (Honours) and Statistics. He also holds a Master's degree in Business

Administration from the MIT Sloan School of Management.

Joselito P. Rivera was appointed as the Chief Operating Officer in August 2017. Mr. Rivera's corporate leadership experience was gained through multi-disciplinary roles at local and multinational companies. He was the Global Head for Leadership at Ericsson Corporate Headquarters in Stockholm, Sweden for six years. Prior to that, he was with Ericsson Philippines for nine years where he held various management positions such as Senior Vice President for Business Development and Head for Market Communications, Vice President for Human Resources and Operations Development, Asia Pacific Head for Ericsson University and Talent Management. He also held positions in human resources and organization effectiveness roles at Basic/Foote, Cone & Belding, and Philippine Airlines. He is currently the Chairperson, Board of Trustees and OIC President of Pamantasan Lungsod ng Marikina and Lead Adviser for Marikina Local Government, Office of the Mayor, with focus areas in education, DRRM, livelihood and health. He was formerly Lead Adviser for several organizations such as the McCann World Group, Philippine Business for Social Progress, Staff House International, SEA Institute, Ateneo Law School, Puno Law and various Government Agencies.

Amorsolo M. Rosario was appointed as the Chief Financial Officer, Treasurer and Chief Compliance Officer of the Company in August 2016. He has been with D&L group since 2010, initially as Chief Financial Officer of Oleo-Fats, Inc. before moving to the parent company as Finance and Accounting Consultant in 2012. Prior to joining D&L, he was Senior Vice President of Finance at Nestle Philippines. He held a number of Controllership, Finance, Management Information System, and Internal Audit roles of increasing responsibility in the Philippines, Australia, the UK and Switzerland for 27 years. Mr. Rosario holds a Bachelor of Science in Business Administration and Accountancy from the University of the Philippines and an MBA from the Pamantasan ng Lungsod ng Maynila. He also completed the Program for Executive Development of the International Institute for Management Development in Switzerland and is an SBEP alumnus of the University of Asia & the Pacific. He placed 5th in the Certified Public Accountant Exams in 1982.

Dean A. Lao, Jr. is the Managing Director of Chemrez and a member of the Management Committee of D&L Industries. He is currently the Chairman of the United Coconut Association of the Philippines, Director of the ASEAN Oleochemical Manufacturing Group, President of the Philippine Oleochemical Manufacturers Association, President of The Philippine Biodiesel Association and member of the Wallace Business Forum, Chemical Industries Association of the Philippines, Philippine Association of Paint Manufacturers and the Entrepreneurial Organization, Philippine Chapter. He graduated from Curtin University in Western Australia with a Bachelor of Business in Information Processing after completing his freshman year at the Ateneo de Manila University in the Philippines with a BA in Interdisciplinary Studies. He also completed the Advanced Management Program of Harvard Business School.

Lester A. Lao is the Managing Director of First in Colours, Incorporated and D&L Polymer & Colours, Inc. and a member of the Management Committee of D&L Industries. He also serves as Director of First in Colours, Incorporated, D&L Polymer & Colours, Inc., Anonas LRT Property and Dev't Corp. and Hotel Acropolis, Inc. He finished his Bachelor of Applied Science (Information Business) in Edith Cowan University Australia.

Vincent D. Lao is the Managing Director of Oleo-Fats and a member of the Management Committee of D&L Industries. He also serves as the President of Best Value Factory Outlet Corp. He was previously Assistant Trader at Shuwa Co. Ltd. in Japan from 1994 to 1995. He also serves as Director of D&L Polymer & Colours, Incorporated, Oleo-Fats, Incorporated, Anonas LRT Property and Dev't Corp., and Hotel Acropolis, Inc. He graduated from the University of Western Australia with a Bachelor of Arts in Economics and Japanese Studies.

Kristine Ann C. Catindig-Ong is the Corporate Secretary of the Company, Corporate Information Officer and Corporate Legal Counsel of the Company. She is likewise the Assistant Corporate Secretary of the following subsidiaries: Oleo-Fats, Incorporated, D&L Polymer & Colours, Inc., First in Colours, Incorporated, Aero-Pack Industries, Inc., and Chemrez Technologies, Inc. She is a lawyer with a juris doctor degree from the Ateneo School of Law and a member of the Integrated Bar of the Philippines.

Ainslee Anne T. Lao is the Assistant Corporate Secretary of the Company. She also serves as Director and Corporate Secretary of D&L Premium Foods Corp., Natura Aeropack Corporation and Jadel Research Center, Incorporated. She is likewise the Assistant Corporate Secretary of the following subsidiaries: Oleo-Fast, Incorporated, D&L Polymer & Colours, Inc., First In Colours, Incorporated, Aero-Pack Industries, Inc., Chemrez Product Solutions, Inc. and Chemrez Technologies, Inc. She holds a Bachelor of Arts degree in History and a Master's degree in International Business from the University of London.

Involvement in Certain Legal Proceedings

No Director, executive officer or senior officer of the Company during the past five (5) years has been subjected to:

(a) Any bankruptcy petition files by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

(b) Any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

(c) Any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, and commodities or banking activities.

No Director, executive officer or senior officer of the Company has been found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended, or vacated.

Board Meetings and Attendance

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Yin Yong L. Lao	06-11-19	6	5	83
Member	John L. Lao	06-11-19	6	6	100
Member	Alvin D. Lao	06-11-19	6	6	100
Independent	Filemon T. Berba, Jr.	06-11-19	6	6	100
Independent	Mercedita S. Nolledo	06-11-19	6	6	100
Independent	Corazon S. de la Paz-Bernardo	06-11-19	6	6	100
Independent	Lydia R. Balatbat-Echauz	06-11-19	6	6	100

Item 10. Executive Compensation

The total annual compensation received by Executive Officers and key senior personnel of the Company and its wholly-owned subsidiaries and affiliates in 2017, 2018, and 2019 amounted to P27,832,148, P33,192,677 and P38,178,855 respectively. The projected total annual compensation for the current year 2020 is P40,469,586.30. The table below shows the most highly compensated key officers and senior personnel of the Company.

Name	Position	Year	Salary	Bonus	Other Compensation
Alvin D. Lao	President and CEO	2019		-	-
Dean A. Lao, Jr.	Managing Director - Chemrez	2019		-	-
Lester A. Lao	Managing Director - DLPC/FIC	2019		-	-
Vincent D. Lao	Managing Director - Oleo Fats	2019		-	-
Other Senior Officers		2019		-	-
Total			**P38,178,855**	**-**	**-**

The following are given to Directors for each meeting attended:

- P60,000 for the Chairman of the Board
- P50,000 for each Board member
- P35,000 for the chairman of the Board Committee
- P25,000 for each member of the Board Committee

Aside from the aforementioned director fee no other compensation is paid to Directors of the Company. Further, the Company does not have any stock option or management incentive plan as part of its current compensation for Directors and officers.

Item 11. Security Ownership of Certain Beneficial Owners and Management

As of December 31, 2019, the beneficial owners of more than five (5) percent of any class of the Company's voting securities are as follows:

Title of Class	*Name, address of record owner and relationship with issuer*	*Name of Beneficial Owner & Relationship w/ Record Owner*	*Citizenship*	*No. of Shares Held*	*Percent (1)*
Common	JADEL Holdings, Inc. (2) 65 Calle Industria, Bagumbayan, Quezon City Stockholders	n/a	Filipino	3,930,114,072	55.02%
Common	PCD Nominee Corp (Non-Filipino) G/F Makati Stock Exchange, Ayala Avenue, Makati City	The Hongkong and Shanghai Banking Corp. Ltd. - Clients' Account	Foreign	519,945,893	7.28%
Common	PCD Nominee Corp (Non-Filipino) G/F Makati Stock Exchange, Ayala Avenue, Makati City	Deutsche Bank Manila - Clients' Account	Foreign	634,138,263	8.88%

Note: (1) Percentage is based on total number of shares issued – 7,142,857,990

(2) Figures are based on the report rendered by the stock transfer agent

The following table shows the security ownership of the Company's senior management as of December 31, 2019:

Title of Class	Name of Beneficial Owner	Position	Amount and Nature of Beneficial Ownership (1) - Balance as of 01/01/19	Amount and Nature of Beneficial Ownership (1) -Balance as of 12/31/19		Citizenship	% to Total Outstanding
Common	Dean L. Lao	Chairman Emeritus	54,610,096	27,305,048	(D)	Filipino	0.38%
			98,925	34,579	(I)		0.00%
Common	Leon L. Lao	Member, Advisory Board	60,708,934	60,708,934	(D)	Filipino	0.85%
			5,094,646	1,910,493	(I)		0.03%
Common	Alex L. Lao	Member, Advisory Board	65,159,776	65,159,776	(D)	Filipino	0.91%
			25,911,593	6,159,777	(I)		0.09%
Common	Yin Yong L. Lao	Chairman	65,987,202	65,987,202	(D)	Filipino	0.92%
			32,058,518	32,058,518	(I)		0.45%
Common	John L. Lao	Vice Chairman	70,137,202	70,137,202	(D)	Filipino	0.98%
			8,440,294	8,440,172	(I)		0.12%
Common	Filemon T. Berba	Independent Director	200,002	200,002	(D)	Filipino	0.00%
Common	Mercedita S. Nolledo	Independent Director	700,000	700,000	(D)	Filipino	0.01%
Common	Corazon S. de la Paz-Bernardo	Independent Director	100	100	(D)	Filipino	0.00%
Common	Lydia R. Balatbat - Echauz	Independent Director	89,500	89,500	(D)	Filipino	0.00%
Common	Alvin D. Lao	President & Chief Executive Officer	8,006,500	8,107,500	(D)	Filipino	0.11%
			1,960,127	1,927,831	(I)		0.03%
Common	Dean A. Lao, Jr.	Managing Director, Chemrez Technologies	980,000	980,000	(D)	Filipino	0.01%
			2,198,923	2,290,577	(I)		0.03%
Common	Lester A. Lao	Managing Director, FIC and DLPC	350,000	350,000	(D)	Filipino	0.00%
			99,326,643	35,225,710	(I)		0.49%
Common	Vincent D. Lao	Managing Director, Oleo-Fats, Inc.	1,910,000	1,910,000	(D)	Filipino	0.03%
			1,959,953	1,927,780	(I)		0.03%
Common	Amorsolo M. Rosario	Chief Financial Officer, Treasurer, & Chief Compliance Officer	150,000	210,000	(D)	Filipino	0.00%
Common	Joselito P. Rivera	Chief Operating Officer	100,000	150,000			
Common	Kristine Catindig-Ong	Corporate Secretary	231,000	251,000	(D)	Filipino	0.00%
Common	Ainslee Anne T. Lao	Assistant Corporate Secretary	660,600	660,600	(D)	Filipino	0.01%
			10,364,555	15,202,396	(I)		0.21%
Common	Crissa Marie U. Bondad	Investor Relations Officer	81,200	183,800	(D)	Filipino	0.00%

Percentage is based on total number of shares issued of 7,142,857,990

Note:
(1) Indirectly owned shares are attributable to the individual Lao family member's direct (D) and indirect (I) interests in the following companies, which are principal stockholders of the Company

Name of Company	No. of shares in the Company	% to Total Outstanding
Jadel Holdings, Inc.	4,252,242,786	59.53%
Allvee United, Inc.	89,793,091	1.26%
CEE Industries, Inc.	48,087,779	0.67%
Hansevian, Inc.	752,000	0.01%
Jadana, Inc.	61,579,573	0.86%
Prime Spin, Inc.	75,961,142	1.06%
SmartWorks Trading Co., Inc.	91,651,020	1.28%

Item 12. Certain Relationships and Related Transactions

Mr. Dean L. Lao, Mr. Leon L. Lao, Mr. Alex L. Lao, Mr. Yin Yong L. Lao and Mr. John L. Lao are brothers. Mr. Dean A. Lao, Jr. and Mr. Lester A. Lao are sons of Mr. Dean L. Lao. Mr. Alvin D. Lao and Mr. Vincent D. Lao are sons of Mr. Leon L. Lao. Ms. Ainslee Anne T. Lao is the daughter of Mr. Alex L. Lao.

All other directors and officers are not related either by consanguinity or affinity.

Details of the Related Party Transaction are discussed under Notes 1 (General Corporate Information) and 18 (Related Party Transaction) of the Notes to the Consolidated Financial Statements of the Company. There were no transactions with directors, officers or any principal stockholders (owning at least 10% of the total outstanding shares of the Company) that are not in the ordinary course of business of the Company.

PART IV – CORPORATE GOVERNANCE

Item 13. Compliance with Leading Practice on Corporate Governance

For compliance with leading practices on corporate governance, please refer to the latest i-ACGR which can be accessed through the Company's website at this link: https://dnl.com.ph/wp-content/uploads/2019/05/Integrated-Annual-Corporate-Governance-Report-2018.pdf. The Company will submit its I-ACGR covering the year 2019 on or before the deadline set by the SEC.

In addition, the Company has a Code of Business Principles (CoBP) which encapsulates the Company's general policies relative to its stakeholders. The CoBP contains policies on customer's welfare, dealing with suppliers and the government, whistle blowing, community welfare, the environment and sustainable development and employee welfare. The COBP can be accessed through the Company's website at this link: https://dnl.com.ph/wp-content/uploads/2019/02/DnL-Code-of-Business-Principles.pdf. The Company's programs for employee health, safety and welfare and training and development are presented in the ACGR.

PART V – EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

D&L INDUSTRIES, INC.
LIST OF CORPORATE DISCLOSURES / REPLIES TO SEC LETTERS
UNDER SECTION FORM 17-C
JANUARY 1, 2019 TO DECEMBER 31, 2019

D&L INDUSTRIES, INC.

Date	Description of disclosure
Dec 23, 2019	Statement of Changes in Beneficial Ownership of Securities
Dec 23, 2019	Statement of Changes in Beneficial Ownership of Securities
Dec 23, 2019	Statement of Changes in Beneficial Ownership of Securities
Dec 23, 2019	Statement of Changes in Beneficial Ownership of Securities
Dec 18, 2019	Statement of Changes in Beneficial Ownership of Securities
Dec 16, 2019	Press Release - D&L provides business solution to the potential ban on single-use plastics
Nov 19, 2019	Statement of Changes in Beneficial Ownership of Securities
Nov 19, 2019	Statement of Changes in Beneficial Ownership of Securities
Nov 19, 2019	Statement of Changes in Beneficial Ownership of Securities
Nov 19, 2019	Statement of Changes in Beneficial Ownership of Securities
Nov 19, 2019	Statement of Changes in Beneficial Ownership of Securities
Nov 08, 2019	Quarterly Report
Nov 05, 2019	Press Release - D&L Industries Reports 9M19 Results

Nov 04, 2019	Material Information/Transactions - Approval of the results of operation for the quarterly period ending 30 September 2019
Oct 30, 2019	Notice of Analysts'/Investors' Briefing
Oct 24, 2019	Other SEC Forms, Reports and Requirements - Material Related Party Transactions Policy
Oct 11, 2019	Public Ownership Report
Oct 08, 2019	Statement of Changes in Beneficial Ownership of Securities
Oct 08, 2019	Statement of Changes in Beneficial Ownership of Securities
Oct 08, 2019	Statement of Changes in Beneficial Ownership of Securities
Oct 08, 2019	Statement of Changes in Beneficial Ownership of Securities
Oct 08, 2019	Statement of Changes in Beneficial Ownership of Securities
Oct 07, 2019	List of Top 100 Stockholders
Oct 04, 2019	Change in Corporate Contact Details and/or Website
Sep 02, 2019	Press Release - D&L Industries recognized as among the Honored Companies in ASEAN by Institutional Investor
Aug 23, 2019	Statement of Changes in Beneficial Ownership of Securities
Aug 14, 2019	Quarterly Report
Aug 07, 2019	Press Release - D&L Industries Reports 1H19 Results
Aug 07, 2019	Material Information/Transactions - Approval of the results of operation for the quarterly period ending 30 June 2019
Aug 02, 2019	Notice of Analysts'/Investors' Briefing

Jul 15, 2019	Public Ownership Report
Jul 10, 2019	List of Top 100 Stockholders
Jun 24, 2019	Statement of Changes in Beneficial Ownership of Securities
Jun 21, 2019	Statement of Changes in Beneficial Ownership of Securities
Jun 21, 2019	Statement of Changes in Beneficial Ownership of Securities
Jun 19, 2019	Statement of Changes in Beneficial Ownership of Securities
Jun 13, 2019	Clarification of News Reports
Jun 13, 2019	Material Information/Transactions - Guidelines for distribution of cash dividends
Jun 11, 2019	Results of Organizational Meeting of Board of Directors
Jun 11, 2019	Results of Annual or Special Stockholders' Meeting
Jun 11, 2019	Press Release - D&L Industries announces P0.286 per share dividends for 2019
Jun 11, 2019	Declaration of Cash Dividends
Jun 11, 2019	Declaration of Cash Dividends
May 31, 2019	Change in Shareholdings of Directors and Principal Officers
May 31, 2019	Change in Shareholdings of Directors and Principal Officers
May 30, 2019	Statement of Changes in Beneficial Ownership of Securities
May 28, 2019	Integrated Annual Corporate Governance Report
May 27, 2019	Statement of Changes in Beneficial Ownership of Securities

May 24, 2019	**Statement of Changes in Beneficial Ownership of Securities**
May 17, 2019	**Information Statement**
May 14, 2019	**Quarterly Report**
May 07, 2019	**Press Release**
May 07, 2019	**Material Information / Transactions - Approval of the results of operation for the quarterly period ending 31 March 2019**
May 03, 2019	**Information Statement**
May 02, 2019	**Notice of Analysts' / Investors' Briefing**
Apr 15, 2019	**Annual Report**
Apr 11, 2019	**Public Ownership Report**
Apr 08, 2019	**List of Top 100 Stockholders**
Mar 22, 2019	**Press Release - D&L's Biopolymers Receive International Certification**
Mar 06, 2019	**Clarification of News Reports**
Mar 05, 2019	**Press Release - D&L Industries was named as Philippines' Best Mid-Cap Company in FinanceAsia's 19th Annual Poll**
Mar 05, 2019	**Press Release - D&L Industries Reports Full Year 2018 Results;** **Recurring Net Income Grows 10% and Margins Improve**
Mar 05, 2019	**Material Information / Transactions - Approval of the Audited Financial Statements for the period ending 31 December 2018**
Mar 05, 2019	**Notice of Annual or Special Stockholders' Meeting**

Feb 28, 2019	**Notice of Analysts'/Investors' Briefing**
Jan 22, 2019	**Statement of Changes in Beneficial Ownership of Securities**
Jan 18, 2019	**Press Release - D&L's Analytical Laboratory Receives ISO Accreditation**
Jan 14, 2019	**Public Ownership Report**
Jan 07, 2019	**List of Top 100 Stockholders**

INDEX TO FINANCIAL STATEMENTS
Form 17-A, Item 7

Consolidated Financial Statements

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed in behalf of the issuer by the undersigned thereunto duly authorized, in the city of **QUEZON** on May 8 2020.

By:

Alvin D. Lao President/CEO	Marife M. Maddawin BUC
Amorsolo M. Rosario Chief Finance Officer	Kristine Ann Catindig-Ong Corporate Secretary

SUBSCRIBED AND SWORN to before me this _______ day of April 2020 affiant (s) exhibiting to me his/their valid identification as follows:

Names	**Valid ID**	**Expiration**
Alvin D. Lao		
Amorsolo M. Rosario		
Kristine Ann Catindig-Ong		
Marife M. Maddawin		

Doc No: __________
Page No: __________
Book No:__________
Series of 2020

D&L Industries, Inc. and Subsidiaries

Consolidated Financial Statements
With Supplemental Schedules
For the Securities and Exchange Commission
December 31, 2019

FIRST SECTION

Audited Consolidated Financial Statements with
Supplemental Schedules for the
Securities and Exchange Commission
December 31, 2019

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First Section

D&L

Securities and Exchange Commission
Secretariat Building, PICC Complex,
Roxas Boulevard, Pasay City 1307

STATEMENT OF MANAGEMENT RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of D & L Industries, Inc., is responsible for the preparation and fair presentation of the financial statements including the schedules attached herein, for the year ended December 31, 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approved the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

Isla Lipana & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

Yin Yong L. Lao
Chairman of the Board

Alvin D. Lao
President/CEO

Amorsolo M. Rosario
Chief Finance Officer

pwc

Isla Lipana & Co.

Independent Auditor's Report

To the Board of Directors and Shareholders of
D&L Industries, Inc. and Subsidiaries
No. 65 Industria Street
Bagumbayan, Quezon City

Our Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of D&L Industries, Inc. and its subsidiaries (together, the "Group") as at December 31, 2019 and 2018, and their consolidated financial performance and their consolidated cash flows for each of the three years in the period ended December 31, 2019 in accordance with Philippine Financial Reporting Standards (PFRSs).

What we have audited

The consolidated financial statements of the Group comprise:

- the consolidated statements of financial position as at December 31, 2019 and 2018;
- the consolidated statements of total comprehensive income for each of the three years in the period ended December 31, 2019;
- the consolidated statements of changes in equity for each of the three years in the period ended December 31, 2019;
- the consolidated statements of cash flows for each of the three years in the period ended December 31, 2019; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is impairment of goodwill.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of goodwill Refer to note 1.3 to the consolidated financial statements As at December 31, 2019, the Group reported goodwill amounting to P3.4 billion in the consolidated statement of financial position. An annual impairment review is performed based on the requirements of PAS 36, Impairment of Assets. Goodwill impairment test was performed by management related to the oleochemicals, resins and powder coating segment which was assessed to be the lowest level of cash-generating unit (or CGU) where goodwill is allocated. Management's impairment test over goodwill was significant to our audit because the assessment process is complex, and requires significant management estimate and judgement. The most significant assumptions used relate to the discount rate and terminal growth rate applied together with the assumptions supporting the underlying forecast cash flows, in particular the revenue growth rates and cost ratios.	We addressed the matter by evaluating management's impairment testing as supported by cash flow forecasts approved by the Board of Directors of the business segment. We tested the key assumptions and methodologies used, in particular the CGU determination, discount rate, terminal growth rate, revenue growth rate and cost ratios. Specific procedures are discussed below: • Review of management's basis for identifying the CGU where goodwill is allocated. • Involve our valuation experts to independently assess the reasonableness of the assumptions used in determining the Weighted Average Cost of Capital (WACC), which is the basis of discount rate, with reference to comparable companies. In addition, we compared other key assumptions such as terminal growth rate and revenue growth rate, to externally derived data. • Test reasonableness of cost ratios based on historical results and forecasted product mix based on future economic outlook that affects demand. In testing the discounted cash flow calculation, we also performed the following: • Test mathematical accuracy of the discounted cash flow calculation. • Test the calculation of the carrying amount of the CGU. • Test the sensitivity analysis of certain assumptions such as discount rate, terminal growth rate and revenue growth rate to ensure that no reasonable change in the assumptions would cause the carrying amount of the CGU to exceed its recoverable amount.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement) and SEC Form 17-A, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), and SEC Form 17-A are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the ability of each entity within the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate or to cease operations of an entity within the Group, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of each entity within the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause an entity within the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Roderick M. Danao.

Isla Lipana & Co.

Roderick M. Danao
Partner
CPA Cert. No. 88453
P.T.R. No. 0011280, issued on January 7, 2020, Makati City
SEC A.N. (individual) as general auditors 1585-AR-2, Category A; effective until October 14, 2022
SEC A.N. (firm) as general auditors 0009-FR-5, Category A; effective until June 20, 2021
TIN 152-015-078
BIR A.N. 08-000745-042-2018, issued on February 2, 2018; effective until February 1, 2021
BOA/PRC Reg. No. 0142, effective until September 30, 2020

Makati City
March 14, 2020

Isla Lipana & Co.

Statement Required by Rule 68
Securities Regulation Code (SRC)

To the Board of Directors and Shareholders of
D&L Industries, Inc. and Subsidiaries
No. 65 Industria Street
Bagumbayan, Quezon City

We have audited the consolidated financial statements of D&L Industries, Inc. (the "Parent Company") and its subsidiaries as at and for the year ended December 31, 2019, on which we have rendered the attached report dated March 14, 2020.

In compliance with SRC Rule 68 and based on the certification received from the Parent Company's corporate secretary and the results of our work done, the Parent Company has one hundred thirty-two (132) shareholders owning one hundred (100) or more shares each as at December 31, 2019.

Isla Lipana & Co.

Roderick M. Danao
Partner
CPA Cert. No. 88453
P.T.R. No. 0011280, issued on January 7, 2020, Makati City
SEC A.N. (individual) as general auditors 1585-AR-2, Category A; effective until October 14, 2022
SEC A.N. (firm) as general auditors 0009-FR-5, Category A; effective until June 20, 2021
TIN 152-015-078
BIR A.N. 08-000745-042-2018, issued on February 2, 2018; effective until February 1, 2021
BOA/PRC Reg. No. 0142, effective until September 30, 2020

Makati City
March 14, 2020

Isla Lipana & Co.

Statement Required by Rule 68
Securities Regulation Code (SRC)

To the Board of Directors and Shareholders of
D&L Industries, Inc. and Subsidiaries
No. 65 Industria Street
Bagumbayan, Quezon City

We have audited the consolidated financial statements of D&L Industries (the "Parent Company") and its subsidiaries as at and for the year ended December 31, 2019, on which we have rendered the attached report dated March 14, 2020. The supplementary information shown in the *Reconciliation of Parent Company's Retained Earnings Available for Dividend Declaration* and *Map Showing the Relationships between and among the Parent Company and its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsidiaries and Associates*, as additional components required by Rule 68 of the SRC, and Schedules A, B, C, D, E, F, G, and H, as required by the SRC, are presented for purposes of filing with the Securities and Exchange Commission and are not required parts of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to auditing procedures applied in the audit of the basic financial statements. In our opinion, the supplementary information has been prepared in accordance with Rule 68 of the SRC.

Isla Lipana & Co.

Roderick M. Danao
Partner
CPA Cert. No. 88453
P.T.R. No. 0011280, issued on January 7, 2020, Makati City
SEC A.N. (individual) as general auditors 1585-AR-2, Category A; effective until October 14, 2022
SEC A.N. (firm) as general auditors 0009-FR-5, Category A; effective until June 20, 2021
TIN 152-015-078
BIR A.N. 08-000745-042-2018, issued on February 2, 2018; effective until February 1, 2021
BOA/PRC Reg. No. 0142, effective until September 30, 2020

Makati City
March 14, 2020

Isla Lipana & Co.

Statement Required by Rule 68
Securities Regulation Code (SRC)

To the Board of Directors and Shareholders of
D&L Industries, Inc. and Subsidiaries
No. 65 Industria Street
Bagumbayan, Quezon City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of D&L Industries, Inc. and its subsidiaries (the "Group") as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated March 14, 2020. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The *Supplementary Schedule on Financial Soundness Indicators*, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised SRC Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

Isla Lipana & Co.

Roderick M. Danao
Partner
CPA Cert. No. 88453
P.T.R. No. 0011280, issued on January 7, 2020, Makati City
SEC A.N. (individual) as general auditors 1585-AR-2, Category A; effective until October 14, 2022
SEC A.N. (firm) as general auditors 0009-FR-5, Category A; effective until June 20, 2021
TIN 152-015-078
BIR A.N. 08-000745-042-2018, issued on February 2, 2018; effective until February 1, 2021
BOA/PRC Reg. No. 0142, effective until September 30, 2020

Makati City
March 14, 2020

D&L Industries, Inc. and Subsidiaries

Consolidated Statements of Financial Position
As at December 31, 2019 and 2018
(All amounts in Philippine Peso)

	Notes	2019	2018
ASSETS			
Current assets			
Cash and cash equivalents	3	1,989,650,111	1,775,017,060
Receivables, net	4	3,499,410,737	4,587,715,762
Inventories, net	5	5,046,201,469	6,379,765,215
Due from related parties	18	37,364,777	56,203,987
Financial assets at fair value through profit or loss (FVPL)	22.2	644,000,783	35,914,860
Prepayments and other current assets	6	2,195,912,562	1,821,861,744
Total current assets		13,412,540,439	14,656,478,628
Non-current assets			
Right of Use Asset		228,703,438	-
Investments in equity securities at fair value through other comprehensive income (FVOCI)	7	182,248,820	164,658,100
Property, plant and equipment, net	8	4,006,803,707	2,882,035,577
Retirement benefit asset	19	26,567,233	101,204,583
Deferred income tax assets, net	20	14,961,349	-
Goodwill	1.3	3,367,846,840	3,367,846,840
Other non-current assets	6	1,060,882,575	1,225,144,906
Total non-current assets		8,888,013,962	7,740,890,006
Total assets		22,300,554,401	22,397,368,634
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables and other liabilities	10	1,258,826,898	1,423,064,821
Lease liabilities	9	198,927,442	-
Due to related parties	18	215,711,120	905,948,613
Short-term borrowings	11	3,400,000,000	2,400,000,000
Income tax payable	20	67,891,397	76,892,932
Total current liabilities		5,141,356,857	4,805,906,366
Non-current liabilities			
Lease liabilities, net of current portion	9	47,142,602	-
Deferred income tax liabilities, net	20	-	26,725,462
Loans and notes payable, net of current portion	11	-	1,000,000,000
Total non-current liabilities		47,142,602	1,026,725,462
Total liabilities		5,188,499,459	5,832,631,828
Equity			
Attributable to the owners of the Parent Company:			
Share capital	12	7,142,857,990	7,142,857,990
Share premium	12	3,255,166,445	3,255,166,445
Reserve for remeasurement on retirement benefit	19	125,979,846	174,011,031
Fair value reserve on investments in equity securities at FVOCI		110,750,822	92,526,448
Retained earnings	12	6,477,299,839	5,900,174,892
Non-controlling interest		-	-
Total equity		17,112,054,942	16,564,736,806
Total liabilities and equity		22,300,554,401	22,397,368,634

(The notes on pages 1 to 63 are integral part of these consolidated financial statements)

D&L Industries, Inc. and Subsidiaries

Consolidated Statements of Total Comprehensive Income
For each of the three years in the period ended December 31, 2019
(All amounts in Philippine Peso, except earnings per share data)

	Notes	2019	2018	2017
Revenues				
Sales, net	13,17	22,328,142,603	26,490,416,307	27,732,769,643
Service income	13,17	57,635,161	52,230,589	45,288,980
		22,385,777,764	26,542,646,896	27,778,058,623
Cost of sales and services				
Cost of sales	14	(17,659,631,705)	(21,425,792,009)	(23,081,613,678)
Cost of services	14	(52,359,330)	(37,964,406)	(27,131,553)
		(17,711,991,035)	(21,463,756,415)	(23,108,745,231)
Gross profit		4,673,786,729	5,078,890,481	4,669,313,392
Selling and marketing expenses	15	(739,879,672)	(739,843,459)	(653,772,632)
General and administrative expenses	16	(399,598,263)	(398,421,376)	(330,216,865)
Other (expense)/income, net	17	(25,285,632)	70,735,338	38,659,315
Operating profit		3,509,023,162	4,011,360,984	3,723,983,210
Finance costs	9,11	(216,753,126)	(157,427,750)	(156,514,115)
Profit before income tax		3,292,270,036	3,853,933,234	3,567,469,095
Income tax (expense) benefit				
Current		(704,574,043)	(669,376,369)	(662,708,497)
Deferred		32,286,339	2,531,538	311,294
	20	(672,287,704)	(666,844,831)	(662,397,203)
Profit for the year		2,619,982,332	3,187,088,403	2,905,071,892
Other comprehensive income				
Items that will not be subsequently reclassified to profit or loss				
Remeasurement (loss) gain on retirement benefit, net of tax	19	(48,031,185)	10,404,364	4,438,755
Fair value adjustment on investment in equity securities at FVOCI, net of tax	7	18,224,374	37,414,319	-
Item that may be subsequently reclassified to profit or loss				
Fair value adjustment on AFS investments, net of tax	7	-	-	9,860,229
		(29,806,811)	47,818,683	14,298,984
Total comprehensive income for the year		2,590,175,521	3,234,907,086	2,919,370,876
Profit for the year attributable to:				
Owners of the Parent Company		2,619,982,332	3,187,088,403	2,902,265,144
Non-controlling interest		-	-	2,806,748
		2,619,982,332	3,187,088,403	2,905,071,892
Total comprehensive income attributable to:				
Owners of the Parent Company		2,590,175,521	3,234,907,086	2,916,553,461
Non-controlling interest		-	-	2,817,415
		2,590,175,521	3,234,907,086	2,919,370,876
Earnings per share				
Basic and diluted	11.5	0.37	0.45	0.41

(The notes on pages 1 to 63 are integral part of these consolidated financial statements)

D&L Industries, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
For each of the three years in the period ended December 31, 2019
(All amounts in Philippine Peso)

	Notes	2019	2018	2017
Cash flows from operating activities				
Profit before income tax expense		3,292,270,036	3,853,933,234	3,567,469,095
Adjustments for:				
Depreciation and amortization	8	403,635,338	421,945,261	383,315,703
Depreciation of RoU Asset	9	185,703,867	-	-
Interest expense on lease	9	23,493,534	-	-
Unrealized foreign exchange loss (gain), net	22.4	20,794,431	4,656,627	(5,546,995)
Provision for retirement benefit obligation		15,460,997	-	-
Provision for (reversal of) inventory obsolescence	5	11,089,913	(6,283,995)	(2,075,879)
Loss on disposal of property and equipment	17	2,020,045	(5,075,688)	(765,049)
Loss on direct write-off of receivables	4	611,931	652,497	-
Loss on retirement of property and equipment		22,559	-	-
Input VAT not recovered	6	-	44,135,280	29,486,954
Income from write-off of liabilities	17	-	-	(6,050,872)
Gain on sale of FVPL	17	(2,493,638)	-	-
(Reversal) provision for impairment of receivables	4	(2,958,136)	4,150,981	318,854
Unrealized gain on FV changes	17	(4,030,256)	(914,860)	-
Dividend income	17	(141,751)	(64,450)	(127,265)
Interest income	17	(4,664,531)	(10,971,670)	(11,388,894)
Interest expense from borrowings	11	193,259,592	157,427,750	156,514,115
Operating profit before working capital changes		4,134,073,931	4,463,590,967	4,111,149,767
Decrease (Increase) in:				
Receivables		1,090,651,230	637,192,836	(618,369,489)
Inventories		1,322,473,833	(413,755,286)	(1,316,268,496)
Due from related parties		18,839,210	387,688,660	(366,512,677)
Prepayments and other current assets		(379,445,641)	(236,711,199)	(577,893,980)
Retirement benefit assets		481,010	18,873,398	8,903,696
Other non-current assets		164,262,334	(196,488,125)	65,588,396
Increase (decrease) in:				
Trade payables and other liabilities		(164,237,923)	112,984,594	(52,559,175)
Due to related parties		(690,237,493)	855,247,655	31,751,172
Cash generated from operations		5,496,860,491	5,628,623,500	1,285,789,214
Income taxes paid		(713,575,578)	(646,558,683)	(662,221,711)
Interest received from banks		4,664,531	12,466,943	9,893,621
Net cash provided by operating activities		4,787,949,444	4,994,531,760	633,461,124
Cash flows from investing activities				
Dividend received	17	141,751	64,450	127,265
Acquisition of property and equipment	8	(1,531,095,799)	(873,379,479)	(464,322,051)
Acquisition of financial assets at FVPL	23.3	(601,562,029)	(35,000,000)	-
Proceeds from disposal of property and equipment	8	649,727	50,256,778	2,966,925
Net cash used in investing activities		(2,131,866,350)	(858,058,251)	(461,227,861)
Cash flows from financing activities				
Net (repayments) proceeds from borrowings	11	-	(3,200,000,000)	1,749,518,800
Reacquisition of shares held by non-controlling interest	12	-	-	(24,083,268)
Lease payments	9	(175,419,694)	-	-
Interest paid from lease liabilities	9	(23,493,534)	-	-
Dividends paid	12	(2,042,857,385)	(1,857,143,076)	(1,678,571,628)
Interest paid from borrowings		(193,259,592)	(157,376,244)	(151,916,134)
Net cash used in financing activities		(2,435,030,205)	(5,214,519,320)	(105,052,230)
Net (decrease) increase in cash and cash equivalents		221,052,889	(1,078,045,811)	67,181,033
Cash and cash equivalents, January 1	3	1,775,017,060	2,854,668,511	2,780,033,609
Effect of foreign exchange rate changes		(6,419,838)	(1,605,640)	7,453,869
Cash and cash equivalents, December 31	3	1,989,650,111	1,775,017,060	2,854,668,511

(The notes on pages 1 to 63 are integral part of these consolidated financial statements)

D&L Industries, Inc. and Subsidiaries

Consolidated Statements of Changes in Equity
For each of the three years in the period ended December 31, 2019
(All amounts in Philippine Peso)

	Attributable to the owners of the Parent Company								
						Retained earnings			
`	Share capital (Note 12)	Share premium (Note 12)	Reserve for remeasurement on retirement benefit (Note 19)	Fair value reserve on AFS investments (Note 7)	Fair value reserve on investments in equity securities at FVOCI (Note 7)	Appropriated (Note 12)	Unappropriated (Note 12)	Non-controlling interest	Total equity
Balances at January 1, 2017	7,142,857,990	3,255,166,445	159,178,579	45,251,900	-	-	3,346,634,057	21,167,847	13,970,256,818
Comprehensive income									
Profit for the year	-	-	-	-	-	-	2,902,265,144	2,806,748	2,905,071,892
Other comprehensive income for the year	-	-	4,428,088	9,860,229	-	-	-	10,667	14,298,984
Total comprehensive income for the year	-	-	4,428,088	9,860,229	-	-	2,902,265,144	2,817,415	2,919,370,876
Transaction with owners									
Declaration of cash dividend (Note 12)	-	-	-	-	-	-	(1,678,571,628)	-	(1,678,571,628)
Reacquisition of shares held by non-controlling interest (Note 12)	-	-	-	-	-	-	(98,007)	(23,985,262)	(24,083,269)
Appropriation of retained earnings (Note 12)	-	-	-	-	-	500,000,000	(500,000,000)	-	-
Total transactions with owners	-	-	-	-	-	500,000,000	(2,178,669,635)	(23,985,262)	(1,702,654,897)
Balances at December 31, 2017	7,142,857,990	3,255,166,445	163,606,667	55,112,129	-	500,000,000	4,070,229,566	-	15,186,972,797
Change in accounting policy	-	-	-	(55,112,129)	55,112,129	-	-	-	-
Restated total equity as at January 1, 2018	7,142,857,990	3,255,166,445	163,606,667	-	55,112,129	500,000,000	4,070,229,566	-	15,186,972,797
Comprehensive income									
Profit for the year	-	-	-	-	-	-	3,187,088,403	-	3,187,088,403
Other comprehensive income for the year	-	-	10,404,364	-	37,414,319	-	-	-	47,818,683
Total comprehensive income for the year	-	-	10,404,364	-	37,414,319	-	3,187,088,403	-	3,234,907,086
Transactions with owners									
Declaration of cash dividend (Note 12)	-	-	-	-	-	-	(1,857,143,077)	-	(1,857,143,077)
Balances at December 31, 2018	7,142,857,990	3,255,166,445	174,011,031	-	92,526,448	500,000,000	5,400,174,892	-	16,564,736,806
Comprehensive income									
Profit for the year	-	-	-	-	-		2,619,982,332	-	2,619,982,332
Other comprehensive income for the year	-	-	(48,031,185)	-	18,224,374	-	-	-	(29,806,811)
Total comprehensive income for the year	-	-	(48,031,185)	-	18,224,374		2,619,982,332	-	2,590,175,521
Transaction with owners									
Declaration of cash dividend (Note 12)	-	-	-	-	-	-	(2,042,857,385)	-	(2,042,857,385)
Balances at December 31, 2019	7,142,857,990	3,255,166,445	125,979,846	-	110,750,822	500,000,000	5,977,299,839	-	17,112,054,942

(The notes on 1 to 63 are integral part of these consolidated financial statements)

D&L Industries, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements
As at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019
(All amounts are shown in Philippine Peso, unless otherwise stated)

Note 1 - General information

1.1 Business information

D&L Industries, Inc. (the "Parent Company" or "D&L") was registered with the Securities and Exchange Commission (SEC) on July 27, 1971 primarily to invest in, purchase or otherwise acquire and own, hold, use, mortgage, pledge, exchange, or otherwise dispose of personal property of any corporation. The Parent Company is also engaged to carry on and conduct its business through any subsidiary companies or managers, or to enter into working agreements with other corporations including providing its subsidiaries corporate support services.

On November 5, 2012 and November 16, 2012, the SEC and Philippine Stock Exchange (PSE), respectively, approved the Parent Company's application for the initial public offering. The Parent Company attained its status of being a "public company" on December 12, 2012 when it listed its shares in the PSE. As a public company, it is covered by the Securities Regulation Code (SRC) Rule 68. There is no follow-on offering after initial public offering.

On May 11, 2015, the Parent Company's Board of Directors (BOD), through an amendment of the Parent Company's Articles of Incorporation, added, as an additional secondary purpose, the business of establishing and operating an analytical laboratory and rendering chemical testing services. This amendment was approved and ratified by the Parent Company's stockholders during the annual stockholders meeting on June 8, 2015. The SEC approved the amendment on July 24, 2015.

On April 10, 2017, the Parent Company's BOD approved the amendment of the Parent Company's Articles of Incorporation, extending the corporate term for a period of fifty years from approval of amendment by the SEC. The extension was approved by the Parent Company's stockholders during the annual stockholders' meeting on July 13, 2017. The amendment was filed and approved by the SEC subsequently on January 18, 2018, effectively extending the corporate term to January 17, 2068.

The Parent Company is a subsidiary of Jadel Holdings Co., Inc. (JHI). As at December 31, 2019, of the total shares outstanding, JHI holds 59.5% (2018 - 58.7%) and local individuals hold 11.1% (2018 - 11%). The remaining 29.4% (2018 -30.3%) are publicly held.

D&L's ultimate Parent Company is Banco de Oro Trust, organized and domiciled in the Philippines, and Lao Family as the beneficial owners.

As at December 31, 2019, the Parent Company has one hundred thirty-two (132) shareholders owning one hundred (100) or more shares each (2018 - 111).

The Parent Company's registered office address which is also its principal place of business is at No. 65 Industria Street, Bagumbayan, Quezon City. As at December 31, 2019, the Parent Company has 271 regular employees (2018 - 273).

The consolidated financial statements of the Group as at December 31, 2019 have been approved and authorized by the Parent Company's BOD on March 4, 2020. There are no significant events that occurred from March 4, 2020 until March 14, 2020 requiring adjustment or disclosure in the financial statements.

1.2 Consolidation

As at December 31, 2019 and 2018, the consolidated financial statements include the financial statements of the Parent Company and its subsidiaries, namely, Oleo-Fats, Incorporated (OFI) and its subsidiary, D&L Premium Foods Corp. (DLPF), First in Colours, Incorporated (FIC), D&L Polymer and Colours, Inc. (DLPCI), Chemrez Technologies, Inc. (CTI) and its subsidiaries, Chemrez Product Solutions, Inc. (CPSI), and Natura Aeropack (NAC), and Aero-Pack Industries, Inc. (API).

The Parent Company and its subsidiaries are collectively referred to here as the "Group".

The principal activities of the subsidiaries are set out below.

	Ownership interest/ participating share held			Registered place of business/ Country of incorporation	Main activity
	2019	2018	2017		
OFI	100%	100%	100%	Philippines	OFI was registered with the SEC on May 4, 1987 to carry on the business of manufacturing, processing, sourcing, marketing, selling, utilizing fats and oils, oleo chemicals and derivatives, distributing locally and abroad. OFI's registered address, which is also its principal place of business, is at No. 5 Mercury Avenue, Bagumbayan, Quezon City, Metro Manila.
DLPF	100%	100%	100%	Philippines	DLPF was registered with the SEC on June 29, 2017 to carry on the business of importing, exporting, distributing, processing, manufacturing, wholesale and retail of food and food safety products, machineries and equipment, and generally engage in and conduct any form of manufacturing or mercantile enterprise. DLPF is a wholly-owned subsidiary of OFI. Its registered address, which is also its principal place of business, is at Admin Bldg., First Industrial Township - SEZ, Brgy. Pagaspas, Tanauan City, Batangas.
DLPCI	100%	100%	100%	Philippines	DLPCI was incorporated and registered with the SEC on March 30, 2006 primarily to carry on the business of buying, selling, importing, exporting, bartering, distributing, exchanging, processing, manufacturing, producing, refining, beneficiating and disposing at wholesale and retail of chemical products, compounds, derivatives or chemical substances and all kinds of goods, wares, manufactures, such as, but not limited to, machines, supplies and products and generally to engage in the conduct of manufacturing or mercantile enterprises. On October 26, 2007, the Philippine Economic Zone Authority (PEZA) approved DLPCI's application for registration to manufacture specialty polymer and colour compound. DLPCI's gross income from its PEZA registered activities are subject to 5% tax rate after the lapse of income tax holiday granted by PEZA. DLPCI is indirectly a wholly-owned subsidiary of the Company. Its registered address, which is also its principal place of business, is at Carmelray Industrial Park, Laguna.
FIC	100%	100%	100%	Philippines	FIC was registered with the SEC on November 17, 1988 primarily to carry on the business of importing, exporting, manufacturing and distributing at wholesale and retail chemical products, compounds, derivatives or chemical substances and generally, engage in and conduct any form of manufacturing or mercantile enterprises. FIC's registered address, which is also its principal place of business, is at No. 65 Calle Industria, Bagumbayan, Quezon City, Metro Manila.

	Ownership interest/ participating share held			Registered place of business/ Country of incorporation	
	2019	2018	2017		Main activity
CTI	100%	100%	100%	Philippines	CTI was incorporated and registered with the SEC on June 1, 1989. CTI is engaged in the business of manufacturing, processing, refining all kinds of chemical products, compounds, derivatives or chemical substances and all kinds of goods, wares, supply and manufacture, buy, sell, trade, distribute or otherwise dispose of the same, locally or abroad, in the normal course of business without engaging in the business of manufacturing food, drugs and cosmetics. On May 12 and June 9, 2007, CTI's BOD and Shareholders, respectively, authorized CTI to invest and/or engage in the manufacture, sale and distribution of biodiesel under the brand "BioActiv". CTI's registered address, which is also its principal place of business, is at No. 65 Calle Industria, Bagumbayan, Quezon City, Metro Manila.
CPSI	100%	100%	100%	Philippines	CPSI was registered with the SEC on November 16, 1988 to carry on the business of buying, selling, importing, exporting, bartering, distributing, exchanging, processing, manufacturing, and disposing at wholesale and retail of chemical products, compounds, derivatives of chemical substances and generally engage in and conduct any form of manufacturing or mercantile enterprises. CPSI is a wholly-owned subsidiary of CTI, and indirectly a wholly-owned subsidiary of the Parent Company. Its registered address, which is also its principal place of business, is at No. 65 Calle Industria, Bagumbayan, Quezon City, Metro Manila. On September 18, 2018, CPSI's BOD and Shareholders approved the change of CPSI's name from Chemrez, Inc. (CHI) to Chemrez Product Solutions, Inc. This has been approved by SEC on October 3, 2018.
NAC	100%	100%	100%	Philippines	NAC was incorporated and registered with the SEC on July 20, 2016 primarily to carry on the business of buying, selling, importing, exporting, bartering, distributing, exchanging, processing, manufacturing, and disposing at wholesale and retail chemical products, compounds, derivatives of chemical substances and generally engage in and conduct any form of manufacturing or mercantile enterprises. Subsequently on January 4, 2018, the Philippine Economic Zone Authority (PEZA) approved NAC's registration as an Ecozone Export Enterprise engaged in manufacturing of coconut oil fractions and coconut-based surfactants and downstream consumer products. NAC is a subsidiary of CTI, and indirectly a wholly-owned subsidiary of the Parent Company. NAC is 70% owned by CTI and 30% owned by API. Its registered address, which is also its principal place of business, is at Admin Bldg., First Industrial Township - SEZ, Brgy. Pagaspas, Tanauan City, Batangas.
API	100%	100%	100%	Philippines	API was incorporated and registered with the SEC on September 29, 1989 to engage in the manufacture of aerosol packaging materials, aerosol products, chemical derivatives and compounds and other related products. API's registered address, which is also its principal place of business, is at No. 65 Calle Industria, Bagumbayan, Quezon City, Metro Manila.

1.3 Acquisition of controlling interest in CTI

On August 29, 2014, the Parent Company's BOD resolved to acquire all the outstanding shares of CTI not currently owned by the Parent Company for P6.00 per share through a public tender offer for a total acquisition cost of P5,078.5 million. On October 7, 2014 (the acquisition date), a total of 846,408,196 shares have been tendered, representing approximately 65% of the issued and outstanding shares of CTI. As a result, CTI became a 99.7% owned by the Parent Company effective October 7, 2014.

The consideration given with respect to the acquisition is based on the fair market value of CTI's shares on the date of acquisition totaling P5,078.5 million less acquisition-related costs amounting to P6.5 million which was charged to profit or loss in 2014. Goodwill amounting to P3,367 million was recognized from this acquisition.

1.3.1 Critical accounting estimate and judgment: Impairment tests for goodwill; key assumptions used for value-in-use (VIU) calculations

The Group reviews goodwill annually for impairment or whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. Goodwill is monitored by management at the level of oleochemicals, resin and powder coatings segment (lowest level of cash generating unit) following the business acquisition of CTI.

As at December 31, 2019 and 2018, the recoverable amount of oleochemicals, resin and powder coatings CGU (the "CGU") was determined based on VIU calculation (using Level 3 inputs) and require the use of assumptions. The calculations use cash flow projections based on forecast over five-year period.

The cash flow forecast reflects management's expectation of revenue growth, operating costs and margins based on past experience and outlook, consistent with internal measurements and monitoring. Cash flows beyond the five-year period are extrapolated using the estimated terminal growth rate. The growth rates are consistent with externally derived data where possible.

A weighted average of cost of capital (WACC) is used in discounting the free cash flows; this reflects the expectation of return on the capital market.

The following are the key assumptions used in the impairment testing for the years ended December 31:

	2019	2018
Revenue growth rate	15%	15%
Cost of sales ratio	80%	81%
WACC (on discount rate)	8.8%	8%
Terminal growth rate	3%	4.4%

Based on the above assessment, goodwill is not impaired as at December 31, 2019 and 2018 as the recoverable amount exceeds the carrying amount of the CGU included in the financial statements.

The Group's goodwill impairment review includes an impact assessment of changes in key assumptions used for VIU calculations particularly for assumptions that are highly sensitive such as revenue growth rate, terminal growth rate and WACC. The changes in recoverable amount of CGU based on reasonable possible shift in the following assumptions as of December 31 is as follow:

	2019			2018		
In Php millions	Reasonable possible shift	+Impact on VIU	-Impact on VIU	Reasonable possible shift	+Impact on VIU	-Impact on VIU
Revenue growth rate	+1%/-4.5%	252	(4,462)	+/-1%	362	(352)
Terminal growth rate	+/-1%	1,120	(894)	+/-1%	1,106	(895)
WACC	+/-1%	(1,282)	1,610	+/-1%	(1,208)	1,494

Based on the sensitivity analysis performed, management concluded that no reasonable change in the assumptions would cause the carrying amount of the CGU to exceed its recoverable amount because the calculated headroom is significant.

Note 2 - Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM), which is represented by the members of the Management Committee (ManCom), in making collective operating decisions with regards to the business segments. The ManCom, which is responsible for allocating resources and assessing performance of the operating segments, is identified as the one that makes strategic decisions for the Group.

Primary reporting - business segments

The Group's operating businesses are organized and managed according to the nature of the products marketed. Each segment, representing a strategic business unit, offers different products and services to different markets.

The Group has organized its reporting structure based on the grouping of similar products and services resulting in the following business segments:

(i) Food ingredients

The Group, operating through its subsidiary OFI and soon through OFI's subsidiary, DLPF, manufactures a line of industrial fats and oils, food ingredients, specialty fats and oils and culinary and other specialty food ingredients. The Group supplies food ingredients to most of the leading food manufacturers and quick-service restaurant chains in the Philippines, and also produces food safety solutions such as cleaning and sanitation agents for various customers.

(ii) Colorants and plastic additives

The Group, operating through its subsidiaries FIC and DLPCI, manufactures a line of pigment blends, color and additive master batches and engineered polymers for a wide range of applications, introducing a number of products into the Philippine market and expanding into the export of certain products overseas. The Group's products add properties such as precise coloring, reduced friction or increased resistance to degradation for plastics used in consumer goods, appliances and outdoor furniture.

(iii) Oleochemicals, resins and powder coatings

The Group, operating through its subsidiary, CTI, and the latter's subsidiaries, CPSI, and NAC, manufactures Coconut Methyl Ester ("CME", also known as coco-biodiesel), other oleochemicals or chemicals derived from vegetable oils, resins such as polystyrene, acrylic emulsions and polyester; and a line of powder coatings.

(iv) Aerosols

The Group, operating through its subsidiary, API, manufactures aerosol cans and components, and provides contract aerosol filling and compounding services. The Group also toll manufactures a range of products, including insect control, industrial maintenance chemicals, and home and personal care products, among others.

(v) Management and administrative

The Parent Company maintains significant operational control of its subsidiaries that provide goods and services complementary to those provided by the Group, through a contractual "shared services" model (Note 18).

The following table presents the segment information provided to the ManCom about the Group's business segments for the years ended December 31:

	Food ingredients	Colorants and plastic additives	Oleochemicals, resin and powder coatings	Aerosols	Management and administrative	Eliminations	Total
2019							
External revenue	12,502,193,250	3,065,842,886	5,689,961,548	582,833,809	-	-	21,840,831,493
Sales to related parties	225,549,049	1,911,696	13,249,780	246,600,585	57,635,161	-	544,946,271
Intersegment sales	30,065,555	88,160,482	46,166,041	21,291,015	2,658,103,186	(2,843,786,279)	-
Total revenues	12,757,807,854	3,155,915,064	5,749,377,369	850,725,409	2,715,738,347	(2,843,786,279)	22,385,777,764
Segment result	1,636,879,079	708,450,772	983,455,668	246,540,229	(100,366,305)	59,349,351	3,534,308,794
General corporate (loss) income	(15,665,766)	127,693,729	61,935,404	1,344,160	(154,041,644)	(46,551,515)	(25,285,632)
Finance costs	(185,207,839)	(16,207,356)	(27,753,200)	(1,644,598)	(21,099,202)	35,159,069	(216,753,126)
Income tax expense	(409,867,052)	(52,282,271)	(183,845,036)	(50,988,366)	24,695,021	-	(672,287,704)
Profit for the year	1,026,138,422	767,654,874	833,792,836	195,251,425	(250,812,130)	47,956,905	2,619,982,332
2018							
External revenue	13,777,595,729	3,434,117,007	7,991,061,766	578,773,225	-	-	25,781,547,727
Sales to related parties	340,786,087	-	54,897,163	322,104,142	43,311,777	-	761,099,169
Intersegment sales	28,372,765	113,310,329	58,018,987	997,867	2,488,914,787	(2,689,614,735)	-
Total revenues	14,146,754,581	3,547,427,336	8,103,977,916	901,875,234	2,532,226,564	(2,689,614,735)	26,542,646,896
Segment result	1,283,701,381	874,956,380	1,472,159,545	272,683,159	1,882,614,331	(1,845,489,151)	3,940,625,645
General corporate income (loss)	3,858,936	39,520,069	45,001,418	(46,383)	2,600,603	(20,199,304)	70,735,339
Finance costs	(113,360,055)	(13,656,806)	(26,546,795)	-	(16,589,419)	12,725,325	(157,427,750)
Income tax expense	(382,695,490)	(58,518,921)	(160,510,942)	(50,497,834)	(14,621,644)	-	(666,844,831)
Profit for the year	791,504,772	842,300,722	1,330,103,226	222,138,942	1,854,003,871	(1,852,963,130)	3,187,088,403
2017							
External revenue	15,416,070,955	2,976,256,160	8,022,603,477	484,654,646	5,174,854	-	26,904,760,092
Sales to related parties	601,464,471	-	13,004,698	213,540,382	45,288,980	-	873,298,531
Intersegment sales	23,714,682	175,211,742	98,025,074	1,668,142	2,592,253,577	(2,890,873,217)	-
Total revenues	16,041,250,108	3,151,467,902	8,133,633,249	699,863,170	2,642,717,411	(2,890,873,217)	27,778,058,623
Segment result	1,509,664,087	1,014,652,690	1,080,332,645	217,395,480	132,407,243	(269,128,249)	3,685,323,896
General corporate income (loss)	10,061,736	3,931,074	15,676,527	(101,461)	19,994,022	(10,902,583)	38,659,315
Finance costs	(106,695,784)	(2,088,222)	(23,330,850)	-	(26,670,093)	2,270,833	(156,514,116)
Income tax expense	(375,519,225)	(63,833,272)	(137,222,643)	(44,336,314)	(41,485,749)	-	(662,397,203)
Profit for the year	1,037,510,814	952,662,270	935,455,679	172,957,705	84,245,423	(277,759,999)	2,905,071,892

Eliminations pertain to the consolidation adjustments in the preparation of the consolidated financial statements as discussed in Note 23.6.1.
Other segment information as at December 31 are as follows:

	Food ingredients	Colorants and plastic additives	Oleochemicals, resin and powder coatings	Aerosols	Management and administrative	Total
2019						
Segment assets	8,602,754,382	2,286,421,287	5,798,729,391	581,870,461	5,030,778,880	22,300,554,401
Segment liabilities	3,192,961,285	230,754,667	1,071,116,648	134,279,219	559,387,639	5,188,499,459
Capital expenditures	1,006,180,060	21,737,413	430,428,638	27,928,810	44,820,878	1,531,095,799
Depreciation and amortization	223,352,091	38,298,113	56,235,004	14,777,120	70,973,010	403,635,337
Non-cash expenses other than depreciation and amortization	46,953,399	4,108,846	7,035,917	416,934	5,349,014	63,864,110
2018						
Segment assets	7,954,728,361	2,969,762,813	6,087,102,688	654,351,846	4,731,422,926	22,397,368,634
Segment liabilities	2,881,246,036	860,069,119	1,332,974,447	202,383,023	555,959,203	5,832,631,828
Capital expenditures	463,834,209	36,026,139	280,484,673	6,275,058	86,759,400	873,379,479
Depreciation and amortization	207,125,510	41,869,980	100,380,622	13,969,522	58,599,627	421,945,261
Non-cash expenses other than depreciation and amortization	3,504,830	-	37,816,012	-	-	41,320,842
2017						
Segment assets	9,371,226,750	2,523,167,598	6,336,067,701	488,483,296	4,504,738,361	23,223,683,706
Segment liabilities	5,724,082,759	896,236,092	1,144,757,968	129,848,188	141,785,902	8,036,710,909
Capital expenditures	144,784,491	91,024,329	139,000,752	29,799,822	59,712,657	464,322,051
Depreciation and amortization	188,122,408	35,842,627	101,067,969	10,732,431	47,550,268	383,315,703
Non-cash expenses other than depreciation and amortization	47,369	727,838	14,210,270	227,875	153,661	15,367,013

The amounts provided to the ManCom with respect to total assets, liabilities and profit or loss are recognized and measured in a manner consistent with those of the consolidated financial statements.

Secondary reporting - geographical information

Geographical information of the Group's revenue for each of the three years ended December 31 are as follows:

	2019	2018	2017
Customers in the Philippines	19,139,015,234	22,010,558,257	22,516,450,880
Customers in other countries	3,246,762,530	4,532,088,639	5,261,607,743
	22,385,777,764	26,542,646,896	27,778,058,623

Note 3 - Cash and cash equivalents

Cash and cash equivalents as at December 31 consist of:

	2019	2018
Cash in banks	1,521,309,964	1,762,182,829
Cash on hand	12,943,592	12,834,231
Cash equivalents	455,396,555	-
	1,989,650,111	1,775,017,060

Cash in banks earn interest at the bank deposit rates of 0.05% to 0.25% per annum for the year ended December 31, 2019 (2018 - 0.13% to 1.40% per annum). Cash equivalents pertain to cash placements with a local bank with maturity of less than 3 months and earn interest at to 3.50% per annum for the year ended December 31, 2019.

For the year ended December 31, 2019, the Group earned interest income from cash accounts amounting to P4,664,531 (2018 - P10,971,671; 2017 - P11,388,894) (Note 17).

Note 4 - Receivables, net

Receivables, net as at December 31 consist of:

	2019	2018
Trade receivables	3,507,395,899	4,595,194,135
Allowance for impairment of receivables	(12,149,143)	(15,719,210)
	3,495,246,756	4,579,474,925
Advances to officers and employees	1,698,611	764,982
Other receivables	2,465,370	7,475,855
	3,499,410,737	4,587,715,762

Trade receivables mainly pertain to sale of goods and services. These are unsecured and non-interest bearing.

Movements in the allowance for impairment of receivables for the years ended December 31 are as follows:

	Note	2019	2018	2017
Beginning of year		15,719,210	12,220,726	11,901,872
(Reversal) provision	16	(2,958,136)	4,150,981	318,854
Write-off	16	(611,931)	(652,497)	-
End of year		12,149,143	15,719,210	12,220,726

4.1 Critical accounting estimate and judgment: Recoverability of receivables

Provision for impairment of receivables is maintained at a level considered adequate to provide for uncollectible receivables. From January 1, 2018, provision for impairment is calculated using expected credit losses (ECLs). ECLs are unbiased probability-weighted estimates of credit losses which are determined by evaluating a range of possible outcomes and taking into account past events, current conditions and assessment of future economic conditions.

The Group used relevant historical information and loss experience to determine the probability of default of the receivables arising from sale of goods and services to third parties and incorporated forward-looking information, which involved significant estimates and judgements. The Group also evaluates specific account of customers who are unable to meet their financial obligations. In these cases, management uses judgment and assessment based on the best available facts, including but not limited to, reliability of available historical information, the customer's payment history and the result of the Group's follow-up action to recover overdue debts.

There has been no history of material default in the past three years, hence adoption of PFRS 9 did not result in material amount of ECL.

Prior to January 1, 2018, allowance for impairment of receivables was maintained at a level considered adequate to provide for potentially uncollectible receivables. The level of provision was based on past collection experience and other factors that may affect collectability. An evaluation of the receivables, designed to identify potential charges to the provision, was performed on a continuous basis throughout the year. Management evaluated specific accounts of customers who were unable to meet their financial obligations. In these cases, management used judgment based on the best available facts and circumstances, including but not limited to, the length of relationship with the customers and the customers' payment history. The amount and timing of recorded provision for impairment for any period would therefore differ based on the judgments made.

Note 5 - Inventories, net

Inventories, net as at December 31 consist of:

	2019	2018
At net realizable value		
Finished goods	1,364,707,167	1,596,589,502
Allowance for inventory obsolescence	(9,409,991)	(11,240,493)
	1,355,297,176	1,585,349,009
At net realizable value		
Raw materials	3,293,533,370	4,550,901,559
Raw materials - in transit	410,291,338	243,514,647
Allowance for inventory obsolescence	(12,920,415)	-
	3,690,904,293	4,794,416,206
	5,046,201,469	6,379,765,215

The cost of inventories recognized in cost of sales for the year ended December 31, 2019 amounted to P15,417,969,360 (2018 - P 18,778,923,655; 2017 - P 20,759,683,821) (Note 14).

Movements in the allowance for inventory obsolescence for the years ended December 31 are as follows:

	2019	2018	2017
Beginning of year	11,240,493	17,524,488	19,600,367
Provision (reversal)	11,089,913	(6,283,995)	(2,075,879)
End of year	22,330,406	11,240,493	17,524,488

For the year ended December 31, 2018, management reversed allowance for inventory obsolescence amounting to P6,283,995 (2017 - P2,075,879) as certain slow-moving and non-moving inventories were used and sold during the year.

5.1 Critical accounting estimate and judgment: Provision for inventory obsolescence

Allowance for inventory obsolescence is maintained at a level considered adequate to provide for potential loss on inventory items. The level of provision is based on past experience and other factors affecting the recoverability and obsolescence of inventory items. An evaluation of inventories, designed to identify potential charges to the provision, is performed on a continuous basis throughout the period. Management uses judgment based on the best available facts and circumstances, including but not limited to evaluation of individual inventory items' future recoverability and utilization. The amount and timing of recorded provision for inventory obsolescence for any period would therefore differ based on the judgments made. A change in provision for inventory obsolescence would impact the Group's recorded expenses and carrying value of inventories.

The carrying values of the inventories at the end of the reporting period and the amount and timing of recorded provision for any period could be materially affected by actual experience and changes in such judgments such as effect of product obsolescence, competition in the market and changes in prices of finished products and manufacturing costs.

Management believes, based on its assessment and judgment, that the allowance for inventory obsolescence as at December 31, 2019 and 2018 is adequate.

Note 6 - Prepayments and other current assets; other non-current assets

Prepayments and other current assets as at December 31 consist of:

	2019	2018
Input value-added tax (VAT)	1,321,036,115	887,703,799
Deposit to suppliers	750,121,850	701,456,151
Prepaid tax	74,682,126	147,679,263
Creditable withholding taxes	16,067,910	41,417,561
Others	34,004,561	43,604,970
	2,195,912,562	1,821,861,744

Input VAT

The Group's total input VAT, net of output VAT as at December 31 consist of:

	2019	2018
Current portion		
Carry-over claimable against output VAT	806,526,623	741,872,758
Tax credit claim (a)	441,777,323	136,262,940
Deferred input VAT (b)	72,732,169	9,568,101
	1,321,036,115	887,703,799
Non-current portion - carry-over claimable against output VAT	586,630,399	827,981,873
	1,907,666,514	1,715,685,672

There were no input VAT charged as expense within general and administrative expenses for the year ended December 31, 2019 (2018 - P44,135,280; 2017 - P29,486,954) (Note 16).

(a) Tax credit claim

Tax credit claim pertains to excess input VAT from zero-rated sales claimed by the Group for refund.

Movements in tax credit claim for the years ended December 31 are as follows:

	Note	2019	2018
Beginning balance		136,262,940	672,949,109
Filed for refund		305,514,383	-
Approved claims with tax credit certificates		-	(492,550,889)
Expensed	16	-	(44,135,280)
Ending balance		441,777,323	136,262,940

(b) Deferred input VAT

Deferred input VAT pertains to input VAT on services which is claimable upon payment of related liabilities and input VAT from purchase of capital goods which is subject to amortization.

Deposits to suppliers

Deposits to suppliers are payments made in advance such as down payments for goods or services. Total amount is already paid but underlying goods and services have not yet been received or incurred. It will be derecognized when goods or services are received.

Prepaid taxes

Prepaid taxes as at December 31, 2019 and 2018 mainly pertain to actual tax credit certificates (TCC) issued by the Bureau of Internal Revenue (BIR) in favor of the Group relating to filed application claims to convert excess input VAT into TCC. The TCC may be applied to future income tax liabilities.

Movements in prepaid taxes for the years ended December 31 are as follows:

	2019	2018
Beginning balance	147,679,263	269,349,280
Approved claims with tax credit certificates	-	492,550,889
Cash refund	(32,997,137)	(599,220,906)
Applied against income tax liabilities	(40,000,000)	(15,000,000)
Ending balance	74,682,126	147,679,263

CWT

CWT pertains to taxes withheld from income payments made to the Group and are creditable against future income tax payable.

Other non-current assets as at December 31 consist of:

	2019	2018
Input VAT	586,630,399	827,981,873
CWT	399,786,865	363,637,636
Prepaid licenses	32,724,909	-
Refundable deposits	34,240,402	18,723,355
Others	7,500,000	14,802,042
	1,060,882,575	1,225,144,906

As at December 31, 2019, the Group has reviewed the expected utilization of its input VAT and CWT, and accordingly classified input VAT and CWT amounting to P586,630,399 and P399,786,865, respectively, to non-current assets (2018 - P827,981,873 and P363,637,636, respectively).

6.1 Critical accounting judgment: Recoverability and classification of input VAT

Provision for impairment of input VAT is maintained at a level considered adequate to provide for recoverable claims or refund from excess input VAT. An evaluation of the tax credit claims from input VAT designed to identify potential charges to the provision, is performed on a continuous basis throughout the period. Management uses judgment based on the best available facts and circumstances, including but not limited to the evaluation of the aggregate tax credit future utilization, completeness of supporting documents and actual refund experiences with similar claims. Changes in those judgments could have a significant effect on the net amount of input VAT and the timing of recorded provision for any period.

Input VAT is classified as non-current asset unless the Group assesses that output VAT from sales transactions against which the excess input VAT will be claimed within the next twelve months.

Management has assessed that the carrying amount of input VAT as at December 31, 2019 and 2018 is recoverable based on management forecasts and quality of supporting documents.

6.2 Critical accounting judgment: Recoverability and classification of CWT

The Group recognizes CWT to the extent that it is probable that future tax liabilities will be available against which tax credits can be utilized. Determining the realizability and classification of CWT requires the assessment of the availability and timing of taxable profit expected to be generated from the operations which effectively drives the tax liabilities against which such creditable taxes can be applied.

Significant judgment is required in determining the realizability of CWT. CWT arise mainly from the Parent Company's management and support services to its affiliates. Management believes based on long term forecasts that the Group would be able to obtain sufficient taxable income and future tax liabilities against which the CWT can be fully applied, and be able to provide the necessary supporting documents evidencing CWT.

Based on management's assessment and judgment, no allowance for unrecoverable CWT is necessary to be recognized as of December 31, 2018 and 2017 as there are no indications of impairment or changes in circumstances indicating that the CWT may not be fully recoverable. In addition, management believes that the classification of CWT appropriately reflects the timing of utilization based on ongoing assessment performed at each reporting period, as the amount of CWT classified as non-current asset is expected to be utilized after 12 months from reporting date.

Note 7 - Investments in equity securities at FVOCI; AFS investments

As at December 31, 2019, investments in equity securities at FVOCI pertains to investment in shares of stock of a listed company and proprietary golf club share amounted to P182,248,820
(2018 - P164,658,100).

For the year ended December 31, 2019, fair value changes net of deferred income tax, amounted to P18,224,374 (2018 - P37,414,319, 2017 - P9,860,229).

For the year ended December 31, 2019, dividend income from these investments amounted to P141,751 (2018 - P64,450; 2017 - P127,265).

Note 8 - Property, plant and equipment, net

Property, plant and equipment, net as at December 31 consist of:

	Building and leasehold improvements	Transportation and delivery equipment	Office, furniture and fixtures	Tools, machinery and equipment	Construction in progress	Total
At January 1, 2018						
Cost	804,706,832	163,518,017	314,873,171	4,044,914,540	253,300,875	5,581,313,435
Accumulated depreciation and amortization	(253,691,318)	(113,500,733)	(214,450,901)	(2,523,888,034)	-	(3,105,530,986)
Net carrying value	551,015,514	50,017,284	100,422,270	1,521,026,506	253,300,875	2,475,782,449
For the year ended December 31, 2018						
Opening net carrying value	551,015,514	50,017,284	100,422,270	1,521,026,506	253,300,875	2,475,782,449
Additions	17,595,628	16,964,843	77,951,173	174,345,337	586,522,498	873,379,479
Transfers	17,751,876	20,509,606	33,592,360	127,771,584	(199,625,426)	-
Disposals						
Cost	-	-	-	(10,598,361)	(41,966,481)	(52,564,842)
Accumulated depreciation and amortization	-	-	-	7,383,752	-	7,383,752
Depreciation and amortization	(35,663,247)	(20,460,495)	(54,156,341)	(311,665,178)	-	(421,945,261)
Closing net carrying value	550,699,771	67,031,238	157,809,462	1,508,263,640	598,231,466	2,882,035,577
At December 31, 2018						
Cost	840,054,336	200,992,466	426,416,704	4,336,433,100	598,231,466	6,402,128,072
Accumulated depreciation and amortization	(289,354,565)	(133,961,228)	(268,607,242)	(2,828,169,460)	-	(3,520,092,495)
Net carrying value	550,699,771	67,031,238	157,809,462	1,508,263,640	598,231,466	2,882,035,577
For the year ended December 31, 2019						
Opening net carrying value	550,699,771	67,031,238	157,809,462	1,508,263,640	598,231,466	2,882,035,577
Additions	171,977,567	11,567,862	19,426,830	239,054,583	1,089,068,957	1,531,095,799
Retirement						-
Cost	-	(996,971)	(33,839)	-	-	(1,030,810)
Accumulated depreciation	-	996,971	11,280	-	-	1,008,251
Disposals						-
Cost	(1,754,791)	(557,000)	-	(1,973,343)	(696,429)	(4,981,563)
Accumulated depreciation and amortization	1,754,791	557,000	-	-	-	2,311,791
Transfers	2,484,432	5,833,729	21,943,122	72,641,225	(102,902,508)	-
Depreciation and amortization	(28,981,749)	(21,432,274)	(63,196,701)	(290,024,614)	-	(403,635,338)
Closing net carrying value	696,180,021	63,000,555	135,960,154	1,527,961,491	1,583,701,486	4,006,803,707
At December 31, 2019						
Cost	1,012,761,544	216,840,086	467,752,817	4,646,155,565	1,583,701,486	7,927,211,498
Accumulated depreciation and amortization	(316,581,523)	(153,839,531)	(331,792,663)	(3,118,194,074)	-	(3,920,407,791)
Net carrying value	696,180,021	63,000,555	135,960,154	1,527,961,491	1,583,701,486	4,006,803,707

Construction in progress represents building, leasehold improvements, various plant developments and machinery and equipment that will be used in operations and are expected to be fully completed within twelve to twenty-four months from reporting date.

Transfers represent reclassification of completed construction in progress to the appropriate class of property, plant and equipment.

In 2018, the disposal of construction-in-progress pertains to discontinued projects due to cost benefit of better and efficient technologies. These assets were sold at cost to a related party.

Depreciation and amortization are charged for the years ended December 31 are as follows:

	Note	2019	2018	2017
Depreciation		403,635,338	421,945,261	383,315,703
Amortization of RoU	9	185,703,867	-	-
		589,339,205	421,945,261	383,315,703
Cost of sales	14	567,755,677	407,323,259	370,837,144
Cost of services	14	9,555,266	5,405,928	3,416,359
General and administrative expenses	16	12,028,262	9,216,074	9,062,200
		589,339,205	421,945,261	383,315,703

8.1 Critical accounting estimate: Useful life of property, plant and equipment

The useful life of each of the Group's property, plant and equipment is estimated based on the period over which these assets are expected to be available for use. Such estimation is based on a collective assessment of internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A change in the estimated useful life of any property, plant and equipment would impact the recorded depreciation expense and carrying value of property, plant and equipment.

Note 9 - Leases

From January 1, 2019 (PFRS 16)

The Group leases various office space, warehouse, and equipment for its back office and manufacturing operations.

The lease agreements do not require any covenants other than the security deposits in the leased assets that are held by the lessor.

(i) Amounts recognized in the consolidated statements of financial position

From 2019, leased assets are presented as a separate line item in the statement of financial position. The statements of financial position show the following amounts relating to leases:

	December 31, 2019
Right-of-use assets	
Office space	47,529,447
Warehouse	167,094,050
Equipment	14,079,941
	228,703,438
Lease liabilities	
Current	198,927,442
Non-current	47,142,602
	246,070,044

Among lease liabilities, P241,094,773 is pertaining to related party.

Movements in lease liabilities are presented below:

	January 1, 2019	Principal and interest payments	Non-cash changes Additions during the year	Non-cash changes Interest expense	December 31, 2019
Lease liabilities	421,489,738	(198,913,228)	-	23,493,534	246,070,044

(ii) Amounts recognized in the consolidated statements of total comprehensive income

The statements of total comprehensive income show the following amounts relating to leases:

	December 31, 2019
Depreciation expense	
Office space	37,470,228
Warehouse	143,410,578
Equipment	4,823,061
	185,703,867
Interest expense (included in interest expense)	23,493,534
Expense relating to short-term leases (included in cost of goods sold and operating expenses)	99,663,327
	308,860,728

The total cash outflow for leases for the year ended December 31, 2019 is P298,585,555.

(iii) Discount rate

Payments for leases of properties and equipment are discounted using the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Critical estimates in determining incremental borrowing rate

To determine the incremental borrowing rate, the Group uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received. Where third party financing cannot be obtained, the Group uses the government bond yield that matches the term of the lease liability, adjusted for the (1) credit spread specific to each entity under the Group and (2) security using the right-of-use asset. The weighted average incremental borrowing rate applied by the Group ranges from 7.66% to 7.70%.

(iv) Lease term

The lease term applied in the calculation of right-of-use assets and lease liabilities are based on the contractual agreements of the Group with the lessor. There were no extension options applied in the calculation.

(v) Reconciliation of operating lease commitments and lease liability

The reconciliation between the operating lease commitments disclosed in applying PAS 17 at December 31, 2018 discounted using the Group's incremental borrowing rate and the lease liability recognized as at January 1, 2019 is as follows:

	Amount
Operating lease commitments, December 31, 2018	566,627,801
Less: Short-term leases recognized on a straight-line basis as expense	99,663,327
Discounting effect using weighted average incremental borrowing rate of each individual lease	45,474,736
Lease liability, January 1, 2019	421,489,738

Prior to January 1, 2018 (PAS 17)

The Group (as lessee) has various lease agreements which mainly pertain to warehouses and office space premises and warehouse equipment that are renewable under certain terms and conditions. The rentals under these lease contracts are as follows:

	Amount
2018	278,796,358
2017	212,313,447

The future minimum lease payments under non-cancellable operating leases as at December 31, 2018 are as follows:

	Amount
No later than 1 year	280,960,346
Later than 1 year but no later than 5 years	285,667,455
	566,627,801

Note 10 - Trade payables and other liabilities

Trade payables and other liabilities as at December 31 consist of:

	Note	2019	2018
Trade payables		1,150,309,193	1,304,745,626
Due to regulatory agencies	22.2.2	49,791,569	49,716,042
Accrued operating expenses		46,283,117	51,522,348
Accrued interest expense		5,150,684	5,150,684
Advances from customers	22.2.2	223,568	157,799
Accrued utilities		-	5,546,311
Others		7,068,767	6,226,010
		1,258,826,898	1,423,064,820

Trade payables mainly pertain to purchases of inventories, repairs and maintenance and supplies. These are unsecured and non-interest bearing.

Accrued operating expenses mainly pertain to contracted services. These are unsecured and non-interest bearing.

Due to regulatory agencies substantially consist of percentage tax payable, expanded withholding tax payable and withholding tax payable on compensation as at December 31, 2019 and 2018.

Others mainly pertain to accruals for rent, employee benefits and professional fees.

Note 11 - Borrowings

Borrowings as at December 31 consist of:

	2019	2018
Short-term borrowings	2,400,000,000	2,400,000,000
Current portion of long-term borrowings	1,000,000,000	-
Long-term borrowings	-	1,000,000,000
	3,400,000,000	3,400,000,000

Short-term borrowings

As at December 31, 2019 and 2018, short-term borrowings of the Group are from local banks and a branch of a foreign bank, with average maturity dates of one to eleven months from reporting date. These borrowings bear interest rates ranging from 2.50% to 3.25%, subject to monthly repricing.

Long-term borrowings

The Group's long-term borrowings as at December 31, 2018 consist of two P500 million loans from a local bank, maturing on August 14, 2020 and October 14, 2020. The loans bear a fixed interest rate of 4% per annum. Interest payments are paid quarterly, with principal repayment due upon maturity. Such loans were reclassified to current as of December 31, 2019 as it will mature within 12 months.

As at December 31, 2019 and 2018, all outstanding short-term and long-term borrowings of the Group are covered by surety and corporate guarantee agreements discussed in Notes 18.4 and 18.5.

The movements in the Group's borrowings and the net debt reconciliation for the years ended December 31 are as follows:

	2019	2018	2017
Beginning of year	3,400,000,000	6,600,000,000	4,850,481,200
Availments	2,100,000,000	2,890,000,000	6,890,000,000
Repayments	(2,100,000,000)	(6,090,000,000)	(5,140,481,200)
End of year	3,400,000,000	3,400,000,000	6,600,000,000
Cash at end of year	(1,989,650,111)	(1,775,017,060)	(2,854,668,511)
Net debt	1,410,349,889	1,624,982,940	3,745,331,489

Interest expense for the year ended December 31, 2019 amounted to P193,259,592 (2018 - P157,427,750; 2017 - P156,514,115). Accrued interest expense presented under trade payables and other liabilities amounted to P5,150,684(2018 - P5,150,684) (Note 10).

The Group did not obtain specific borrowings to finance its ongoing construction in progress.

There are no significant covenant provisions and warranties, including breaches thereof, related to these borrowings other than surety and corporate guarantee as disclosed in Note 18.

Note 12 - Equity

12.1 Share capital and share premium

Details of share capital and share premium as at December 31, 2019 and 2018 are as follows:

	Number of shares	Amount
Share capital		
Common shares at P1 par value per share		
Authorized	18,000,000,000	18,000,000,000
Issued and outstanding	7,142,857,990	7,142,857,990
Share premium	3,255,166,445	3,255,166,445

The Parent Company undertook a public offering of its common shares on December 12, 2012 (Note 1), in which the Parent Company issued 1 billion additional shares at P4.30 per share for a total consideration of P4.3 billion, net of share issuance costs of P280.5 million. As a result of the public offering, share premium amounting to P3.3 billion has been recognized by the Parent Company as at December 31, 2012.

On November 5, 2013, which is also the date of approval by the SEC, the Parent Company registered its shares under the SRC with an issue/offer price of P4.30.

As at December 31, 2019 and 2018, the Parent Company's record of registration of its securities under the SRC reported 7,142,857,990 shares registered.

On May 11, 2015, the Parent Company's BOD, through an amendment of the Parent Company's Articles of Incorporation, resolved to increase its authorized share capital from four billion pesos (P4,000,000,000) divided into four billion (4,000,000,000) common shares with a par value of P1.00 each to eighteen billion pesos (P18,000,000,000) divided into eighteen billion (18,000,000,000) common shares with a par value of P1.00 each. The amendment was approved and ratified by the Parent Company's stockholders during the annual stockholders meeting on June 8, 2015. The SEC approved the increase in authorized share capital on July 24, 2015.

12.1 Dividend declaration

Stock dividends

On May 11, 2015, the Parent Company's BOD approved the declaration of 100% stock dividends amounting to P3,571,428,995 (P1 per share) out of the unrestricted retained earnings of the Parent Company as at March 31, 2015 to be issued out of the increase in authorized share capital to all shareholders as at a record date set by the SEC after approval of the increase in the Parent Company's authorized capital stock. Following the approval by the SEC of Parent Company's increase in authorized capital stock, the Parent Company set the Record Date on August 20, 2015, and the issue and listing date on September 17, 2015.

PSE approved the issue and listing of the additional shares on September 17, 2015.

Cash dividends

The Parent Company's BOD declared, and paid cash dividends as follows:

Declaration date	Payment date	Dividend rate per share	Amount
June 26, 2019	July 19, 2019 July 22, 2019 July 30, 2019 August 14, 2019	P0.286 per share (consisting of P0.223 regular cash dividend and P0.063 special cash dividend)	2,042,857,385
June 4, 2018	July 4, 2018 July 9, 2018 July 19, 2018	P0.26 per share (consisting of P0.205 regular cash dividend and P0.055 special cash dividend)	1,857,143,077
July 13, 2017	August 10, 2017	P0.235 per share (consisting of P0.185 regular cash dividend and P0.05 special cash dividend)	1,678,571,628

12.2 Appropriation of retained earnings

On December 20, 2017, the BOD of CTI approved the appropriation of retained earnings amounting to P500,000,000 for additional investments needed for plant expansion of CTI and its subsidiaries which is expected to be completed in 2021.

Reacquisition of shares held by non-controlling interest

On October 9, 2017, CTI reacquired its own shares for a total consideration amounting to P24,083,269. As a result of this reacquisition, D&L owns 100% of the issued and outstanding shares of CTI as at December 31, 2017.

12.3 Earnings per share calculation

The calculation of earnings per share as at December 31 is as follows:

	2019	2018	2017
Profit for the year attributable to the owners of the Parent Company	2,619,982,332	3,187,088,403	2,902,265,144
Weighted average number of common shares	7,142,857,990	7,142,857,990	7,142,857,990
Basic and diluted earnings per share	0.37	0.45	0.41

The Parent Company has no potential dilutive ordinary shares. Therefore, the amount reported for basic and diluted earnings per share is the same.

Note 13 - Revenues from contracts with customers

For the years ended December 31, revenues consist of the following:

	Note	2019	2018	2017
Sale of goods, gross		22,505,750,378	26,642,884,002	27,866,759,575
Sales discounts		(140,717,237)	(122,711,618)	(113,183,201)
Sales returns		(36,890,538)	(29,756,077)	(20,806,731)
Sale of goods, net		22,328,142,603	26,490,416,307	27,732,769,643
Sale of services		57,635,161	52,230,589	45,288,980
		22,385,777,764	26,542,646,896	27,778,058,623

Details of revenue disaggregation presented on Note 2 - Segment reporting.

Note 14 - Cost of sales and services

The components of cost of sales and services for the years ended December 31 consist of:

	Notes	2019	2018	2017
Raw materials used	5	15,187,917,527	19,189,672,811	20,914,914,147
Net change in inventories	5	230,051,833	(410,749,156)	(155,230,326)
Direct labor		62,937,366	77,056,604	71,499,719
Contracted services		550,136,961	581,741,480	491,271,660
Depreciation and amortization	8	567,755,677	407,323,259	370,837,144
Fuels and oil		255,249,832	297,834,657	246,586,682
Utilities		245,639,111	309,596,087	275,708,391
Repairs and maintenance		150,258,969	161,012,155	194,196,993
Indirect labor		173,537,325	355,524,495	322,608,282
Rental		97,908,499	274,650,919	206,300,773
Supplies		62,048,814	100,817,175	57,972,499
Indirect materials used		43,176,661	35,371,571	40,417,456
Other direct costs		33,013,130	45,939,952	44,530,258
Cost of sales		17,659,631,705	21,425,792,009	23,081,613,678
Employee costs		24,355,450	17,387,193	10,722,407
Depreciation and amortization	8	9,555,266	5,405,928	3,416,359
Contracted services		4,403,102	3,883,112	3,161,924
Supplies		4,058,087	2,141,162	1,439,011
Repairs and maintenance		2,659,627	1,986,739	1,568,574
Rental	9	1,754,828	2,665,217	4,532,452
Utilities		1,552,191	1,479,869	765,846
Others		4,020,779	3,015,186	1,524,980
Cost of services		52,359,330	37,964,406	27,131,553
		17,711,991,035	21,463,756,415	23,108,745,231

Note 15 - Selling and marketing expenses

The components of selling and marketing expenses for the years ended December 31 consist of:

	2019	2018	2017
Delivery charges	487,706,273	466,992,454	404,970,635
Employee costs	156,554,574	140,383,748	119,141,040
Transportation and travel	42,181,008	43,858,889	39,208,421
Representation expenses	31,581,915	35,047,226	34,951,228
Advertising and promotion	13,277,364	10,956,892	12,189,616
Contracted services	-	41,430,015	40,971,808
Others	8,578,538	1,174,235	2,339,884
	739,879,672	739,843,459	653,772,632

Note 16 - General and administrative expenses

The components of general and administrative expenses for the years ended December 31 consist of:

	Notes	2019	2018	2017
Taxes and licenses		182,013,128	192,835,966	153,196,968
Contracted services		86,501,626	43,777,413	39,177,249
Donations and contributions		31,953,637	29,384,635	26,814,577
Bank charges		26,212,017	18,459,137	13,032,735
Professional fees		21,118,030	14,009,009	18,783,424
Communications		12,531,808	10,859,746	10,732,196
Depreciation and amortization	8	12,028,262	9,216,074	9,062,200
Repairs and maintenance		8,380,967	7,179,934	3,749,164
Supplies		6,790,833	6,746,606	8,148,021
Membership dues		3,319,552	4,004,442	3,644,794
(Recovery) provision for impairment of receivables	4	(2,958,136)	4,150,981	318,854
Transportation and travel		372,517	-	-
Rentals		-	1,480,222	1,480,222
Input Vat not recovered	6	-	44,135,280	29,486,954
Loss on write-off of receivables	4	611,931	652,497	2,081,439
Miscellaneous		10,722,091	11,529,434	12,589,507
		399,598,263	398,421,376	330,216,865

Note 17 - Other (Expense) income, net

The components of other (expense) income, net for the years ended December 31 consist of:

	Notes	2019	2018	2017
Foreign exchange (loss) gain, net	22.4	(51,980,313)	24,233,646	13,743,603
Freight income		8,171,942	26,859,984	3,899,347
Interest income	3	4,664,531	10,971,670	11,388,894
Unrealized gain on FVPL		4,030,256	914,860	-
Realized gain on redemption of FVPL		2,493,638	-	-
Commission income		3,000,000	-	-
(Loss) gain on disposal of property and equipment		(2,020,045)	5,075,688	765,049
Dividend income	7	141,752	64,450	127,265
Income from write-off of liabilities		-	-	6,050,872
Income from crushing services		-	-	2,335,245
Miscellaneous		6,212,607	2,615,041	349,040
		(25,285,632)	70,735,339	38,659,315

Note 18 - Related party transactions and balances

The Group, in the ordinary course of business, has transactions with related parties. Significant related party transactions and related balances include the following:

For the years ended December 31:

	Transactions			Due from related parties		
	2019	**2018**	**2017**	**2019**	**2018**	**Terms and conditions**
(a) *Management service fees (18.1)* Entities under common control	10,301,437	9,796,387	7,548,164	740,313	585,600	The fee for management services is equivalent to 0.5% of the net receipts from operations, excluding related party transactions. Outstanding receivables are unsecured, unguaranteed, non-interest bearing, collectible in cash at net amount, due 30 to 60 days after billing date, which is raised on a monthly basis.
(b) *Shared service fees (18.2)* Entities under common control	47,333,724	40,427,202	37,740,816	3,874,851	2,908,114	The fee for shared services ranges from 2.2% to 2.5% of the net receipts from operations, excluding related party transactions. Outstanding receivables are unsecured, unguaranteed, non-interest bearing, collectible in cash at net amount, due 30 to 60 days after billing date, which is raised on a monthly basis.
(c) *Sale of goods and services* Entities under common control	487,311,110	1,294,362,453	828,009,551	32,749,613	54,865,648	Sale of goods and services are negotiated with related parties at a margin. These receivables are unsecured, unguaranteed, non-interest bearing, collectible in cash at net amount, due 30 to 60 days after transaction date.
(d) *Sale of property, plant and equipment* Entities under common control	-	41,966,481	-	-	-	Sold property for cash in accordance with agreed sales agreement and were fully collected in 2018.
Total	544,946,271	1,386,552,523	873,298,531	37,364,777	58,359,362	

	Transactions			Due to related parties		
	2019	**2018**	**2017**	**2019**	**2018**	**Terms and conditions**
(e) Rental expenses Entities under common control	(36,908,615)	(281,542,496)	(212,313,447)	(9,147,402)	(3,793,238)	Lease rental are based on contracts mutually agreed by the parties. These payables are unsecured, unguaranteed, non-interest bearing, settled in cash at net amount, due 30 to 60 days after transaction date.
(f) Purchase of goods Entities under common control	(4,711,452)	(272,392,181)	(255,931,812)	(6,563,718)	(4,310,750)	Purchases of goods are negotiated with related parties on a cost-plus basis. These payables are unsecured, unguaranteed, non-interest bearing, settled in cash at net amount, due 30 to 60 days after transaction date.
(g) Loan agreement Immediate Parent Company	(200,000,000)	(900,000,000)	(40,000,000)	(200,000,000)	(900,000,000)	OFI entered into an unsecured, short-term loan agreement with JHI in November 2019. The loan is subject to an annual interest rate of 3.25% maturing on February 2020.
Total	(241,620,067)	(1,453,934,677)	(508,245,259)	(215,711,120)	(908,103,988)	

	Transactions			Outstanding balances		
	2019	**2018**	**2017**	**2019**	**2018**	**Terms and conditions**
(h) Initial recognition of ROU assets and lease liabilities Entities under common control	411,821,260	-	-	241,094,773	-	The Group obtained a right of use assets through lease contracts with a related party. Lease payments are based on rate mutually agreed by the parties and is payable on a monthly basis. Refer further to Note 18.3 for details.
(i) Interest from lease liabilities Entities under common control	22,980,386	-	-	-	-	
				241,094,773	-	

Details of offsetting as at December 31 are as follows:

Due from related parties

	Gross amount of recognized financial assets	Gross amount of recognized financial liabilities set off in the consolidated statement of financial position	Net amount of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral received	
2019	37,364,777	-	37,364,777	-	-	37,364,777
2018	58,359,362	(2,155,375)	56,203,987	-	-	56,203,987

Due to related parties

	Gross amount of recognized financial liabilities	Gross amount of recognized financial assets set off in the consolidated statement of financial position	Net amount of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral received	
2019	215,711,120	-	215,711,120	-	-	215,711,120
2018	908,103,988	(2,155,375)	905,948,613	-	-	905,948,613

There are no provisions for impairment recognized against due from related parties.

There are no collaterals held or guarantees issued, except as disclosed under surety and corporate guarantee agreements, with respect to related party transactions and balances.

As at December 31, 2019, the Group presented net amount of due from related parties of and net amount of due to related parties in the consolidated statement of financial position as a result of the Group's offsetting agreement with its related parties (Note 22.2.3)

The Group has an approved Material Related Party Transactions policy that sets forth the required thresholds for approval for related party transactions as part of the Group's corporate governance policy.

18.1. Management services

The Parent Company has a management agreement with its related parties whereby the Parent Company shall provide general management services and facilities, including necessary expertise, managerial ability, financial and business resources. The fee for the management services are based on net receipts from operations, excluding related party transactions. The agreement shall continue for a period of five years unless mutually terminated by both parties.

18.2. Shared services

The Parent Company has a service agreement with its related parties whereby the Parent Company shall provide general management services, asset management, production and manufacturing support, procurement, logistics and back-office support, among others. The fee for the management services are based on net receipts from operations, excluding related party transactions. The agreement shall remain in force unless terminated by both parties.

18.3. Lease agreements

D&L

D&L has existing operating lease agreement with LBL whereby D&L leases from LBL its office space. The lease is for a period of five years starting July 1, 2007 and renewable for another five years thereafter, unless terminated by either party. The lease agreement was renewed for another three years beginning January 1, 2018.

CTI

CTI has an existing operating lease agreement with LBL covering its factory and warehouse spaces. The lease runs for a period of five years until December 31, 2020 and is subject to five percent annual escalation rate. The lease shall be renewable under terms and conditions mutually agreed upon by both parties, unless terminated or renewed.

CPSI

CPSI has operating lease agreements with LBL covering its factory and warehouse spaces. The leases run for a period of five years until December 31, 2017 and are subject to five percent annual escalation rate. The lease agreements have been renewed on January 1, 2018, effectively extending the contract until December 31, 2020, and shall be renewable under such terms and conditions which may be mutually agreed upon, unless terminated or renewed.

OFI

OFI has existing operating lease agreements with LBL covering its factory and warehouse spaces. The lease runs for a period of five years until November 1, 2021 and shall be renewable under terms and conditions mutually agreed upon by both parties, unless terminated or renewed.

OFI also has existing operating lease agreement with FIC Tankers Corporation (FICT), an entity under common control, for the use of the latter’s storage tanks. The agreement remains in force unless terminated by the parties.

API

API has various operating lease agreements with LBL covering its factory and warehouse spaces. The lease runs for a period of five years until October 31, 2017, and is subject to five percent annual escalation rate. The lease was extended until December 31, 2017 and renewed for a period of 3 years until December 31, 2020, under the terms and conditions mutually agreed upon by both parties.

FIC

FIC has existing operating lease agreement with LBL covering its plant and warehouse in Quezon City. The lease runs for a period of five years until December 31, 2020, and is subject to five percent annual escalation rate. The lease shall be renewable under terms and conditions mutually agreed upon by both parties, unless terminated or renewed

DLPCI

DLPCI has existing operating lease agreements with Ecozone Properties, Inc. (EPI), an entity under common control, covering the lease of the latter's land and warehouse for a period of five years until December 31, 2019. The lease agreements are renewable under such terms and conditions which may be mutually agreed upon, unless terminated or renewed.

18.4. Surety agreements and corporate guarantee

In 2019 and 2018, the Parent Company, its subsidiaries (namely, FIC, DLPCI, API, and OFI) and entities under common control (namely, CCPI and FICM) have an existing agreement to provide surety for the obligations and indebtedness incurred or may be incurred by all aforementioned related parties from short-term and long-term credit accommodation extended by a local bank.

In 2019 and 2018, the Parent Company, its subsidiaries (namely, OFI, FIC, DLPCI, API, CTI and CPSI) and an entity under common control (namely, FICT) have an existing agreement to provide surety for the obligations or indebtedness incurred or may be incurred by all aforementioned related parties from short-term and long-term credit accommodation extended by another local bank.

In 2019 and 2018, the Parent Company and its subsidiaries (namely, FIC, DLPCI, API and OFI) have an existing agreement to provide corporate guarantee for the obligations and indebtedness incurred or may be incurred by all aforementioned related parties from short-term and long-term credit accommodation extended by the branch of a foreign bank.

Pursuant to the agreements above, the participating related parties are solidarily liable for the payment of the underlying obligations. Borrowings outstanding pursuant to the above agreements are as follows:

	2019	2018
Surety agreement with local banks	2,400,000,000	2,400,000,000
Corporate guarantee with a foreign bank	1,000,000,000	1,000,000,000
	3,400,000,000	3,400,000,000

As at December 31, 2019 and 2018, there was no default from the borrowings covered by above surety agreements and corporate guarantee.

The surety agreements and corporate guarantee shall remain in full force and shall be effective unless otherwise terminated by the parties involve.

18.5. Key management compensation

Key management compensation for the years ended December 31 consist of:

	Terms	2019	2018	2017
Salaries and wages	Key management compensation covering salaries and wages and other short-term benefits are determined based on contract of employment and payable in accordance with the Group's payroll period. These were fully paid as at reporting date.	167,750,623	138,188,305	121,757,803
Other short-term employee benefits		8,978,346	12,217,192	15,145,579
Retirement benefits	Retirement benefits are determined and payable in accordance with policies disclosed in Notes 19 and 23.22.	20,628,547	17,780,691	15,648,489
		197,357,516	168,186,188	152,551,871

The Group has not provided share-based payments, termination benefits or other long-term benefits, other than the retirement benefits, to its key management employees for the years ended December 31, 2019, 2018 and 2017.

As at December 31, 2019, advances to officers amounting to P1,698,611 (2018 - P764,982) represent loans granted to officers and employees (Note 4). These are unsecured and non-interest-bearing advances, subject to liquidation and/or collectible through salary deduction and expected to be settled in cash within the next twelve months from reporting date.

Other related party transactions for the years ended December 31 also include contributions to, and investment in shares of stock of the Parent Company by the retirement fund (Note 19) as follows:

	Note	2019	2018	2017
Investment in shares of stock of D&L as at December 31, at fair value	18	128,861,515	148,936,783	150,247,888
Retirement fund contribution during the year	18	-	-	8,882,147

18.6. Amounts Receivable and Payable from Related Parties which are eliminated during consolidation of financial statements

The following related party transactions and balances were eliminated for the purpose of preparing the consolidated financial statements:

	2019	2018
As at December 31		
Investment in subsidiaries	11,022,192,481	10,458,635,343
Due to / from related parties	914,905,323	2,423,087,959
Dividends payable / receivable	-	-
For the year ended December 31		
Service income	432,147,892	514,511,614
Revenue / Cost of sales	185,683,093	201,163,219
Other expense, net	11,392,446	7,473,979
Dividend income	2,225,955,294	1,973,939,902

There are no unrealized profits on intercompany sale of goods.

Note 19 - Retirement plan

The Group maintains a non-contributory defined benefit retirement plan for the benefit of its regular employees. The normal retirement age is 60. Normal retirement benefit is equal to three-fourth month salary as of date of retirement multiplied by retiree's years of service. Three-fourth month salary is equivalent to 22.5 days basic salary, cash equivalent of 5-day vacation leaves, and one-twelfth (1/12) of the 13th month pay. Actuarial valuation is performed by an independent actuary on an annual basis.

The Group has plan assets, a group-administered fund, under the D&L Group of Companies Employees' Retirement Plan (the "Group Retirement Plan") that share risks and returns between various entities under common control. Plan assets are handled by a trustee bank, governed by local regulations and practices and approved policies and procedures by the Board of Trustees. As at December 31, 2019, the Group has an allocated fund of P337,372,299 (2018 - P331,722,013) in the Group Retirement Plan based on the fund balance report of the trustee (using the Group's percentage of equity over the total plan assets under the Group Retirement Plan).

Net defined benefit cost and contributions are allocated to the participating entities in the Group Retirement Plan on the basis of retirement benefit expense and obligation attributable to each of the participating entities.

Retirement benefit asset recognized in the consolidated statements of financial position as at December 31 are determined as follows:

	2019	2018
Fair value of plan assets	337,372,299	331,722,013
Present value of funded obligation	(310,805,066)	(230,517,430)
	26,567,233	101,204,583

The movements in the defined benefit obligation for the years ended December 31 are as follows:

	2019	2018
Beginning of year	230,517,430	264,513,617
Current service cost	22,865,806	26,526,911
Interest cost	16,948,920	14,912,694
Benefits paid	(11,141,056)	(18,530,169)
Transfers from (to) affiliates	481,010	(1,614,350)
Remeasurement loss (gain)	51,132,956	(55,291,273)
End of year	310,805,066	230,517,430

Transfer to affiliates pertains to retirement obligation transferred to related parties due to allocation of retirement obligation based on actual number of employees.

The movements in the fair value of plan assets for the years ended December 31 are as follows:

	2019	2018
Beginning of the year	331,722,013	371,713,693
Benefits paid	(11,141,056)	(18,530,169)
Actual return on plan assets		
Interest income	24,353,729	20,951,857
Remeasurement loss	(7,562,387)	(42,413,368)
	16,791,342	(21,461,511)
End of the year	337,372,299	331,722,013

Retirement benefit expense recognized in profit or loss for the years ended December 31 are as follows:

	2019	2018	2017
Current service cost	22,865,806	26,526,911	23,489,277
Net interest income	(7,404,809)	(6,039,163)	(5,703,434)
	15,460,997	20,487,748	17,785,843

Retirement benefit expenses is included as part of employee costs as follows:

	2019	2018	2017
Cost of sales	4,201,286	19,563,188	16,983,213
Cost of services	7,408,492	21,410	24,608
Selling and marketing expenses	3,153,580	588,404	534,947
General and administrative expenses	697,639	314,746	243,075
	15,460,997	20,487,748	17,785,843

Remeasurement gain (loss), net of tax recognized in other comprehensive income for the years ended December 31 are as follows:

	2019	2018	2017
Remeasurement (loss) gain			
On defined benefit obligation due to change in financial assumption	(45,162,346)	50,307,613	15,973,767
On defined benefit obligation due to experience adjustment	(5,970,610)	4,983,660	(1,596,410)
On plan assets due to experience adjustment	(7,562,387)	(42,413,368)	(9,739,323)
Remeasurement (loss) gain	(58,695,343)	12,877,905	4,638,034
Deferred income tax	10,664,158	(2,473,541)	(199,279)
	(48,031,185)	10,404,364	4,438,755

The movements in the retirement benefit asset recognized in the consolidated statements of financial position as at December 31 are as follows:

	2019	2018
Beginning of year	101,204,583	107,200,076
Retirement benefit expense recorded in profit or loss	(15,460,997)	(20,487,748)
Remeasurement (loss) gain recognized in other comprehensive income	(58,695,343)	12,877,905
Transfer to affiliate	(481,010)	1,614,350
End of year	26,567,233	101,204,583

The Group Retirement Plan has net investments as at December 31 consisting of the following:

	2019		2018	
	Amount	Percentage	Amount	Percentage
Listed stocks	253,346,532	67.45%	279,755,491	74.09%
Treasury bonds and notes	100,597,669	26.78%	76,919,813	20.37%
Unit investment trust funds	10,711,898	2.85%	869,319	0.23%
Mutual funds	7,043,585	1.88%	12,538,725	3.32%
Cash in banks	2,810,661	0.75%	6,378,716	1.69%
Other receivables	1,518,184	0.40%	1,658,929	0.44%
Other payables	(400,605)	(0.11%)	(535,745)	(0.14%)
	375,627,924	100.00%	377,585,248	100.00%

The defined benefit plan typically exposes the participating entities to a number of risks such as investment risk and interest rate risk.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related retirement liability. A decrease in government bond yields will increase the defined benefit obligation although this will be partially offset by an increase in the value of the plan's fixed income holdings.

The participating entities believe that due to the long-term nature of the retirement liability, the mix of debt and equity securities holdings of the plan is an appropriate element of the long-term strategy to manage the plan efficiently. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. The largest proportion of assets is invested in equities, although there are also investments in mutual fund, unit investment trust funds and treasury bonds and notes. The management believes that equities offer the best returns over the long term with an acceptable level of risk.

As at December 31, 2019, listed stocks include shares of stocks of the Parent Company amounting to P128,861,515 representing 0.19% interest in the Parent Company (2018 - P148,936,783; 0.19% interest). The voting rights over these shares are exercised by the trustee bank. The Group Retirement Plan recognized net loss on these investments in listed stocks of the Parent Company for the year ended December 31, 2019 amounted to P20,075,268 (2018 - P44,608,720 net gain).

The allocated share of the Group in the Retirement Plan as at December 31 is as follows:

	2019		2018	
	Amount	Percentage	Amount	Percentage
Listed stocks	227,544,590	67.45%	245,775,107	74.09%
Treasury bonds and notes	90,352,353	26.78%	67,576,780	20.37%
Unit investment trust funds	9,620,950	2.85%	763,728	0.23%
Mutual funds	6,326,236	1.88%	11,015,713	3.32%
Cash in banks	2,524,411	0.75%	5,603,928	1.69%
Other receivables	1,363,565	0.40%	1,457,428	0.44%
Other payables	(359,806)	(0.11%)	(470,671)	(0.14%)
	337,372,299	100.00%	331,722,013	100.00%

The principal annual actuarial assumptions used as at December 31 were as follows:

	2019	2018
Discount rate	4.70%-4.99%	7.21%-7.38%
Future salary increase rate	5.00%	6.00%

As at December 31, 2019, the average life expectancy in years of experience of a pensioner retiring at age 60 is 24 years for both male and female (2018 - 20 years).

Assumptions regarding future mortality experience are set based on advice from published statistics and experience.

As part of its funding policy, the Group follows the recommended contribution to the plan as determined by an independent actuary. The recommended contribution to the plan consists of the annual amortization of the excess fund plus the current service cost for the year. The expected contribution to retirement fund by December 31, 2020 is P29,382,959.

19.1 Critical accounting estimate: Retirement benefit obligation

The present value of the retirement benefit obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for retirement benefit include the discount rate and future salary increases. Any changes in these assumptions will impact the carrying amount of retirement benefit obligation.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement benefit obligation. In determining the appropriate discount rate, the Group considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related retirement benefit obligation and related retirement benefit expense.

Other key assumptions for retirement benefit obligation are based in part on current market conditions.

The sensitivity of the defined benefit obligation as at December 31 to changes in the significant weighted principal assumptions follows:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
As at December 31, 2019			
Discount rate	+/-0.50%	(17,288,953)	18,947,164
Future salary increase	+/-1.00%	37,497,345	(32,057,594)
As at December 31, 2018			
Discount rate	+/-0.50%	(12,026,783)	13,092,913
Future salary increase	+/-1.00%	26,405,752	(22,719,754)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method has been applied as when calculating the retirement benefit obligation recognized within the consolidated statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Expected maturity analysis of undiscounted retirement benefits as at December 31 is as follows:

	Less than a year	1 to 5 years	5 to 10 years
2019	34,347,187	64,767,905	178,746,383
2018	32,763,126	56,262,510	166,912,505

There are no other related party transactions with the retirement fund except for the contributions to, benefits paid and investment in shares in the Parent Company by the retirement fund.

Note 20 - Taxation

Deferred income tax (DIT)

DIT assets (liabilities), net as at December 31 consist of:

	2019	2018
Net operating loss carry-over (NOLCO)	20,561,504	(32,196)
Fair value adjustment of investment in equity securities at FVOCI	(14,222,331)	(10,280,717)
Unrealized foreign exchange gain	6,495,984	300,687
Remeasurement gain on retirement benefit obligation	(3,677,604)	-
Allowance for inventory obsolescence	3,244,398	2,173,478
Minimum corporate income tax	1,861,131	-
Retirement benefit asset	(1,722,766)	(19,562,279)
Provision for disallowance of VAT refund	962,663	962,662
Inventory obsolescence	738,178	-
Excess of lease liability over right-of-use asset	613,865	-
Allowance for doubtful accounts	106,327	95,656
Accrued rent expense	-	424,349
Deferred revenue	-	(807,102)
	14,961,349	(26,725,462)

The offset amounts as at December 31 are as follows:

	2019	2018
DIT assets	34,584,050	3,366,638
DIT liabilities	(19,622,701)	(30,092,100)
	14,961,349	(26,725,462)

The movements in the DIT liabilities, net for the years ended December 31 are as follows:

	2019	2018
Beginning of year	(26,725,462)	(17,877,272)
Credited to profit or loss	32,286,339	2,531,538
Charged to other comprehensive income	9,400,472	(11,379,728)
End of year	14,961,349	(26,725,462)

20.1 Critical accounting judgment: recoverability of DIT assets

The Group recognizes DIT assets to the extent that it is probable that future taxable income will be available against which temporary differences can be utilized. Determining the realizability of DIT assets requires the assessment on the availability of taxable profit expected to be generated from the operations against which the DIT assets can be applied.

As at December 31, 2019 and 2018, based on management's assessment and judgment, DIT assets are fully recoverable.

Current income tax

Corporate income tax

In compliance with local tax law, the entities shall pay the greater of minimum corporate income tax (MCIT), which is 2% of gross income as defined under the law, and the normal income tax which is 30% of taxable income. Any excess of MCIT over the normal income tax shall be carried forward for the next three (3) consecutive taxable years immediately following the year such MCIT was paid.

The Tax Reform Act of 1997 (the Act) introduced NOLCO as a deduction from taxable income for the three consecutive years immediately following the year such loss was incurred.

As at December 31, 2019, the Parent Company recognized MCIT with details as follows:

Year	Year of expiration	Amount	Expired/Utilized	Total	Gross amount
2019	2022	1,861,131	-	1,861,131	6,203,770

As at December 31, 2019, NAC and the Parent Company recognized NOLCO with details as follows:

Year	Year of expiration	Amount	Expired/Utilized	Total	Gross amount
2016	2019	1,010,734	(1,010,734)	0	3,369,114
2017	2020	194,228	-	194,228	647,427
2018	2021	133,371	-	133,371	444,570
2019	2022	20,233,905	-	20,233,905	67,446,350
		21,572,238	(1,010,734)	20,561,504	71,907,461

Realization of the future tax benefit related to these DIT asset is dependent on the entity's ability to generate future taxable income during the periods the temporary differences reverse, and before NOLCO benefit prescribes.

PEZA registered activity

On October 26, 2007, the PEZA approved DLPCI's application for registration to manufacture specialty polymer and colours compound. Under this registration, such activity is entitled to a four-year income tax holiday (ITH) from the start of commercial operations in April 2008. On March 16, 2009, PEZA approved DLPCI's request for the adjustment of the start date of commercial operations to March 1, 2009. As a result, the ITH was extended until February 28, 2013. On September 18, 2012, PEZA approved the extension of DLPCI's ITH to February 28, 2014 on the basis of its Net Foreign Exchange Earnings. On May 16, 2013, PEZA approved DLPCI's request for the grant of pioneer status. As a result, DLPCI was entitled to a six-year ITH until February 28, 2016. Beginning March 1, 2016, the gross income from the foregoing registered activity of DLPCI is subject to 5% tax rate.

On November 16, 2014, PEZA approved DLPCI's application for registration to manufacture new generation, eco-friendly specialty polymer and colour compounds. Under this registration, such activity is entitled to a four-year ITH from the start of commercial operations in November 2014. This registration was extended until September 17, 2021.

BOI registered activity

On March 4, 2011, CTI's registration with the BOI as "new export producer of oleochemical specialties and derivatives" was approved. As a result, the Group's sales generated from oleochemical segment are entitled to ITH for a period of four (4) years. Upon expiration of its ITH in March 2015, CTI pays 10% income tax on income generated from its biodiesel operations. Subsequently, through a legal service letter from Board of Investment dated October 15, 2014, CTI amended its BOI status from non-pioneer to pioneer effectively extending its ITH period from 4 to 6 years until March 2017. On March 2, 2017, the BOI conditionally approved CTI's application for extension of ITH for one year beginning March 27, 2017. On July 8, 2018, the BOI approved CTI's application for extension of ITH for one year beginning March 27, 2018.

Optional Standard Deduction

On December 20, 2008, Revenue Regulations No. 16-2009 on the Optional Standard Deduction (OSD) was published. The regulation prescribed the rules for the OSD application by corporations in the computation of their final taxable income. For corporations, OSD shall be 40% based on gross income; "cost of sales" and "cost of services" will be allowed to be deducted from gross sales.

Following are the election of the Group on OSD or itemized deduction for each of the three years in the period ended December 31, 2019:

	2019	2018	2017
Parent Company	Itemized	Itemized	Itemized
OFI	OSD	OSD	OSD
DLPF	Itemized	Itemized	Itemized
DLPCI	ITH/Itemized	ITH/Itemized	ITH/Itemized
FIC	OSD	OSD	OSD
API	OSD	OSD	OSD
CTI	ITH/Itemized	ITH/Itemized	ITH/Itemized
CHI	OSD	OSD	OSD
NAC	Itemized	Itemized	Itemized

A reconciliation of income tax expense computed at the statutory income tax rate to the income tax expense as reflected in the consolidated statement of total comprehensive income for the years ended December 31 are as follows:

	2019					
	PEZA registered activity (0%)	PEZA Registered activity (5%)	BOI registered activity (0%)	BOI registered activity (10%)	Regular tax rate (30%)	Total
Net profit before tax	251,813,443	258,631,995	87,506,015	344,342,977	2,349,975,606	3,292,270,036
Availment of OSD	-	-	-	-	(246,405,857)	(246,405,857)
Interest income subject to final tax	(107,741)	(103,318)	-	(2,218,790)	(4,237,788)	(6,667,637)
Movement of unrecognized deferred tax	-	-	-	-	(44,567,037)	(44,567,037)
Non-deductible expenses	53,578,959	50,193,778	-	10,479,280	17,205,857	27,685,137
Gross income	305,284,661	308,722,455	87,506,015	352,603,467	2,071,970,781	3,126,087,380
Statutory income tax rates	0%	5%	0%	10%	30%	-
Income tax expense	-	15,436,123		35,260,347	621,591,234	672,287,704

	2018					
	PEZA registered activity (0%)	PEZA Registered activity (5%)	BOI registered activity (0%)	BOI registered activity (10%)	Regular tax rate (30%)	Total
Net profit before tax	302,564,083	343,208,486	484,050,221	522,885,194	2,201,225,248	3,853,933,232
Availment of OSD	-	-	-	-	(231,094,718)	(231,094,718)
Interest income subject to final tax	(947,020)	(98,979)	-	(3,308,010)	(11,703,167)	(16,057,176)
Change in tax rate	-	-	-	-	2,343,859	2,343,859
Dividend income	-	-	-	-	(64,450)	(64,450)
Non-deductible expenses	30,770,990	69,685,837	-	15,917,500	14,811,878	131,186,204
Gross income	332,388,053	412,795,344	484,050,221	535,494,684	1,975,518,650	3,740,246,951
Statutory income tax rates	0%	5%	0%	10%	30%	-
Income tax expense	-	20,639,767	-	53,549,468	592,655,595	666,844,831

	2017					
	PEZA registered activity (0%)	PEZA Registered activity (5%)	BOI registered activity (0%)	BOI registered activity (10%)	Regular tax rate (30%)	Total
Net profit before tax	142,180,424	392,681,709	447,180,030	213,779,333	2,371,647,599	3,567,469,095
Availment of OSD	-	-	-	-	(340,796,937)	(340,796,937)
Interest income subject to final tax	-	(160,013)	-	(1,451,280)	(9,975,553)	(11,586,846)
Change in tax rate	-	-	-	-	2,800,997	2,800,997
Dividend income	-	-	-	-	(127,265)	(127,265)
Non-deductible expenses	-	43,259,520	-	15,701,680	35,801,722	94,762,922
Gross income of BOI registered activity under ITH	-	-	(447,180,030)	-	-	(447,180,030)
Gross income	142,180,424	435,781,216	-	228,029,733	2,059,350,563	2,865,341,936
Statutory income tax rates	0%	5%	0%	10%	30%	
Income tax expense	-	21,789,061	-	22,802,973	617,805,169	662,397,203

Change in tax rate relates to the change in effective rate as a result of the availment of OSD and itemized deductions by entities within the Group.

Note 21 - Critical accounting estimates, assumptions and judgments

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates, assumptions and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

21.1 Critical accounting estimates and assumptions

21.1.1 Key assumptions used for value-in-use calculations (Note 1.3.1)
21.1.2 Recoverability of receivables (Note 4.1)
21.1.3 Allowance for inventory obsolescence (Note 5.1)
21.1.4 Useful life of property, plant and equipment (Note 8.1)
21.1.5 Determining incremental borrowing rate (Note 9)
21.1.6 Key assumptions used to calculate retirement benefit obligation (Note 19.1)

21.2 Critical accounting judgments in applying the Group's accounting policies

21.2.1 Impairment tests for goodwill (Note 1.3.1)
21.2.2 Recoverability of receivables (Note 4.1)
21.2.3 Allowance for inventory obsolescence (Note 5.1)
21.2.4 Recoverability and classification of input VAT (Note 6.1)
21.2.5 Recoverability and classification of CWT (Note 6.2)
21.2.7 Recoverability of DIT assets (Note 20.1)

Note 22 - Financial risk and capital management

22.1 Financial risk factors

The Group's activities expose it to a variety of financial risks and these activities involve the analysis, evaluation and management of some degree of risk or combination of risks. The Group's overall risk management program focuses on the unpredictability of financial markets, aims to achieve an appropriate balance between risk and return and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by the ManCom.

The most important types of risk the Group manages are: credit risk, market risk and liquidity risk. Market risk includes foreign currency exchange, price and interest risks.

22.2 Components of financial assets and liabilities by category

22.2.1 Financial assets

Details of the Group's financial assets as at December 31 are as follows:

	Notes	2019	2018
Financial assets at amortized cost			
Cash and cash equivalents	3	1,989,650,111	1,775,017,060
Receivables, gross	4	3,475,439,536	4,603,434,972
Due from related parties	18	37,364,777	56,203,987
Refundable deposits	6	34,240,402	18,723,355
		5,536,694,826	6,453,379,374
Financial assets at FVPL		644,000,783	35,914,860
Financial assets at FVOCI		182,248,820	164,658,965
		6,362,944,429	6,653,953,199

Receivables are presented gross of allowance for impairment as at December 31, 2019 amounting to P12,149,143 (2018 - P15,719,210).

The other components of other current and non-current assets are considered non-financial assets which include deposits to suppliers, input VAT, creditable withholding taxes and prepayments.

The carrying amounts of financial asset at amortized cost approximate their fair values (Level 1) as the impact of discounting is not considered significant. Financial assets at FVPL and FVOCI are measured at quoted prices (Level 1).

22.2.2 Financial liabilities

Details of the Group's financial liabilities, categorized as other financial liabilities at amortized cost at December 31 are as follows:

	Notes	2019	2018
Trade payables and other liabilities	10	1,208,811,761	1,373,190,979
Due to related parties	18	215,711,120	905,948,613
Lease liabilities	9	246,070,044	-
Borrowings	11	3,400,000,000	3,400,000,000
		5,070,592,925	5,679,139,592

Trade payables and other liabilities exclude amounts due to regulatory agencies and advances from customers as at December 31, 2019 amounting to P49,791,569 and P223,568 (2018 - P49,716,042 and P157,799), respectively (Note 10).

The carrying amounts of financial liabilities at amortized cost approximate their fair values (Level 2) due to their short-term nature and/or the impact of discounting is not considered significant.

As at December 31, 2018, estimated fair value (Level 2) of the P1 billion long-term borrowings amounted to P922,351,485, based on discounted cash flows using current market rate (Note 11).

22.2.3 Offsetting financial assets and liabilities

The financial assets and liabilities subject to offsetting pertains only to amounts due from/to related parties (Note 18).

22.3 Credit risk

The Group's exposure to credit risk arises primarily from financial assets at amortized cost and financial assets at FVTPL.

The Group has prudent credit policies to ensure that sales of its products are made to customers with good credit history. The senior management team, product group heads and the respective sales team perform credit evaluation and monthly review of outstanding receivables as part of the regular performance assessment process. All significant receivables from key customers are monitored for collectability and actual settlement performance, and specific action plans are required for any material overdue amounts from all categories of customers.

The Group's financial assets that are subject to the expected credit loss model are as follows:

	2019	2018	Basis for recognition of ECL
Financial assets at amortized cost			
Cash and cash equivalents	1,976,706,519	1,762,182,829	12-month ECL
Trade and other receivables	3,507,395,900	4,595,194,135	Lifetime ECL
Due from related parties	37,364,777	56,203,987	12-month ECL
Refundable deposits	34,240,402	18,723,355	12-month ECL
Financial assets at FVTPL	644,000,783	35,914,860	Not applicable
	6,199,708,381	6,468,219,166	

Cash and cash equivalents exclude cash on hand as at December 31, 2019 amounting to P12,943,592 (2018 - P12,834,231) which is not subject to credit risk.

The maximum exposure to credit risk at the reporting date is the carrying value of financial assets summarized above.

None of the financial assets that are fully performing has been renegotiated as at December 31, 2019 and 2018.

The Group does not hold any collateral as security to the above financial assets.

Cash in bank

Credit risk exposure arising from cash in bank arises from default of the counter party, with a maximum exposure equal to the fair value of financial asset. To minimize credit risk exposure, the Group deposits its cash in banks with good credit rating.

Cash deposited in these banks as at December 31 are as follows:

	2019	2018
Universal banks	1,938,993,675	1,762,125,626
Thrift banks	37,712,844	57,203
	1,976,706,519	1,762,182,829

While cash in bank are also subject to requirements of PFRS 9, expected credit loss is considered not significant. The Group does not hold any collateral as security to the above financial assets.

Due from related parties

Due from related parties pertain to amounts receivable for sale of inventories to related parties. These are non-interest bearing and are collectible generally within 30 to 60 days after transaction date. Due from related parties are fully recoverable. Management does not foresee significant credit risk on the outstanding balances of due from related parties as these are transacted with related parties with strong financial and liquidity position.

Trade and other receivables

i) Trade receivables

The Group applies the PFRS 9 simplified approach to measuring expected credit losses which used a lifetime expected loss allowance for trade receivables arising from sale of goods and services to third parties. To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics and the historical collection cycle.

The expected loss rates are based on the payment profiles of counterparties over a period of 36 months before January 1, 2018 and the corresponding historical credit losses experiences within this period.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The Group has identified the Gross Domestic Product (GDP) and the Inflation Rates to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at December 31, 2019 and 2018 was determined as follows:

December 31, 2019	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate				4%	
Gross carrying amount -trade receivables	2,624,865,225	417,780,524	141,473,589	323,276,561	3,507,395,899
Loss allowance	-	-	-	(12,149,143)	(12,149,143)
Net receivables	2,624,865,225	417,780,524	141,473,589	311,127,418	3,495,246,756

December 31, 2018	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	-	-	-	4%	
Gross carrying amount - trade receivables	2,362,017,763	1,451,672,446	400,548,035	380,955,891	4,595,194,135
Loss allowance	-	-	-	(15,719,210)	(15,719,210)
Net receivables	2,362,017,763	1,451,672,446	400,548,035	365,236,681	4,579,474,925

Trade receivables for more than 90 days are related to a number of independent customers with whom there is no recent history of default and write-off.

ii) Other receivables

Other receivables include loans to officers and employees. To address credit risk, these advances are subject to liquidation and/or collectible through salary deduction. Other receivables also include receivables from third parties to which the Group limits its exposure to credit risk by transacting only with counterparties that have appropriate and acceptable credit history. Advances to officers and employees and other receivables are considered to be fully recoverable and hence expected credit loss is considered insignificant.

Refundable deposits

This account pertains to security deposits on properties leased by the Group. Security deposits are generally refundable at the end of the lease term. Management does not expect significant credit risk on these deposits.

Financial assets measured at FVPL

The Group's investments in debt instrument are considered to have low credit risk. Management consider 'low credit risk' for unit investment trust funds, as they are deposited with universal banks with good credit rating.

22.4 Market risk

22.4.1 Foreign currency exchange risk

The Group's foreign currency denominated monetary assets and liabilities as at December 31 consist of:

	2019	2018
In USD		
Cash	7,025,663	8,624,596
Receivables	9,708,856	11,513,877
Financial assets at FVPL	10,072,573	-
	26,807,092	20,138,473
Trade payable and other liabilities	(3,168,004)	(4,452,988)
Net assets (liabilities) In USD	23,639,088	15,685,485
Closing exchange rate	50.64	52.58
Philippine peso equivalent	1,197,083,416	824,742,801

Foreign exchange gain, net for the years ended December 31 consist of:

	2019	2018	2017
Realized foreign exchange gain	(31,185,882)	28,890,273	8,196,068
Unrealized foreign exchange (loss) gain	(20,794,431)	(4,656,627)	5,546,995
Foreign exchange gain, net	(51,980,313)	24,233,646	13,743,063

Foreign exchange risk arises when future commercial transactions and assets and liabilities are denominated in a currency that is not the Parent Company's functional currency.

The Group manages its foreign currency exchange risk through minimizing foreign currency denominated transactions. Also, the Group maintains sufficient cash in foreign currency to cover its maturing obligations.

A market driven change in foreign currency exchange rate, significantly arising from US Dollar denominated assets (liabilities), as at December 31 would lead to immaterial pre-tax profit and equity movements.

22.4.2 Price risk

As at December 31, 2019, the Group is exposed to price risk in relation to its investments in debt and equity financial assets amounting to P644,000,783 and P182,248,820, respectively (2018 - P35,914,860 and P164,658,100, respectively). Components of debt and equity financial assets would increase or decrease as a result of gains or losses on these financial assets measured at fair value at the end of each reporting period. Management monitors such financial assets based on the net asset value of the debt instruments (unit investment trust funds) current market price of the shares. These financial assets are managed on an individual basis, and all buy and sell decisions are approved by the ManCom, thereby reducing the Group's exposure to equity price risk at an acceptably low level.

A market driven change in in fair value of the debt and equity investments, with all other variables held constant, would have been immaterial.

22.4.3 Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial assets and liabilities will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial assets and liabilities will fluctuate because of changes in market interest rates.

Cash flow interest rate risk

The Group's exposure to cash flow interest rate risk pertains to short-term borrowings where the related interests are repriced at periodic intervals based on the prevailing mark-to-market prices, in accordance with the terms of the agreement. The Group's practice is to manage its interest cost by reference to current market rates in borrowings.

At December 31, 2019, if interest rates increased/decreased by 25 basis points from the last repricing date, with all other variables held constant, the effect on pre-tax profit for the year and equity would be increase/decrease by P3,013,888 (2018 - increase/decrease by P12,500,000; 2017 - increase/decrease by P14,313,102).

The Group's fixed rate borrowings are measured at amortised cost. They are therefore not subject to cash flow interest rate risk as defined in PFRS 7, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

Fair value interest rate risk

Changes in the market interest rates of the Group's financial liabilities with fixed interest rates only affect income if these are measured at their fair value. As such, the Group's financial liabilities with fixed interest rates that are measured at amortized cost are not subject to fair value interest rate risk as defined in PFRS 7.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility by keeping credit lines available.

On a regular basis, management monitors forecasts of the Group's liquidity reserve on the basis of expected cash flows. The Group places cash in excess of immediate requirements in banks.

The table below summarizes the maturity profile of the Group's non-derivative financial liabilities based on contractual undiscounted payments:

	Due and demandable	Less than 3 months	Between 3 to 6 months	Between 7 to 12 months	Over 12 months	Total
December 31, 2019						
Trade payables and other liabilities	558,398,810	584,276,331	20,376,286	9,755,064	36,005,270	1,208,811,761
Due to related parties	108,384,464	107,314,680	-	11,976	-	215,711,120
Borrowings and future interest payments	-	5,000,000	2,605,000,000	1,024,944,444	-	3,634,944,444
Lease liabilities and future interest payments	18,058,120	36,116,240	54,174,360	108,348,720	51,353,806	268,051,246
	684,841,394	732,707,251	2,679,550,646	1,143,060,204	87,359,076	5,327,518,571
December 31, 2018						
Trade payables and other liabilities	762,493,755	550,543,680	60,153,544	-	-	1,373,190,979
Due to related parties	105,948,613	800,000,000	-	-	-	905,948,613
Borrowings and future interest payments	-	2,406,045,139	10,000,000	10,000,000	1,020,000,000	3,446,045,139
	868,442,368	3,756,588,819	70,153,544	10,000,000	1,020,000,000	5,725,184,731

At December 31, 2018, borrowings include undiscounted cash flows on interest payable until its maturity.

The Parent Company, together with its related parties entered into surety agreements with local banks and a corporate guarantee with a foreign bank. The borrowings of the Group are covered by surety agreements and corporate guarantee agreements (Note 18).

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances equal their carrying balances, as the impact of discounting is not significant.

The Group believes that cash generated from its operating activities and current assets are sufficient to meet maturing obligations required to operate the business. The Group would also be able to meet unexpected cash outflows by accessing additional funding sources from local banks and related parties.

The Group expects to settle the above financial obligations in accordance with their maturity date. However, the Group may consider to roll-over short-term loans based on working capital requirements.

Capital management

The Group's objective when managing capital is to generate the maximum possible returns for its shareholders while taking on a manageable degree of risk ensuring that the Group will continue to expand business and manufacturing facilities.

In order to maintain or adjust the capital structure, the Group reviews its capital structure from time to time to assess the proper financing mix necessary to grow and sustain its operations. As a matter of policy, capital expenditures have been financed from internally-generated cash flow while working capital requirements will be augmented by short-term bank borrowings from time to time.

Earnings in excess of dividend distribution to shareholders have been continuously redeployed and reinvested in the growth of the Group's business. Each instance of expansion of manufacturing capacity and entry into new products and markets undergo a thorough evaluation process to ensure that such investments and marketing programs are in consonance with the Group's core competencies and would be enhancing, rather than diminishing, shareholder value in the long run.

As part of the reforms of the PSE to expand capital market and improve transparency among listed firms, PSE required a minimum percentage of ten percent (10%) of the listed companies' issued and outstanding shares, exclusive of any treasury shares, to be held by the public. On May 31, 2017, the SEC issued a Memorandum Circular to increase the minimum percentage requirement to at least fifteen percent (15%) on or before end of 2018 and then to at least twenty percent (20%) on or before end of 2020. The Parent Company is compliant with respect to this requirement.

As at December 31, 2019 and 2018, total capital is equal to total equity (excluding any reserves) as shown in the consolidated statements of financial position.

	2019	2018
Total equity	17,112,054,942	16,564,736,806
Reserves	(236,730,668)	(266,537,479)
	16,875,324,274	16,298,199,327

There are no changes to the Group's capital management policies as at December 31, 2019 and 2018.

Note 23 - Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

23.1 Basis of preparation

These consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, PAS and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

These consolidated financial statements have been prepared under the historical cost convention, as modified by revaluation of financial assets at FVPL and FVOCI, and retirement benefit plan where plan assets are measured at fair value.

The preparation of consolidated financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group's accounting policies. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 21.

Changes in accounting policy and disclosures

23.1.1 New and amended standards adopted by the Group

<u>PFRS 16, Leases</u>

PFRS 16 replaces the guidance of PAS 17 that relate to the accounting by lessees and the recognition of almost all leases in the balance sheet. PFRS 16 removes the current distinction between operating and financing leases and requires recognition of an asset (the right-of-use asset) and a lease liability to pay rentals for virtually all lease contracts.

Under PFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group recognized lease liabilities and right-of-use assets in relation to leases which have previously been classified as 'operating leases' under the principles of PAS 17.

The Group applied the modified retrospective approach and avail of the practical expedient in measuring the right-of-use asset to be recognized upon transition. Under this approach, liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet as at December 31, 2018.

Details and additional transition disclosures are included in Note 9.

23.1.2 New standards and interpretations not yet adopted

There are no other applicable and relevant standards, amendments and interpretations, which are issued and effective January 1, 2019 and onwards that have or are expected to have a significant impact on the Group's consolidated financial statements during and at the end of reporting period.

23.2 Financial assets

23.2.1Classification and presentation

Classification

The Group classifies its financial assets in the following measurement categories:

(a) those to be measured subsequently at fair value (either through OCI or through profit or loss), and;
(b) those to be measured at amortized cost.

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

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

The Group shall reclassify financial assets when and only when its business model for managing those assets changes.

The Group's financial assets measured at fair value through profit and loss includes unit investment trust fund (UITF) while financial assets measured at fair value through other comprehensive income includes investments in equity securities.

The Group's financial assets at amortized cost category include cash and cash equivalents, trade receivables, due from related parties and refundable deposits.

The Group's financial assets are detailed in Note 22.2.

23.2.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

23.2.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

a) Debt instruments – subsequent measurement

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

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

  The Group's financial assets at amortized cost consist of cash and cash equivalents, trade receivables, due from related parties and other non-current financial assets (Note 22.2.1).

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other income (expenses), net. Interest income from these financial assets is included in other income (expenses), net, using the effective interest rate method. Foreign exchange gains and losses are presented in other income (expenses), net and impairment expenses are presented as separate line item in the statement of total comprehensive income.

  The Group's does not have debt instruments financial assets that are measured at FVOCI.

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in profit or loss and presented within other income, net, in the period in which it arises.

  The Group's financial assets at FVPL consists of investments in mutual funds (Note 22.2).

Equity instruments – subsequent measurement

The group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the equity investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

The Group's equity instrument financial assets that are measured at FVOCI consists of investments in listed shares and proprietary golf club shares (Note 22.2)

23.2.4 Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit loss associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

With the exception of purchased or originated credit impaired financial assets, expected credit losses are required to be measured through a loss allowance at an amount equal to:

- 12-month expected credit losses (ECLs) - these are ECLs that result from default events that are possible within 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs - these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

(i) Simplified approach

The Group applies the simplified approach to provide for ECLs for all trade receivables arising from contracts with customers. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

(ii)   General approach

The Group applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

The Group considers a financial asset to be in default when:
- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- the financial asset is more than 90 days past due or longer depending on the historical experience with particular customers.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit impaired includes the following observable date:
- significant financial difficulty of the counterparty;
- a breach of contract such as actual default; or
- it is probable that the borrower will enter bankruptcy or other financial reorganization.

Impairment losses and subsequent recoveries on financial assets are presented in administrative expenses within operating profit.

Impairment policy prior to January 1 2018

Prior to January 1, 2018, the Group first assessed whether there is objective evidence of impairment exists individually for receivables that are individually significant, and collectively for receivables that are not individually significant using the criteria above. If the Group determined that no objective evidence of impairment existed for an individually assessed receivable, whether significant of not, it included the asset in a group of financial assets with similar credit risk characteristics and collectively assesses those for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is or continued to be recognized were not included in a collective assessment of impairment.

The amount of the loss was 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. The carrying amount of the asset was reduced and the amount of the loss is recognized in the provision for impairment of receivables account in profit or loss.

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 (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss. Reversals of previously recorded impairment provision are based on the result of management's update assessment, considering the available facts and changes in circumstances, including but not limited to results of recent discussions and arrangements entered into with customers as to the recoverability of receivables at the end of the reporting period. Subsequent recoveries of amounts previously written-off were credited against operating expense in profit or loss.

23.3 Financial liabilities

23.3.1Classification and presentation

The Group classifies its financial liabilities in the following categories: (a) financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those that are designated at fair value) and (b) other liabilities at amortized cost. The classification depends on the purpose for which the financial liabilities were incurred. Management determines the classification of its financial liabilities at initial recognition.

The Group did not hold financial liabilities at fair value through profit or loss during and at the end of each reporting period.

Other liabilities at amortized cost

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortized cost. They are included in current liabilities, except for maturities more than twelve months after reporting date which are classified as non-current liabilities.

The Group's financial liabilities at amortized cost consist mainly of trade payables and other liabilities (excluding payables to government agencies for value-added tax, withholding and other taxes), due to related parties and borrowings.

23.3.2 Initial recognition and subsequent measurement

The Group recognizes a financial liability in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

The Group's financial liabilities at amortized cost are initially measured at invoice amount, which approximates fair value plus transaction costs. Subsequently, these are measured at amortized cost using the effective interest method. Interest expense on financial liabilities is recognized within finance cost, at gross amount, in profit or loss.

23.3.3 Derecognition

Financial liabilities are derecognized when extinguished, that is, when the obligation specified in a contract is discharged or cancelled or when the obligation expires.

23.4 Determination of fair value

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 Group classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial instruments that are traded in active market is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The Group's FVPL and FVOCI financial assets with quoted market price are valued using Level 1 of the fair value hierarchy and those with unquoted market price are measured at cost.

For non-financial assets, the Group uses valuation techniques that are appropriate in the circumstances and applies the technique consistently. The fair value of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the Group will not fulfill an obligation.

23.5 Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

23.6 Consolidation

23.6.1Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated.

Accounting policies and reporting period of its subsidiaries are consistent with the policies adopted by and the reporting period of the Parent Company.

23.6.2 Business combinations (including common control business combination)

The Group applies the purchase or acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the recognized amounts of the acquiree’s identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer’s previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss in the consolidated statement of total comprehensive income.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified at equity is not re-measured, and its subsequent settlement is not accounted for within equity.

23.6.3 Goodwill

Goodwill is initially measured as the excess of the aggregate of the consideration transferred (including the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree) over the fair value of the Group’s share of the identifiable net assets acquired. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognized directly in profit or loss.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

23.6.4 Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions that is, as transactions with the owners in their capacity as owners. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired in the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

23.6.5 Disposal of subsidiary

When the Group ceases to have control, any retained interest in the subsidiary is re-measured to its fair value at the date when control is lost, with the change in carrying amount generally recognized in profit or loss. The fair value is the initial carrying amount for purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

If the Group surrenders control to a related party within the group it ultimately belongs, the difference between the consideration received and the fair value of the subsidiary at divestment date, is recognized as other charges to equity.

23.7 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash deposits held at call with banks and other short-term highly liquid investments with maturities of three months or less from date of acquisition. These are measured in the statement of financial position at face or nominal amount. Cash in bank earns interest at the prevailing bank deposit rate.

23.8 Receivables

Trade receivables arising from regular sales with an average credit term of 30 days are recorded at fair value plus transaction cost, which approximate invoice value and subsequently measured at amortized cost using effective interest method less any provision for impairment. Provision for impairment is determined using the policies disclosed in Notes 22 and 23.2.

When a receivable is uncollectible, it is written-off against the provision account for receivables. Receivables and its related provision for impairment are written off when the Group has determined that the receivable is uncollectible as they have already exerted all collection efforts, including filing a legal case. Bad debts written off are specifically identified by the Group’s marketing department after exhausting all collection efforts (i.e. sending demand letters and legal notice of default to customers), and is approved by the respective product manager and subsequently by the Board of Directors.

Write-offs represent either direct charge against profit or loss at the time the receivable deemed uncollectible or the release of previously recorded provision from the allowance account and credited to the related receivable account following the Group’s assessment that the related receivable will no longer be collected after all collection efforts have been exhausted.

Subsequent recoveries of amounts previously written-off are credited in profit or loss under selling and marketing expenses. Reversals of previously recorded impairment provision are recognized in profit or loss based on the result of management's update assessments, considering available facts and changes in circumstances, including but not limited to results of recent discussions and arrangements entered into with customers as to the recoverability of receivable at reporting date.

23.9 Inventories

Inventories are stated at the lower of cost and net realizable value (NRV). The cost of finished goods inventories is determined on the basis of standard cost which is adjusted at periodic intervals and which approximate actual manufacturing cost determined using the weighted average method. For food ingredients, colorants and plastic additives, and aerosol segments, the cost of raw materials is determined using specific identification. For oleochemicals, resins and powder coatings segment, the cost of raw materials is determined using the weighted average method. Inventories in transit are valued at invoice cost including related importation costs. The cost of inventories excludes borrowing costs. NRV is the estimated selling price in the ordinary course of business, less cost to complete and to sell.

Allowance for inventory obsolescence and obsolescence is provided, when necessary, based on management's review of inventory turnover and projected future production demands, and is recognized in profit or loss. Provision for inventory obsolescence is established for slow moving, and defective inventories based on physical inspection and management evaluation. Inventories and its related allowance account are written off when the Group has determined that the related inventory is already obsolete and damaged. Write offs represent the release of previously recorded provision from the allowance account and credited to the related inventory account following the disposal of the inventories. Destruction of the obsolete and damaged inventories is made in the presence of regulatory agencies.

Reversals of previously recorded impairment provisions are credited against provision within cost of sales account in profit or loss based on the result of management's update assessment, considering available facts and circumstances, including but not limited to net realizable value at the time of disposal.

Inventories are derecognized when sold or otherwise disposed of.

23.10 Claim for input VAT, prepayments and other current assets

23.10.1 Claim for input VAT and prepaid taxes

Claims for input VAT and prepaid taxes is stated at face value less allowance for impairment, if any. They are included in current assets, except for maturities greater than twelve months after the reporting date, which are classified as non-current assets.

The Group, on a continuing basis, makes a review of the status of the claim which is designed to identify those that may require provision for impairment. Provision for unrecoverable input VAT and prepaid taxes, if any, is maintained by the Group at a level considered adequate to provide for potential uncollectible portion of the claim.

A provision for unrecoverable input VAT and prepaid taxes is established when there is objective evidence that the Group will not be able to recover the claim. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss.

Provision for unrecoverable tax credit claim from excess input VAT is recognized at each reporting period in consideration of management's assessment that it has complied with the prescribed regulatory requirements such that the tax credit claim from excess input VAT is filed within the two (2) year prescription period, appropriate supporting documents are available to support the tax credit claim from excess input VAT and likelihood of potential disallowed amounts based on discussions with and correspondences received from local tax authorities. Write-off is recognized upon receipt of a formal notice of disallowance from local tax authorities.

Prepayments in the form of unused tax credits are derecognized when there is a legally enforceable right to offset the recognized amounts against income tax due and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Claims for input VAT and prepaid taxes is derecognized when actually collected or disallowed by tax authority.

23.10.2 Prepayments and other current assets

Prepayments are recognized in the consolidated statement of financial position in the event that payment has been made in advance of obtaining right of access to goods or receipt of services and measured at nominal amounts. They are included in current assets, except for maturities greater than twelve months after the reporting date, which are classified as non-current assets. These are derecognized in the consolidated statement of financial position upon delivery of goods or when services have been rendered, through amortization over a certain period of time, and use or consumption.

Other current assets consist substantially of input value-added tax and creditable withholding taxes which are recognized as assets in the period such input value-added tax and income tax payments become available as tax credits to the Group and carried over to the extent that it is probable that the benefit will flow to the Group.

Prepayments and other non-financial assets are included in current assets, except when the related goods or services are expected to be received or rendered more than twelve months after the reporting period in which case, are classified as non-current assets.

These are derecognized from the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

23.11 Property, plant and equipment

Property, plant and equipment is initially measured and recognized at acquisition cost which comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use.

After initial measurement, property, plant and equipment is stated at historical cost less accumulated depreciation, amortization and impairment, if any.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
Construction in progress, which represents properties under construction, is stated at cost and depreciated only when the relevant assets are completed and put into operational use. Upon completion, these properties are reclassified to their appropriate class of property, plant and equipment.

Leasehold improvements are amortized over the lease term which is shorter than the estimated useful life of the improvements, considering the renewal option.

Land is not depreciated. Depreciation on other assets is computed on the straight-line method to allocate the cost of each asset, less its residual value, over its estimated useful life (in years), determined based on the Group's historical information and experience on the use of such assets, as follows:

Building	40
Leasehold improvements	5
Transportation and delivery equipment	5 to 10
Office furniture and fixtures	5
Tools	5
Machinery and equipment	10 to 20

The asset's residual values and useful lives are reviewed, and adjusted as appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal at which time the cost and their accumulated depreciation are removed from the disposal accounts.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the assets and are credited to profit or loss.

23.12 Impairment of non-financial assets

Non-financial assets that have an indefinite useful life, such as goodwill, are not subject to amortization and are tested annually for impairment. Other non-financial assets, mainly property, plant and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). Impairment losses, if any, are recognized in profit or loss.

When impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. Reversals of an impairment loss are credited against the provision account in profit or loss.

23.13 Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishing provisions where appropriate on the basis of amounts to be paid to tax authorities.

Deferred income tax (DIT) is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, DIT is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. DIT is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related DIT asset is realized or the DIT liability is settled.

DIT assets are recognized for all deductible temporary differences, carry-forward of unused tax credits from excess minimum corporate income tax (MCIT) and unused tax losses (net operating loss carryover or NOLCO), to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

DIT liabilities are recognized in full for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of goodwill.

DIT assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the DIT assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The Group re-assesses at each reporting date the need to recognize a previously unrecognized DIT asset, if any.

DIT assets and liabilities are derecognized when the related temporary difference are realized or settled.

23.14 Trade payables and other liabilities

Trade payables and other liabilities are obligations to pay for goods or services that have been acquired in the ordinary course of business with suppliers.

Trade payables and other liabilities are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Group is established or when the corresponding assets or expenses are recognized. These are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables and other liabilities are recognized initially at invoice amount, which approximates fair value, and subsequently measured at amortized cost using effective interest method.

These are derecognized when extinguished or when the obligation is discharged, cancelled or has expired.

23.15 Borrowings and borrowing costs

23.15.1 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Borrowings are derecognized when the obligation is settled, paid or discharged.

23.15.2 Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset, if any, are capitalized during the period of time that is required to complete and prepare the asset for its intended use.

Other borrowing costs are recognized and charged to profit or loss in the year in which these are incurred.

23.16 Provisions

Provision are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognized for future operating losses.
Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed and derecognized in the consolidated statement of financial position.

23.17 Equity

23.17.1 Share capital

Ordinary shares are stated at par value and are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

23.17.2 Share premium

Any amount received by the Group in excess of par value of the Parent Company's shares is credited to share premium which forms part of the non-distributable reserve of the Group and can be used only for purposes specified under corporate legislation.

23.17.3 Share issuance cost

Share issuance costs incurred for the listing and offering process of the Group are recognized as deduction to share premium in accordance with PIC - Question and Answer (PIC - Q&A) 2011-04.

23.17.4 Retained earnings

Appropriated retained earnings

Appropriated retained earnings pertain to the portion of the accumulated profit from operations which are restricted or reserved for a specific purpose such as capital expenditures for expansion projects and dividends to shareholders, which are approved by the Group's Board of Directors.

Unappropriated retained earnings

Unrestricted retained earnings pertain to the unrestricted portion of the accumulated profit from operations of the Group which are available for dividend declaration.

23.18 Dividend distribution

Dividend distribution to the shareholders is recognized as a liability in the consolidated financial statements in the period in which the dividends are approved by the Parent Company's BOD.

Recording of stock dividend depends on whether the stock dividend declared is a small stock dividend or a large stock dividend. Stock dividend declared is considered to be small when the shares to be issued are less than 20-25% of the total outstanding shares before the stock dividend, otherwise the stock dividend will be considered large. The amount to be released from retained earnings when a small stock dividend is declared will be equivalent to the fair market value of the shares at the date of declaration. Any excess of the fair market value of the shares against its par value will be recorded as share premium. On the other hand, the amount to be released in retained earnings when a large stock dividend is declared will be equivalent to the par value of the shares being issued.

23.19 Earnings per share

23.19.1 Basic

Basic earnings per share is computed by dividing the profit attributable to the owners of the Parent Company by the weighted average number of shares in issue during the year, excluding ordinary shares purchased by the Parent Company held as treasury shares.

23.19.2 Diluted

The diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential ordinary shares, if any.

The Group has no potentially dilutive ordinary shares. Therefore, the amount reported for basic and diluted earnings per share is the same.

23.20 Revenue recognition

Revenue is measured based on the consideration which the entity is expected to be entitled to for the sale of goods and services in the ordinary course of the Group's activities. The Group recognizes revenue when it transfers control over a product or performs service to a customer.

Revenue is recognized as follows:

23.20.1 Sale of goods

Sale of goods are recognized in profit or loss when the Group has delivered the products to the customer and there is no unfulfilled obligation that could affect the acceptance of the products. Delivery does not occur until the products have been shipped to the specific location, the risk of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Sale of goods is shown net of returns, and/or discounts in the consolidated statement of total comprehensive income.

Sales price are agreed with customers upon order and credit terms vary from COD and 30 to 90 days.

There are no warranties and other similar obligations for refunds agreed with customers for sale of goods.

23.20.2 Management and shared service fees

Service fees from management and shared services agreements are recognized in profit or loss when the corresponding performance obligations have been rendered to the related parties in accordance with the agreements.

23.20.3 Dividend income

Dividend income is recognized in profit or loss when the right to receive payment is established.

23.20.4 Interest income

Interest income from cash in banks and short-term investments, which is presented net of final taxes paid or withheld, is recognized in profit or loss on a time-proportion basis using the effective interest method.

23.20.5 Other income

Income from lighterage and sale of equipment is recognized in profit or loss when obligations have been rendered and accepted by the customer in accordance with the relevant agreements.

All other income items are recognized in profit or loss when earned.

Details of revenue disaggregation presented on Note 2 - Segment information.

23.21 Costs and expenses

Costs and expenses are recognized when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Costs and expenses are recognized: (i) on the basis of a direct association between the costs incurred and the earning of specific items of income; (ii) on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or (iii) immediately when an expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position. Costs and expenses are presented in the profit or loss according to their function.

23.22 Employee benefits

23.22.1 Retirement benefit obligation

The Group has a defined benefit retirement plan in accordance with the local conditions and practices in the Philippines. The plan is generally funded through payments to trustee-administered funds as determined by periodic actuarial calculations. Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability (or asset) recognized in the consolidated statement of financial position is the present value of the defined benefit obligation less fair value of the plan assets at the reporting date. In cases when the amount determined results in an asset, the Group measures the resulting asset at the lower of such amount determined and the present value of any economic benefits available to the Group in the form of refunds or reductions in future contributions to the plan. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity which approximate the terms of the related retirement benefit obligation.

When the Group has a surplus in a defined benefit plan, the Group measures the net defined benefit asset at the lower of the surplus in the defined benefit plan, and the asset ceiling determined using the same discount rate in determining the present value of defined benefit obligations. The amount of the asset recognized should not exceed the aggregate of the present values of any refunds expected from the plan; and any expected reduction in future contributions arising from the surplus.

Plan assets are those that are: (a) held by an entity (a fund) that is legally separate from the Group, (b) available to be used only to pay or fund employee benefits; and (c) not available to the Group's creditors, and cannot be returned to the Group unless: (i) the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the Group; or (ii) the assets are returned to the Group to reimburse for employee benefits advanced by the Group. Plan assets exclude investments in group shares that are not transferrable.

Remeasurement gains or losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity (within reserve for remeasurement on retirement benefit) in other comprehensive income in the period in which they arise.

Past service costs are recognized immediately in profit or loss.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after the end of the reporting period are discounted to their present value.

23.22.2 Salaries and wages, and other short-term benefits

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

23.23 Leases

When the Group enters into an arrangement, comprising a transaction or a series of related transactions, that does not take the legal form of a lease but conveys a right to use an asset or is dependent on the use of a specific asset or assets, the Group assesses whether the arrangement is, or contains, a lease. The Group does not have such arrangements during and at the end of each reporting period.

23.23.1 The Group is the lessee

Until December 31, 2018, leases of office spaces, warehouses and equipment were classified as either finance leases or operating leases. From January 1, 2019, the Group recognizes leases as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use.

From January 1, 2019 (PFRS 16)

Assets and liabilities arising from a lease are initially measured on a present value basis. The interest expense is recognized in the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Measurement of lease liabilities

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantee
- the exercise price of a purchase option if the lessee is reasonably certain to exercise the option
- payments of penalties for terminating the lease, if the lease term reflects the termination.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the Group's leases, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held for entities which do not have recent third-party financing, and
- makes adjustments specific to the lease (i.e. term, currency and security).

Lease payments are allocated between principal and interest expense. The interest expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Measurement of right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is revised only if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

Short-term leases

Payments associated with short-term leases are recognized on a straight-line basis as an expense in the profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Prior to January 1, 2019 (PAS 17)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss over the term of the lease on a straight-line basis.

Leases where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. The Group has no lease that qualifies as finance lease during and at the end of each reporting period.

23.23.2 The Group is the lessor

When assets are leased out under an operating lease, the asset is included in the consolidated statement of financial position based on the nature of the asset. Lease income is recognized in profit or loss over the term of the lease on a straight-line basis.

When assets are leased out under a finance lease, the present value of the lease payments is recognized as a receivable. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income. Lease income is recognized over the term of the lease using the net investment method, which reflects a constant periodic rate of return. The Group has no lease that qualifies as finance lease during and at the end of each reporting period.

23.24 Segment reporting

Reportable segments are presented by aggregating operating segments based on similar products and services. The accounting policies used to recognize and measure the segment's assets, liabilities and profit or loss is consistent with those of the consolidated financial statements.

23.25 Related party relationships and transactions

Related party relationship exists when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among entities and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

23.26 Foreign currency transactions and balances

23.26.1 Functional and presentation currency

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the Group's subsidiaries operate (the "functional currency"). The consolidated financial statements are presented in Philippine Peso, which is the Parent Company's functional and presentation currency.

23.26.2 Transactions and balances

Foreign currency transactions are translated into Philippine Peso using the exchange rates prevailing at the dates of the transaction or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

For income tax purposes, foreign exchange gains or losses are treated as taxable income or deductible expense in the period such are realized/sustained.

23.27 Subsequent events (or events after the reporting date)

Subsequent events that provide additional information about the Group's financial position at reporting date (adjusting events) are reflected in the financial statements. Subsequent events that are not adjusting events are disclosed in the notes to the financial statements when material.

SECOND SECTION

Second Section

Schedules	Supplementary Schedules	Remarks
A	Financial assets	Schedule A
B	Amounts Receivable and Payable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related parties)	Schedule B
C	Amounts Receivable and Payable from Related Parties which are eliminated during the consolidation of financial statements	Schedule C
D	Intangible Assets - Other Assets	Schedule D
E	Long-term Debt	Not Applicable
F	Indebtedness to Related Parties	Schedule F
G	Guarantees of Securities of Other Issuers	Not Applicable
H	Share Capital	Schedule H
	Schedule of Financial Soundness Indicator	
Annex 68-C	Reconciliation of Parent Company's Retained Earnings Available for Dividend Declaration	Annex 68-C
Annex 68-H	A Map Showing the Relationships between and among the Parent Company and its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsidiaries and Associates	Annex 68-H

SCHEDULE A

D&L Industries, Inc. and Subsidiaries

Financial Assets
December 31, 2019

Investments in equity securities at fair value through other comprehensive income (FVOCI)

Name of issuing entity and association of each issue	Number of shares	Amounts in PHP shown in the consolidated statement of financial position	Income earned in PHP
Manila Golf and Country Club	2	152,000,000	-
Ayala Corporation	38,509	30,248,820	141,751
		182,248,820	141,751

Investments in debt securities at fair value through profit or loss (FVPL)

Name of issuing entity and association of each issue	Number of shares	Amounts in PHP shown in the consolidated statement of financial position	Income earned in PHP
Unit investment trust fund (UITF)	107,141,264	644,000,783	6,523,894

D&L Industries, Inc. and Subsidiaries

Schedule of Financial Soundness Indicator
December 31, 2019

	2019	2018
Gross Profit margin[a]	21%	19%
Net Profit margin[b]	12%	12%
Return on equity[c]	15%	19%
Current ratio[d]	2.61x	3.05x
Interest cover[e]	16x	25x
Net debt to equity ratio[f]	0.08x	0.10x
Asset-to-equity ratio[g]	1.30x	1.35x
Book Value per share[h]	P2.40	P2.32

[a] Gross Profit / Revenues
[b] Net Income available to common shareholders / Revenues
[c] Net Income available to common shareholders / Shareholder's Equity
[d] Current Asset / Current Liabilities
[e] Earnings before interest and taxes / Interest Expense
[f] (Borrowings – Cash) / Shareholder's Equity
[g] Total Assets / Total Equity
[h] Shareholders' Equity (available to owners of the Parent) / Weighted average outstanding number of common shares

SCHEDULE B

D&L Industries, Inc. and Subsidiaries

Amounts Receivable from Directors, Officers, Employees, Related Parties
and Principal Shareholders (Other than Related Parties)
December 31, 2019
(All amounts in Philippine Pesos)

Name of Related Party	Balance at beginning of year	Additions	Collections/ Payments	Total	Current	Balance at end of year
Due from related parties:						
FIC Marketing, Inc.	2,881,374	199,042,921	(193,919,966)	8,004,329	8,004,329	8,004,329
Consumer Care Products, Inc.	32,602,320	291,555,540	(296,720,839)	27,437,021	27,437,021	27,437,021
LBL Prime Properties, Inc.	1,275,797	14,109,361	(14,086,129)	1,299,029	1,299,029	1,299,029
Best Value Factory Outlet Corporation	19,016,393	37,585,009	(56,183,460)	417,942	417,942	417,942
FIC Tankers, Inc.	428,103	2,653,440	(2,875,087)	206,456	206,456	206,456
	56,203,987	544,946,271	(563,785,481)	37,364,777	37,364,777	37,364,777

SCHEDULE C

D&L Industries, Inc. and Subsidiaries

Amounts Receivable and Payable from Related Parties which are eliminated
during consolidation of financial statements
December 31, 2019
(All amounts in Philippine Pesos)

Name of Related Party	Balance at beginning of year	Additions	Collections/ Payments	Total	Current	Balance at end of year
Due from related parties:						
D&L Industries, Inc.	819,054,496	2,834,155,312	(3,253,868,657)	399,341,151	399,341,151	399,341,151
First in Colours, Incorporated	182,311,010	53,193,091	(229,745,869)	5,758,232	5,758,232	5,758,232
D&L Polymer and Colours, Inc.	1,495,000	36,792,642	(36,961,272)	1,326,370	1,326,370	1,326,370
Aero-Pack Industries, Inc.	3,499,209	258,527,811	(260,939,088)	1,087,932	1,087,932	1,087,932
Chemrez Product Solutions, Inc.	1,565,780	112,297,873	(13,856,220)	100,007,433	100,007,433	100,007,433
Oleo-Fats, Incorporated	412,525,250	220,691,545	(631,883,193)	1,333,602	1,333,602	1,333,602
Chemrez Technologies, Inc.	1,002,637,214	64,544,485	(661,131,096)	406,050,603	406,050,603	406,050,603
	2,423,087,959	3,580,202,759	(5,088,385,395)	914,905,323	914,905,323	914,905,323

SCHEDULE D

D&L Industries, Inc. and Subsidiaries

Intangible Assets - Other Assets
December 31, 2019
(All amounts in Philippine Pesos)

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
Goodwill	3,367,846,840	-	-	-	-	3,367,846,840

SCHEDULE F

D&L Industries, Inc. and Subsidiaries

Indebtedness to Related Parties
December 31, 2019
(All amounts in Philippine Peso)

Name of related party	Balance at beginning of year	Balance at end of year	Nature of indebtedness
Jadel Holdings Co., Inc.	900,000,000	200,000,000	Advances are obtained for working capital purposes. Outstanding advance at end of year pertains to an unsecured loan subject to 3.25% annual interest rate maturing on February 2020.

SCHEDULE H

D&L Industries, Inc. and Subsidiaries

Share Capital
December 31, 2019

						Number of shares issued to		
Title of issue	Number of shares authorized	Number of shares issued	Treasury shares	Number of shares outstanding	Number of shares reserved for options, warrants, conversion and other rights	Related parties	Directors, officers and employees	Others
Common shares	18,000,000,000	7,142,857,990	-	7,142,857,990	-	4,252,242,786	408,268,497	2,482,346,707

Annex 68-C

D&L Industries, Inc. and Subsidiaries
No. 65 Industria Street
Bagumbayan, Quezon City

Reconciliation of Parent Company's Retained Earnings Available for Dividend Declaration
For the year ended December 31, 2019
(All amounts in Philippine Peso)

Unappropriated Retained Earnings, beginning	**641,671,343**
Adjustments	(914,860)
Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning	**640,756,483**
Net income based on the Parent Company's separate audited financial statements closed to Retained Earnings	1,975,143,164
Less: Non-actual/unrealized income net of tax	
Equity in net income of associate/joint venture	-
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	-
Fair value adjustment (M2M gains)	(1,490,189)
Fair value adjustment of Investment Property resulting to gain	-
Adjustment due to deviation from PFRS/GAAP - gain	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-
Add: Non-actual losses	
Depreciation on revaluation increment (after tax)	-
Adjustment due to deviation from PFRS/GAAP - loss	-
Loss on fair value adjustment of investment property (after tax)	-
Net income actual earned during the period	**1,973,652,975**
Add (Less):	
Cash dividends declared during the period	(2,042,857,385)
Appropriations of Retained Earnings during the period	-
Reversals of appropriations	-
Effects of prior period adjustments	-
Treasury shares	-
	(2,042,857,385)
Total Retained Earnings, as adjusted to available for dividend distribution, ending	**571,552,073**

Annex 68-H

D&L Industries, Inc. and Subsidiaries

A Map Showing the Relationships between and among the Company and its
Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsidiaries and Associates
December 31, 2019