



**AgriNurture, Inc.**

54 National Road, Dampol 2nd A, Pulilan, Bulacan 3005, Philippines

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Manila Office: (632) 551.0773 / (632) 551.0774 • Fax (632) 621.6742

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**TO ALL STOCKHOLDERS:**

NOTICE is hereby given that the Annual Meeting of Stockholders of AgriNurture, Inc. (the "Company") will be held on **23 June 2014 at 2 o'clock in the afternoon** at its principal office located at No. 54 National Road, Dampol II-A, Pulilan, Bulacan. The agenda for the said meeting shall be as follows:

1. Call to Order
2. Certification of Notice and Determination of Quorum
3. Approval of the Minutes of the Previous Meeting
4. Annual Report by the CEO
5. Ratification of all acts and resolutions of the Board of Directors and Management adopted during the preceding year
6. Amendment of the Articles of Incorporation:
  - a. Third Article, i.e., principal place of business
  - b. Seventh Article, i.e., increase of the authorized capital stock from P1Billion to P2Billion divided into 2 Billion common shares with a par value of P1
  - c. Sixth Article, i.e., reduce the number of independent directors from 3 to 2
7. Amendment of the By Laws (Article III) and Manual of Corporate Governance (Article 4) in order to reduce the number of independent directors from 3 to 2
8. Authority to conduct of a stock rights offering pursuant to the proposed increase of authorized capital stock under such terms and conditions to be determined by the Board of Directors/Executive Committee
9. Approval/ratification of the Promissory Note and Note Subscription Agreement in favor of Black River Capital Partners Food Fund Holdings (Singapore), Pte. Ltd.
10. Approval/ratification of the issuance and listing of up to 300 Million primary shares in favour of Greenery Holdings Incorporated and/or Agrinurture Development Holdings Inc. (100% owned subsidiary of Greenery Holdings Incorporated which is in the process of being incorporated)
11. Approval/ratification of the issuance and listing of up to 30 Million primary shares in favour of Antonio L. Tiu and/or management of the Company pursuant to the Stock Option Plan previously approved by the Board of Directors and stockholders, subject to the revised terms and conditions as may be determined by the Board of Directors after endorsement by the Company's Compensation Committee
12. Authority to convert Antonio L. Tiu's advances into equity under such terms and conditions to be determined by the Board of Directors/Executive Committee

13. Authority to enter into loan transactions, credit accommodations or other types of credit facilities, surety/guaranty transactions in the aggregate amount of US\$50,000,000.00 under such terms and conditions as may be determined by the Board of Directors/Executive Committee
14. Election of Directors
15. Consideration of such other business as may properly come before the meeting
16. Adjournment.

The Organizational Meeting of the new Board of Directors will be held immediately after the Annual Stockholders' Meeting.

By resolution of the Board of Directors, the close of business on **9 June 2014** has been fixed as the record date for the determination of the stockholders entitled to notice of such meeting and any adjournment thereof, and to attend and vote thereat.

All stockholders who will not, are unable, or do not expect to attend the meeting in person are urged to fill in, date, sign and return the enclosed proxy to the Company, at its principal office at No. 54 National Road, Dampol II-A, Pulilan, Bulacan. The proxy need not be a shareholder. A stockholder who is entitled to cast two (2) or more votes may appoint two (2) proxies and must specify the proportion of votes each proxy is appointed to exercise. All proxies must be received on or before 17 June 2014. Proxies received after the said deadline will not be recorded. Corporate stockholders are requested to attach to the proxy instrument their respective Secretary's Certificates containing the Board Resolution vis-à-vis the authority of the proxy(ies). Validation of proxy(ies) shall be held on 18 June 2014 at 2:00 p.m. at the Company's principal office. **Management is not asking you for a proxy nor is it requesting you to send a proxy in its favor.**

For convenience in registering your attendance, please bring your Identification Card containing your picture and signature, and present the same at the registration desk. Registration shall start at 1 o'clock in the afternoon.

Very truly yours,



**JENNIFER T. ONG**

Asst. Information Officer  
Asst. Corporate Secretary

***We are not soliciting your proxy. However, if you would be unable to attend the meeting but would like to be represented thereat, you may accomplish the proxy form herein and submit the same to the Office of the Corporate Secretary at No. 54 Dampol II-A, National Road, Pulilan, Bulacan, Philippines. All proxies should be received on or before 17 June 2014 at 2:00 p.m. at the Office of the Corporate Secretary. For partnerships, corporations and associations, the proxies should be accompanied by a Secretary's Certificate on the appointment or designations of the proxy/representative and authorized signatories.***

**P R O X Y**

**I/WE hereby name and appoint \_\_\_\_\_ or in his/her absence, the Chairman of the meeting as my/our proxy at the Annual Stockholders' Meeting of AgriNurture, Inc. to be held at No. 54 National Road, Dampol IIA, Pulilan, Bulacan, Philippines on Monday, 23 June 2014 at 2:00 o'clock in the afternoon and at any postponement or adjournment thereof.**

**Place/Date :** \_\_\_\_\_

**Name of Shareholder :** \_\_\_\_\_

**Signature :** \_\_\_\_\_

**Number of Shares :** \_\_\_\_\_

**Witness :** \_\_\_\_\_

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:  
[ ] Preliminary Information Statement  
[ X ] Definitive Information Statement
2. Name of Registrant as specified in its charter: **AGRINURTURE, INC.**
3. Province, country or other jurisdiction of incorporation or organization:  
**Metro Manila, Philippines**
4. SEC Identification Number: **A199701848**
5. BIR Tax Identification Code: **200-302-092**
6. Address of principal office: **No. 54 National Road, Dampol II-A, Pulilan, Bulacan, Philippines** Postal Code: **3005**
7. Registrant's telephone number, including area code: **+63-2-551-0772 to 74**
8. Date, time and place of the meeting of security holders:  
Date: **23 June 2014**  
Time: **2:00 o'clock in the afternoon**  
Place: **No. 54 Dampol II-A, National Road, Pulilan, Bulacan**
9. Approximate date on which the Information Statement is first to be sent or given to security holders:  
**29 May 2014**
10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):
- | Title of Each Class  | Number of Shares of Common Stock<br>Outstanding or Amount of Debt Outstanding |
|----------------------|---|
| <b>Common Shares</b> | <b>535,693,037/ Php2,504,004,366*</b><br><b>*As of 31 December 2013</b>       |
11. Are any or all of registrant's securities listed in a Stock Exchange?  
**Yes.**

The registrant's securities are listed in the Philippine Stock Exchange (PSE).

The Company's 535,693,037 issued and outstanding common shares have been approved for listing on the Second Board of the PSE.

<p><b>WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY</b></p>
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<p><b>INFORMATION STATEMENT</b></p>
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<p><b>GENERAL INFORMATION</b></p>
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**1. Date, time and place of meeting of security holders**

The annual stockholders meeting of AgriNurture, Inc. ("ANI" or the "Company") shall be held on:

Date: 23 June 2014

Time: 2:00 o'clock in the afternoon

Place: No. 54 National Road, Dampol II-A, Pulilan, Bulacan, Philippines

The complete mailing address of the principal office of ANI is No. 54 National Road, Dampol II-A, Pulilan, Bulacan, Philippines. The information statement is first to be sent or given to security holders approximately on 29 May 2014.

**2. Dissenters' Right of Appraisal**

Pursuant to Title X of the Corporation Code, a stockholder has the right to dissent and demand the payment of the fair value of shares: (i) in case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence; (ii) in case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets; and (iii) in case of merger or consolidation.

With respect to any matter to be acted upon at the annual meeting which may give rise to the right of appraisal, in order that dissenting stockholders may exercise their appraisal right, such dissenting stockholders, within thirty (30) days after the date of the annual meeting at which meeting such stockholder voted against the corporate action shall make a written demand on the Company for the value of their shares. Failure to make the demand within such period shall be deemed a waiver of the appraisal right. The procedure to be followed in exercising the appraisal right shall be in accordance with Section 81 to 86 of the Corporation Code.

**3. Interest of Certain Persons in Matters to be Acted Upon**

No person who has been a director or officer of the Company at any time since the beginning of the last fiscal year, or any nominee for election as director, or associate of any of the foregoing persons, has any interest in, direct or indirect, or opposition to matters to be acted upon in the meeting, other than election to office.

None of the incumbent directors has informed the Company in writing of an intention to oppose any action to be taken by the Company at the meeting.

## CONTROL AND COMPENSATION INFORMATION

### 4. Voting Securities and Principal Shareholders Thereof

- (a) The Company's total outstanding shares entitled to vote consist of 535,693,037 common shares, with each share entitled to one (1) vote.
- (b) The record date for the determination of the stockholders entitled to vote at the meeting is fixed on 9 June 2014, at 2 p.m.
- (c) During the elections of directors, every stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares standing in his own name in the Stock and Transfer Book of the Company at the time of the election. Pursuant to Section 24 of the Corporation Code, a stockholder may vote such number of shares registered in his name as of the record date for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; Provided that, the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Company multiplied by the whole number of directors to be elected. There are no stated conditions precedents to the exercise of cumulative rights.

The total number of votes that may be cast by a stockholder of a Company is computed as follows: *no. of shares held on record as of record date x 11 directors*. Candidates receiving the highest number of votes will be declared elected.

- (d) Security Ownership of Certain Record and Beneficial Owners and Management

#### ***d.1 Security Ownership of Certain Record and Beneficial Owners***

As of 30 April 2014, the following are the record owners and beneficial owners of more than five percent (5%) of the Company's total issued common shares of 535,693,037 based on the stock and transfer book of the Company:

Title Of Class	Name, Address Of Record Owner And Relationship With Issuer	Name Of Beneficial Owner And Relationship With Record Owner	Citizenship	No. Of Shares Held	Percentage
Common	<b>PCD Nominee Corp. (Filipino)</b>  G/F Makati Stock Exchange Bldg., 6767 Ayala Avenue, Makati City  Stockholder	PCD Nominee Corp. is the record owner	Filipino	297,428,361	55.52%
Common	<b>PCD Nominee Corp. (Foreign)</b>  G/F Makati Stock Exchange Bldg., 6767 Ayala Avenue, Makati City  Stockholder	PCD Nominee Corp. is the record owner	Foreign	170,863,979	31.90%
Common	<b>ANTONIO L. TIU</b>	Antonio L. Tiu is the	Filipino	55,032,388 <sup>1</sup>	10.27%

<sup>1</sup> Of these shares, 53,873,932 are recorded in the name of Antonio L. Tiu while 1,158,456 shares appear under PCD Nominee Corp. (Filipino).

	24 Green Street, Capitol Hills Golf Subd., Old Balara, Quezon City	record owner			
	Stockholder				

As of 30 April 2014, the following are the beneficial owners of more than five percent (5%) of the outstanding capital stock under the PCD Nominee Corp:

Common	<b>PCD Nominee Corp. (Filipino) is the record owner</b>  G/F Makati Stock Exchange Bldg., 6767 Ayala Avenue, Makati City  Stockholder	Earthright Holdings, Inc. <sup>3</sup> with address at Unit 3C, Valuepoint Executive Building, 227 Salcedo St. Legazpi Village, Makati City is the beneficial owner of 125,807,500 shares of the Issuer lodged with Eagle Equities Inc. and 27,770,800 shares of the Issuer lodged with AB Capital Securities Inc.  Eagle Equities Inc. and AB Capital Securities Inc. are trading participants (stock brokerage firms)	Filipino	153,578,300	28.67%
Common	<b>PCD Nominee Corp. (Foreign)<sup>4</sup> is the record owner</b>  G/F Makati Stock Exchange Bldg., 6767 Ayala Avenue, Makati City  Stockholder	Black River Capital Partners Food Fund Holders (Singapore) Pte. Ltd. with address at 00 Beach Road #23-01 The Concourse Singapore 199555 is the beneficial owner of 165,641,645 shares of the Issuer which are held by Standard Chartered Bank.  Standard Chartered Bank is a custodian bank.	Singaporean	165,641,645	30.92%

<sup>3</sup> The shares held by Earthright Holdings, Inc. in the Company shall be voted or disposed by the person who shall be duly authorized by the record owner (Earthright) for the purpose. The natural person that has the power to vote on the shares of Earthright shall be determined upon the submission of its proxy to the Company, which, under the by-laws of the Company, must be submitted before the time set for the meeting.

<sup>4</sup>PCD Nominee Corporation is a wholly-owned subsidiary of Philippine Central Depository, Inc. ("PCD"). The beneficial owners of such shares registered under the name of PCD Nominee Corporation are PCD's participants who hold the shares in their own behalf or in behalf of their clients. The PCD is prohibited from voting these shares; instead the participants have the power to decide how the PCD shares in the Company are to be voted. The participants of PCD who own more than 5%of the Company's outstanding capital is/are as follows:

STANDARD CHARTERED BANK- Black River Capital Partners Food Fund Holders (Singapore) Pte. Ltd.  
(Black River) – 30.92%

The natural person that has the power to vote on the shares of Black River shall be determined upon the submission of its proxy to the Company, which, under the by-laws of the Company, must be submitted before the time set for the meeting.

## d.2 Security Ownership of Management

As of 30 April 2014, the following are the security ownership of the directors and principal officers of the Company:

Title Of Class	Name Of Beneficial Owner; Relationship With Issuer	Amount And Nature Of Beneficial Ownership (Direct & Indirect)	Citizenship	Percentage
Common	<b>Antonio L. Tiu</b> Chairman & President	55,032,388 (Direct)	Filipino	10.27%
		153,578,300 <sup>5</sup> (Indirect)		28.67%
Common	<b>Chung Ming Yang</b> Director	2,400 (Direct)	Chinese ROC	Less than 0.01%
Common	<b>James Sayre</b> Director	1,200 (Direct)	American	Less than 0.01%
Common	<b>Edmund Zheng</b> Director	1 (Direct)	Singaporean	Less than 0.01%
Common	<b>Tai Chuan Lin</b> Director	10,798 (Direct)	Austrian	Less than 0.01%
Common	<b>Kenneth Duca</b> Director	2,577,706 (Direct)	Filipino	0.48%
Common	<b>George Uy</b> Director	1 (Direct)	Filipino	Less than 0.01%
Common	<b>Martin C. Subido</b> Director & Corporate Secretary	342,201 (Indirect)	Filipino	0.06%
Common	<b>Francis N. Pangilinan</b> <sup>6</sup> Independent Director	1 (Direct)	Filipino	Less than 0.01%
Common	<b>Tomas B. Lopez</b> Independent Director, Head of Nomination & Compensation Committee	1 (Direct)	Filipino	Less than 0.01%
Common	<b>Alfonso Go</b> Independent Director, Head of Audit Committee	1 (Direct)	Filipino	Less than 0.01%
Common	<b>Pablo B. Capati, Jr.</b> Chief Executive Officer	0	Filipino	0%
Common	<b>Romeo L. Bato</b> Chief Financial Officer	0	Filipino	0%
Common	<b>Kenneth Tan</b> Treasurer	0	Filipino	0%
Common	<b>Jennifer T. Ong</b> Asst. Corporate Secretary & Information Officer	0	Filipino	0%
Common	<b>Princesita P. Turgano</b> Compliance Officer	0	Filipino	0%

The total security ownership of the directors and principal officers of the Company as a group, as of 30 April 2014, is 211,544,998 common shares, equivalent to 39.49% of the outstanding capital stock of the Company.

## d.3 Voting Trust Holders of 5% or More

There are no persons holding 5% or more of a class under a voting trust or similar arrangement.

<sup>5</sup> Mr. Antonio L. Tiu indirectly holds 153,578,300 shares through Earthright, Holdings, Inc.

<sup>6</sup> Mr. Pangilinan resigned as an independent director of ANI on 12 May 2014 in view of his appointment as Presidential Assistant for Food Security and Agricultural Modernization.



#### ***d.4 Changes in Control***

The Company is not aware of any change in control or any arrangement which may result in a change in control of the Company.

### **5. Directors and Executive Officers**

#### **(a) Directors and Principal Officers of the Company**

The following are the incumbent members of the Board of Directors as of 30 April 2014 :

The Directors of the Company as of 30 April 2014 are as follows:

<b>Name</b>	<b>Age</b>	<b>Citizenship</b>	<b>Term of Office</b>
Antonio L. Tiu	38	Filipino	2004 – present
Chung Ming Yang	40	Chinese ROC	1997 – present
George Uy	64	Filipino	2008 – present
James Sayre	53	American	2012 – present
Tai Chuan Lin	37	Austrian	2012 – present
Edmund Zheng	31	Singaporean	2013 – present
Mark Kenneth Duca	37	Filipino	2012 – present
Martin C. Subido	37	Filipino	2013 -- present
Francis N. Pangilinan (Independent Director)	51	Filipino	2014 – May 2014 <sup>7</sup>
Tomas B. Lopez (Independent Director)	63	Filipino	2013 – present
Atty. Alfonso Go (Independent Director)	75	Filipino	2008 – present

**ANTONIO L. TIU, 38, Filipino, Director, Chairman.** Mr. Tiu is the President/CEO and Chairman of Earthright Holdings, Inc., Chairman of The Big Chill, Inc., and President/CEO of Beidahuang Philippines, Inc. and Greenery Holdings Incorporated. He was a part time lecturer in International Finance at DLSU Graduate School from 1999 to 2001 and currently board of adviser of DLSU School of Management. Mr. Tiu has a Master's degree in Commerce specializing in International Finance from University of New South Wales, Sydney Australia and BS Commerce major in Business Management from De La Salle University, Manila. He is currently a Doctorate student in Public Administration at the University of the Philippines. He was awarded the Ernst and Young Emerging Entrepreneur of the Year (2009), Overseas Chinese Entrepreneur of the Year 2010 and Ten Outstanding Young Men of the Philippines 2011. He is an active member of Integrated Food Manufacturer Association of the Philippines, PHILEXPORT, PHILFOODEX, Chinese Filipino Business Club, and Philippine Chamber of Agriculture and Food Industries.

**YANG, CHUNG MING, 40, Chinese R.O.C., Director.** Mr. Yang is the General Manager of Grateful Strategic Marketing Consultants Co., Ltd, and Tong Shen Enterprises, which are both Taiwan based firms. He has a degree in B.S. Computer Science from Chiang Kai Shek College, Philippines and has a Master's degree in Business Administration from the National Chengchi University in Taiwan. He is currently taking the Executive MBA program at the Xiamen University.

**GEORGE Y. UY, 64, Filipino, Director.** Mr. Uy started his career with the United Laboratories and Squibb between 1969 and 1970. He co-founded the Optima Scientific Consultants, Inc. which is engaged in the design of pollution abatement systems. Mr. Uy was one of the first proponents in the Philippines of the polypropylene woven bag plant using equipment from Europe, and also first to set up a meat processing plant that uses equipment from Germany with a license to export to Japan from the Philippines granted by the Japanese Ministry of Agriculture. In 1988, he co-founded a company engaged in mass transport system, telecommunications, and indenter of steel products. Currently he is also engaged in the biofuel program in the Philippines. He obtained his Bachelor's degree in 1970 and Master's Degree in Chemistry in 1976 from the Ateneo de Manila University.

**MARK KENNETH DUCA, 37, Filipino, Director.** Mr. Duca serves as a Director of Agricultural Bank of the Philippines and Beidahaung (Phils.) Agro-Industrial Development Corporation. He served as a

<sup>7</sup> Mr. Pangilinan resigned as an independent director of ANI on 12 May 2014 in view of his appointment as Presidential Assistant for Food Security and Agricultural Modernization.

Director of Greenergy Holdings Incorporated from 2011 to October 1, 2012. Mr. Duca is a graduate of Yok University with a degree in BS Commerce.

**JAMES SAYRE, 53, American, Director.** Mr. Sayre holds a Master of Business Administration from Harvard Business School and a Bachelor of Arts from the University of California at Davis. He is a Senior Managing Director at Black River Asset Management and focuses on private equity investments in the food sector. Prior to Black River, Mr. Sayre had been with Cargill since 1994, where he served as President and founder of Cargill Ventures, a proprietary fund with capital deployed across a 40-company portfolio. Mr. Sayre continues to manage a proprietary book of venture capital investments for Cargill. Prior thereto, Mr. Sayre was Director for global M&A at Cargill. Mr. Sayre has also worked as a Senior Manager for Deloitte Consulting and held a position with the United States Department of Agriculture. Aside from AgriNurture, Inc., Mr. Sayre is a board member of Virent Energy Systems, Inc., MarkMonitor Holdings, Inc. and Intalio.

**TAI CHUAN LIN, 37, Austrian, Director.** Mr. Lin holds a Master's degree in Business & Finance from the Vienna University of Economics. He is also a CFA charter holder. Aside from AgriNurture Inc., Mr. Lin is a board member of AustAsia Investment Holdings Pte. Ltd., and Metallkraft A/S. He is a Director at Black River Asset Management and focuses on private equity investments across Asia. Prior to Black River, Mr. Lin worked at Credit Suisse First Boston, where he was a member of the M&A Group in New York and a member of the Natural Resources Investment Banking Group in London. During this time he was involved in various cross-border corporate finance advisory and capital market transactions. Prior thereto, Mr. Lin worked at HSBC Investment Bank in the Asian Natural Resources Group in Hong Kong and in the Global Natural Resources Group in London. During this time he focused mainly on M&A assignments.

**EDMUND ZHENG, 31, Singaporean, Director.** Mr. Zheng joined Black River Asset Management in 2011 as an associate to focus on private equity investments in South East Asia. Prior to that, Mr. Zheng worked at RGE, one of the largest family-owned conglomerates in Indonesia. There he was part of the Strategic Planning & Corporate Finance team, which managed investment opportunities and developed corporate strategies for the group. During a period of time, Mr. Zheng was seconded to Falcon Capital Partners, a natural resource-focused private equity firm, where he was involved in the acquisition of plantations and bulk cargo vessels. Mr. Zheng joined RGE in its management associate program and was based in various parts of Indonesia for more than 18 months. Mr. Zheng holds a Bachelor of Business from Nanyang Technological University in Singapore, with a double major in Banking & Finance and Accounting. He speaks English, Chinese and Bahasa Indonesia.

**ATTY. MARTIN C. SUBIDO, 38, Filipino, Director.** Atty. Martin Subido is a Certified Public Accountant and a member of the Integrated Bar of the Philippines. He graduated with a B.S. Accountancy degree from De La Salle University and obtained his Juris Doctor degree, with honors, from the School of Law of Ateneo de Manila University. He was a Senior Associate of the Villaraza & Angangco Law Offices before becoming managing partner of The Law Firm of Subido Pagente Certeza Mendoza & Binay.

**FRANCIS N. PANGILINAN, 51, Filipino, Independent Director.** Atty. Pangilinan obtained his Bachelor of Laws Degree from the University of the Philippines in 1993. In 1998, he earned his Master's Degree in Public Administration from the Harvard University in Massachusetts, USA. From 2001 to 2013, he served as a Senator of the Philippines. Mr. Pangilinan was also a lecturer on the Law on Sales, Agency & Credit Transactions in the Ateneo de Manila University and a Legal Analyst for the News and Current Affairs Department of the ABS-CBN Broadcast Corporation.

**ATTY. ALFONSO Y. GO, 75, Filipino, Independent Director.** Atty. Go was born on May 5, 1938 in Manila, Philippines. He graduated from University of the East in 1964 with a degree in Bachelor of Laws. Currently, he is a member of the Integrated Bar of the Philippines, and Philippine Institute of Certified Public Accountants. He is a practicing lawyer, accountant, realty developer and former banker.

**TOMAS B. LOPEZ, 63, Independent Director, Filipino.** Mr. Lopez is the President of the University of Makati (UMAK). He has been a member of the board of directors of PAG-IBIG since 2010 and of STI since 2001. He was the President and Chief Executive Officer of Club Noah Group of Companies from 1997-2007. From 1988-1992, he served as an Undersecretary of the Department of Agriculture.

He is a professional lecturer in the Ateneo Graduate Schools of Business. Mr. Lopez obtained his Bachelor's Degree from the Ateneo De Manila University in 1970 and his Master's Degree from the Asian Institute of Management in 1983, where he graduated with distinction.

The Principal Officers of the Company as of 30 April 2014 are as follows:

***ANTONIO L. TIU, 38, Filipino, President***

Mr. Tiu is the Chairman of Earthright Holdings Inc, The Big Chill Inc., Music Semiconductor Philippines Inc. and CEO of Beidahuang, Philippines Inc. and Greenergy Holdings Inc. He was a part time lecturer in International Finance at DLSU Graduate School from 1999 to 2001 and currently board of adviser of DLSU School of Management. Mr. Tiu has a Master's degree in Commerce specializing in International Finance from University of New South Wales, Sydney Australia and BS Commerce major in Business Management from De La Salle University, Manila. He is currently a Doctorate student in Public Administration at the University of the Philippines. He was awarded the Ernst and Young Emerging Entrepreneur of the Year (2009), Overseas Chinese Entrepreneur of the Year 2010 and Ten Outstanding Young Men of the Philippines 2011. He is an active member of Integrated Food Manufacturer Association of the Philippines, PHILEXPORT, PHILFOODEX, Chinese Filipino Business Club, and Philippine Chamber of Agriculture and Food Industries.

***PABLO B. CAPATI, JR. 65, Filipino, Chief Executive Officer***

Mr. Pablo Capati, Jr. holds a degree in Commerce major in Accounting from the De La Salle University. Mr. Capati was a Director for Customer Business Development in Procter and Gamble, Japan from 1989 until 1999. Prior to 1989, Mr. Capati was a Director for Sales in Procter and Gamble, Philippines.

***ROMEO L. BATO, 52, Filipino, Chief Financial Officer***

Mr. Romeo L. Bato holds a degree in Business Administration major in Accounting from the Mindanao State University – Iligan Institute of Technology, graduating cum laude in 1982 and is a Certified Public Accountant. He earned his Master's degree in Management from the Asian Institute of Management in 1991. Prior to joining the Company, Mr. Bato was the Finance Director of PT Darya-Varia Laboratoria, Tbk. and PT Medifarma Laboratories. PT Darya-Varia Laboratoria, Tbk. and PT Medifarma Laboratories are members of the United Laboratories (Unilab) International Operations.

***KENNETH S. TAN, 40, Filipino, Treasurer***

Mr. Tan was born on December 26, 1972. Prior to joining the Company as its Chief Information Officer, he was an officer of Citibank and Manulife Financial. He was a part-time lecturer in Economics at an international school in Manila. He earned his Bachelor of Arts degree from the Ateneo de Manila University.

***ATTY. MARTIN C. SUBIDO, 38, Filipino, Corporate Secretary***

Atty. Martin Subido is a Certified Public Accountant and a member of the Integrated Bar of the Philippines. He graduated with a B.S. Accountancy degree from De La Salle University and obtained his Juris Doctor degree, with honors, from the School of Law of Ateneo de Manila University. He was a Senior Associate of the Villaraza & Angangco Law Offices before becoming managing partner of The Law Firm of Subido Pagente Certeza Mendoza & Binay.

***ATTY. JENNIFER ONG, 31, Filipino, Asst. Corporate Secretary/ Information Officer***

Atty. Ong graduated from the Ateneo de Manila University in 2003 with a degree in Legal Management, and obtained her Bachelor of Laws degree from the University of the Philippines College of Law in 2007. She placed second in the 2007 Bar Examinations. Atty. Ong was an Associate at Lim Ocampo Leynes Law Offices from 2007 to 2009 and an Associate at Esguerra and Blanco Law Offices from 2009 to 2011, where she gained extensive experience in the fields of corporate and tax practice. In 2011, Atty. Ong joined the Law Firm of Subido Pagente Certeza Mendoza & Binay as a Senior Associate for corporate accounts.

***ATTY. PRINCESITA P. TURGANO, 32, Filipino, Compliance Officer***

Atty. Turgano graduated from the FEU-DLSU JD-MBA dual degree program. She was admitted to the Philippine Bar in 2010 and was an associate at the Santiago Turgano Cortez Law Firm from 2010 to September of 2012 where her practice dealt with varying fields of litigation, labor law and general

corporate law practice. In 2012, Atty. Turgano joined the Law Firm of Subido Pagente Certeza Mendoza & Binay as a Junior Associate for corporate accounts.

**Term of Office** – The directors are elected at each annual stockholders meeting by the stockholders entitled to vote. Each director holds office for a period of one (1) year or until the next annual election and his successor is duly elected, unless he resigns, dies or is removed prior to such election.

Since the Company's last annual meeting held on 27 May 2013, none of the directors elected therein by the stockholders except for Mr. Senen Bacani and Mr. Francis N. Pangilinan have resigned or declined to stand for re-election to the board of directors because of a disagreement with the Company on any matter relating to the Company's operations, policies or practices, and the required disclosures relevant to the existence thereof. Mr. Bacani submitted his resignation on 20 December 2013 in order to focus on his other business engagements, effective on the day that his successor is duly elected and qualified. Mr. Pangilinan submitted his resignation on 12 May 2014 in view of his appointment as Presidential Assistant for Food Security and Agricultural Modernization.

The nominees for election to the Board of Directors on 23 June 2014 are as follows:

1. Antonio L. Tiu
2. Cesar M. Dela Cruz
3. Yang Chung Ming
4. Pablo B. Capati Jr.
5. James Sayre
6. Tai-Chuan Lin
7. Edmund Zheng
8. Atty. Martin C. Subido
9. Antonio R. Galvez (Independent Director)
10. Tomas B. Lopez(Independent Director)
11. Atty. Alfonso Y. Go (Independent Director)

All the nominees are Filipino citizens with the exception of (i.) Mr. Yang Chung Ming who is of Chinese ROC citizenship, (ii.) James Sayre who is an American citizen, (iii.) Tai Chuan Lin who is an Austrian citizen and (iv.) Edmund Zheng who is a Singaporean citizen.

**Independent Directors** – The incumbent independent directors of the Company as of 30 April 2014 are as follows: (i) Francis N. Pangilinan, (ii) Tomas B. Lopez and (iii) Atty. Alfonso Go.

The incumbent directors have certified that they possess all the qualifications and none of the disqualifications provided for in the Securities Regulation Code ("SRC").

In compliance with SEC Memorandum Circular No. 16 Series of 2002 (now Rule 38 of the SRC), which provides for the guidelines on the nomination and election of independent directors, a Nomination Committee has been created headed Francis N. Pangilinan<sup>8</sup> as Chairman with Antonio L. Tiu and James Sayre as members.

The Nomination Committee pre-screened the nominees for election as independent directors conformably pursuant to the criteria in the SEC Memorandum Circular and in the Manual on Corporate Governance. The final list of nominees as pre-screened by the Nomination Committee:

<b>Nominee for Independent Director (a)</b>	<b>Person/Group Recommending Nomination (b)</b>	<b>Relation of (a) and (b)</b>
Tomas B. Lopez	Antonio L. Tiu	None
Antonio R. Galvez	Antonio L. Tiu	None
Atty. Alfonso Y. Go	Antonio L. Tiu	None

**ANTONIO R. GALVEZ, 54, Filipino, Independent Director.** Mr. Galvez was born in 10 January 1960. He was a general manager of Securities Transfer Services, Inc. ("STSI") from July 2006-July 2011.

<sup>8</sup> Mr. Pangilinan resigned as an independent director of ANI on 12 May 2014 in view of his appointment as Presidential Assistant for Food Security and Agricultural Modernization.

He then served as a consultant of STSI from July 2011- July 2013. Currently, Mr. Galvez is a licensed Instructor of GRID International and a director of Pastra.Net

The relevant business experience of Mr. Tomas Lopez and Atty. Alfonso Go are provided above.

In approving the nominations for independent directors, the Nominations Committee took into consideration the guidelines on the nomination of independent directors as prescribed in SRC Rule 38.

**a. Significant Employees**

No single person is expected to make a significant contribution to the business since the Company considers the collective efforts of all its employees as instrumental to the overall success of the Company's performance.

**b. Family Relationships**

There are no existing family relationships within the fourth civil degree either by consanguinity or affinity among the directors and officers of ANI.

**c. Involvement in Certain Legal Proceedings**

The Company is not aware of any legal proceedings of the nature required to be disclosed under Part I, paragraph (C) of Annex "C", as amended, of the SRC Rule 12 with respect to the Company and/or its subsidiaries.

- i. *"AgriNurture, Inc. vs. Ysa Bries" docketed as Criminal Case No. Q-10-166-345, Regional Trial Court, Quezon City, Branch 100*

While not material in nature, The Company instituted a criminal complaint against its former employee, Ysa Bries ("Ms. Bries") for qualified theft in connection with the latter's unlawfully taking of company-owned properties resulting in monetary damages to the Company in the amount of ₱309,150.34. In a Resolution dated 6 April 2010, the Office of the City Prosecutor of Quezon City found probable cause to indict Ms. Bries and recommended the filing of an Information for qualified theft against the latter.

On 24 September 2010, the Regional Trial Court of Quezon City, Branch 100, issued a warrant of arrest against Ms. Bries. To date, Ms. Bries remains at large.

- ii. *"Agrinurture, Inc. vs. Commissioner of Internal Revenue" docketed as C.T.A. Case No. 10-240, Court of Tax Appeals*

The Company filed a *Petition for Review* under Section 11 of Republic Act No. 1125 (as amended by Republic Act No. 9282) seeking to reverse the decision of the Commissioner of Internal Revenue ("CIR") affirming the assessment issued against the Company in the amount of Two Million Forty Three Thousand Three Hundred Thirty Five and 5/100 Pesos (₱2,043,335.05) for alleged deficiency taxes for taxable year 2007. On 27 January 2011, the Company received the Final Assessment Notice (the "*Assessment*") dated 30 December 2010 issued by the Bureau of Internal Revenues (BIR) demanding that it pay the alleged deficiency Income Tax and Value Added Tax (VAT) for the calendar year 2007 predicated solely on the alleged discrepancy in the Reconciliation of Listing of Enforcement (RELIEF) and Third-Party Matching of the Bureau of Customs (BOC) declared in the Company's tax return. On 18 February 2011, or within the reglementary period, the Company filed a letter dated 15 February 2011 with the CIR protesting the *Assessment* and requesting that the latter be cancelled for lack of merit both in fact and in law (the "*Protest*"). The Company noted that the *Assessment* is patently void for failing to state the facts, laws, rules and regulations, or jurisprudence on which it is based. Despite repeated requests by the Company, the details of the alleged discrepancy in the RELIEF and Third-Party Matching BOC were never supplied by the BIR. The Company further noted that even assuming arguendo that there was indeed a discrepancy, it pertains to a purported

purchase transaction of the Company which would result in a lower Income Tax, *i.e.*, an expense item that can be claimed as an allowable deduction, and lower VAT payable, *i.e.*, an expense item from which VAT Input Tax may be claimed.

After the lapse of one hundred eighty days (180) from its filing, or as of 17 August 2011, no action was taken by the CIR on the *Protest*. Thus, under Section 11 of Republic Act No. 1125 (as amended by Republic Act No. 9282), the Company had a period of thirty (30) days from 17 August 2011, or until 16 September 2011, within which to file the *Petition* with the Court of Tax Appeals (the “Court”). In the hearings held on 30 January 2012 and 15 February 2012, the Company presented its two (2) witnesses, Ms. Ma. Lizette B. Navea and Mr. Rafaelito M. Soliza. On 13 March 2012, the Company filed its “Formal Offer of Evidence”. On 13 December 2012, the Company filed a “Supplemental Formal Offer of Evidence”. In a Resolution dated 30 January 2013, the Court ordered the parties to file their respective Memoranda after which the case shall be submitted for decision.

On 29 May 2013, the Court rendered a Decision granting the Company’s Petition for Review and ordering the cancellation and withdrawal of the assessments for deficiency income tax and deficiency value added tax against the Company for the taxable year 2007. On 10 June 2013, the CIR filed a Motion for Reconsideration (“MR”) on the Decision of the Court. The Court ordered the Company to file its Comment to the MR (“Comment”). On 4 July 2013, the Company timely filed its Comment. On 5 August 2013, the Court issued its Resolution denying the MR of the CIR.

The CIR filed a Petition for Review dated 5 September 2013 before the Court En Banc (“Petition”). On 18 December 2013, the Court En Banc issued a Resolution giving due course to the Petition and required the parties to file their Memoranda within a non-extendible period of thirty (30) days from receipt of the Resolution, after which the Court En Banc will consider the Petition submitted for decision. The Company timely filed its Memorandum. On 9 January 2014, the CIR filed a Manifestation dated 8 January 2014 adopting the arguments raised in its Petition as its Memorandum.

On 26 February 2014, the Court En Banc issued a Resolution declaring that the Petition is now submitted for decision.

iii. *“AgriNurture, Inc. vs. Robson Agro-Ventures Corporation”* docketed as Civil Case No. 114-M-2012, Regional Trial Court, Bulacan, Branch 9

On 22 February 2012, the Company filed a civil case for sum of money against Robson AgroVentures Corporation (“Robson”). Said civil case is entitled *“AgriNurture, Inc. vs. Robson AgroVentures Corporation”* docketed as Civil Case No.114-M-2012 pending before the Regional Trial Court of Bulacan, Branch 9. In said case, the Company prayed that the Court order Robson to pay the amount of \$28,105.00 or ₱1,219,223.00 plus 12% interest per annum as actual damages, and the amount of \$10,000.00 or ₱433,810.00 for unrealized profits. The case stemmed from a Purchase Agreement dated 21 March 2011 between the Company and Robson wherein Robson promised to deliver and supply fresh and premium quality cavendish bananas to the Company upon its order within four (4) days from receipt of the payment. On 2 April 2011, the Company ordered from Robson 7,700 boxes of cavendish banana amounting to \$56,210.00. On 6 April 2011, the Company paid Robson the amount of \$28,105.00 representing 50% of the total purchase price and bank and wire charges. However, on 8 April 2011, despite having received the advance payment of the 50% of the purchase price, Robson failed to deliver the goods. The Company made repeated verbal and written demands upon Robson for the latter to return the advance payment in the amount of \$28,105.00, but Robson failed to do so. Hence, the Company was constrained to file a civil case for sum of money against Robson to protect its interest.

On 28 February 2012, the Court issued the Summons, which was, however, returned unserved on the ground that the defendant “had been close for almost 2 years”. The case is presently archived pursuant to the Order of the Court dated 28 December 2012, to be reinstated whenever the same is ready for trial or further proceedings.

iv. *“Global Baristas LLC vs. DK Retail Co. Ltd., AgriNurture, Inc., Tully’s Coffee Asia Pacific Partners, LP, Tully’s Coffee International Pte.*

*Ltd.”, Superior Court of Washington in and for  
King County*

The Company has received notice that on 18 October 2013, Global Baristas LLC (“GB”), a Washington limited liability company filed a Complaint for Declaratory Judgment and Injunctive Relief (the “Complaint”) against DK Retail Co. Ltd. (a South Korean corporation), Tully’s Coffee Asia Pacific Inc. (a Nevada corporation), Tully’s Coffee Asia Pacific Partners LP (a Washington limited partnership), Tully’s Coffee International Pte Ltd. (a Singaporean corporation), and the Company in the Superior Court of Washington (U.S.A) in and for King County.

In the Complaint, GB seeks to terminate the said companies’ right to use the “Tully’s” brand and affiliated trade names, trademarks and service marks in Asian countries (excluding Japan) such as South Korea and the Philippines under the pertinent international license agreements. On 24 October 2013, the Company received the Complaint/Petition together with a copy of the Order Setting Case Schedule (“Schedule”). Based on the Schedule, the last day for filing a Statement of Arbitrability without a Showing a Good Cause for Late Filing is on 28 March 2014.

The Company received notice that a summons was reissued by the United States Bankruptcy Court on 10 January 2014. Summons was attempted to be served by a representative of the Roy & Syquia Law Office (the “Server”) upon the Company on 12 February 2014. The service of summons was refused by the Company on the ground that at the time of the service, there was no authorized representative of the Company that can receive the summons on its behalf. After refusing to accept the summons, the Server left a copy of the same in the premises of the Company’s office.

*v. In the Matter of the Request for Assistance  
("RFA") of Jens Sorensen vs. Agrinurture, Inc.  
and/or Antonio L. Tiu*

A Request for Assistance was filed on 19 March 2014 by Mr. Jens Sorensen against the Company and/or Antonio L. Tiu in the National Labor Relations Commission- NCR Arbitration Branch, for illegal dismissal with money claims, docketed as SEAD-NLRC-NCR-2014-03-04065. Based on the DOLE-SENA Form No. 1 attached to the Notice of Conference, Mr. Sorensen is seeking the following reliefs: (1) payment of money claims; (2) reinstatement; (3) backwages (4) damages in the amount of \$500,000.00 and (5) attorney’s fees in the amount of ₱500,000.00.

During the mediation conference held on 23 April 2014, ANI proposed its counter offer in the amount of Thirty Thousand Dollars (\$30,000.00) to be paid in cash to Mr. Jens Sorensen for the amicable settlement of the case. The counter offer was rejected by Mr. Jens Sorensen through his counsel. There being no possibility for the parties to reach an amicable settlement, the mediation officer terminated the mediation proceedings.

On 22 May 2014, ANI’s received a copy of the Summons issued by the NLRC Arbitration Branch. In the Summons, the parties were directed to appear before Labor Arbiter Adolfo C. Babiano for a mandatory conciliation/mediation conference on 18 and 25 June 2014 at 10:00a.m.

The Company shall vigorously contest the claims of Mr. Sorensen in the event that he files a formal complaint with the National Labor Relations Commission.

*vi. In the Matter of the Request for Assistance  
("RFA") of Lota Diokno vs. Agrinurture, Inc.*

A Request for Assistance was filed by Ms. Lota Diokno against the Company on 7 March 2014 before the National Labor Relations Commission NCR Arbitration Branch for illegal dismissal. Based on the DOLE-SENA Form No. 1 attached to the Notice of Conference, Ms. Diokno is seeking the following reliefs: (1) issuance of a certification of employment; (2) completion of clearance signatures and (3) payment of separation pay.

A conciliation-mediation conference was scheduled on 11 April 2014. The conciliation-mediation conference scheduled failed and was already terminated.

Ms. Lota Diokno formally filed a complaint before the National Labor Relations Commission on 11 April 2014 for illegal dismissal, monetary claims (salary, service incentive leave, 13th month pay), moral & exemplary damages and attorney's fees. Summons was officially received by the Company on 22 April 2014. The mandatory conciliation-mediation conference as scheduled on 12 and 19 May 2014 likewise failed. The simultaneous filing of the respective position papers is scheduled on 4 June 2014.

To the best of the Company's knowledge, there has been no occurrence during the past five (5) years up to the date of this Information Statement of any of the following events that are material to a evaluation of the ability or integrity of any director, any nominee for election as director, executive officer, underwriter, or controlling person of the Company:

- any bankruptcy petition filed 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 (2) years prior to that time;
- any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- being subject to 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 or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
- being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC 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.

#### ***d. Certain Relationships and Related Transactions***

The Company's policy with respect to related party transactions is to ensure that these transactions are entered into on terms comparable to those available from unrelated third parties.

See Note 6 (Related Party Transactions) of the Notes to the 2013 Audited Financial Statements.

### **6. Compensation of Directors and Executive Officers**

The following summarizes the executive compensation received by the CEO and the top four (4) most highly compensated officers of the Company for 2012, 2013 and 2014 (estimated). It also summarizes the aggregate compensation received by all the officers and directors, unnamed.

	Year	Salaries (Amounts in '000)	Bonuses (Amounts in '000)	Other Income (Amounts in '000)
CEO and the four (4) most highly compensated officers <sup>9</sup>	2012	P10,044	P837	None
	2013	P9,607	P800	None
	2014 (estimated)	P17,107	P1,389	None
Aggregate compensation paid to all other officers and directors as a group unnamed	2012	P19,382	P1,615	None
	2013	P2,457	P232	None
	2014 (estimated)	P4,437	P369	None

The directors have served without compensation, nor have they received any amount or form of compensation for committee participation or special assignments. The directors receive P5,000.00 as



a reimbursement for their transportation and other related expenses incurred for attending each meeting of the Board. Also provided therein is the compensation of directors, which shall not be more than 10% of the net income before income tax of the Company during the preceding year, which shall be determined and apportioned among the directors in such manner as the Board may deem proper, subject to the approval of the stockholders representing at least a majority of the outstanding capital stock at a regular or special meeting. As of this date, no standard or other arrangements have been made in respect of director's compensation.

On 19 May 2009, the following directors and officers have been issued Warrants:

	<b>Number of Warrants</b>
Antonio L. Tiu	2,450,000
Dennis Sia	850,000
Yang Chung Ming	750,000
All other officers and directors as a group	1,350,000
<b>TOTAL</b>	<b>5,400,000</b>

These Warrants are subject to the following terms and conditions: (i) the Warrants are European Call Options with an Expiry Date, *i.e.*, life of the Warrant, 5 years after listing; (ii) the issue price of the Warrant is Php0.00; (iii) the strike price of the Warrant is Php20.00 per share; the conversion ratio is one (1) Warrant to one (1) Common Share.

The holders of the Warrants has the right but not the obligation to exercise his/her right to conversion and delivery of the underlying common share/s after five (5) years from the date of issuance of the Warrant/s, or until 19 May 2014 (the "Exercise Period"), at a Strike Price of Php20.00 per share at the time of exercise.

The holders of the Warrants can exercise the Warrant by filing a request form in the office of the Company. Exercise of the Warrant requires filling-out, disclosing and presenting the following information and documents: (i.) duly accomplished Notice of Conversion form; (ii.) warrant certificate or the electronic equivalent; (iii.) payment of the strike price of P20.00 per share; and (iv.) two (2) valid identification cards

## **7. Independent Public Accountants**

The external auditor of the Company and its subsidiaries for 2012 was BDO Alba Romeo & Co., with Mr. Antonio V. Cruz named as principal accountant.

Pursuant to the authority granted by the Board of Directors to the Audit Committee to nominate and appoint the external auditor of the Company for the year 2013, the Company executed on 13 December 2013 an engagement agreement with Sycip Gorres Velayo (SGV) & Co. (Ernst & Young Philippines) for the latter to act as the external auditor/certifying accountant of the Company and its subsidiaries for the year 2013, with Alicia O. Lu named as principal accountant. The external auditor examined, verified and reported on the earnings and expenses of the Company.

Apart from the audit and audit-related fees in the amounts of P2,236,852 for 2011, P2,240,000 in 2012, and P3,400,000 for 2013, no other services such as assurance or related services, tax accounting, compliance, advice, planning, or other kinds of services were rendered and no other fees were billed by the Company's auditors as of the said years.

Representatives of Sycip Gorres Velayo (SGV) & Co. are expected to be present at the meeting, and they will have the opportunity to make a statement if the desire to do so. They are expected to be available to respond to appropriate questions. To the knowledge of the Management, Sycip Gorres Velayo (SGV) & Co. will observe the required rotation of their assigned external auditors to the Company.

There has not been any disagreement between the Company and (i.) its independent accountant/external auditor for 2012, BDO Alba Romeo & Co.; as well as (ii.) its independent accountant/external auditor for 2013, Sycip Gorres Velayo (SGV) & Co., with regard to any matter

relating to accounting principles or practices, financial statement disclosures or auditing scope or procedure.

BDO Alba Romeo & Co. has served the Company as its independent accountant/external auditor since 2006. In compliance with SRC Rule 68, paragraph 3(b)(iv), the principal accountant and team handling the Company is changed every five (5) years or more often. Sycip Gorres Velayo (SGV) & Co. was engaged by the Company as its independent accountant/external auditor on 13 December 2013.

To assure that the Company's financial statements are properly and cost effectively audited by qualified accountants who are independent and to assist the Board of Directors in fulfilling its oversight responsibility with respect to the maintenance of an effective internal audit function, the Company has an Audit Committee headed by Tomas B. Lopez as Chairman with Antonio L. Tiu and Tai-Chuan Lin as members.

### **Compensation Plans**

There are no matters or actions to be taken up in relation to compensation plans.

<b>ISSUANCE AND EXCHANGE OF SECURITIES</b>
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### **8. Authorization or Issuance of Securities Other than for Exchange**

On 31 March 2014, the Board of Directors of ANI approved the amendment of the Seventh Article of the Articles of Incorporation of the Company to increase the authorized capital stock from Php1 Billion to Php2 Billion divided into 2 Billion common shares with a par value of Php1.00, and to conduct a stock rights offering pursuant to said increase of authorized capital stock, subject to such terms and conditions as may be determined by the Board of Directors.

The amendment of the Seventh Article of the Articles of Incorporation of ANI to increase the authorized capital stock will be undertaken for capital raising.

On 26 May 2014, the Board of Directors approved the following matters:

1. Approval/ratification of the issuance and listing of up to 300 million primary common shares in favour of Greenergy Holdings Incorporated and/or Agrinurture Development Holdings Inc. (100% owned subsidiary of Greenergy Holdings Incorporated which is in the process of being incorporated); and
2. Approval/ratification of the issuance and listing of up to 30 million primary common shares in favour of Antonio L. Tiu and/or management of the Company pursuant to the Stock Option Plan previously approved by the Board of Directors and stockholders, subject to the revised terms and conditions as may be determined by the Board of Directors after endorsement by the Company's Compensation Committee

The issuance and listing of up to 300 million primary common shares in favour of Greenergy Holdings Incorporated and/or Agrinurture Development Holdings Inc. is in line with the global re-organization being undertaken by ANI.

The issuance and listing of up to 30 million primary common shares in favour of Antonio L. Tiu and/or management of the Company is pursuant to the Stock Option Plan previously approved by the Board of Directors and stockholders and is to be made to replace the warrants that have expired. The warrants are further discussed in Item 6 above.

These matters will be submitted for ratification by the stockholders on 23 June 2014.

## **9. Modification or Exchange of Securities**

No action is to be taken with respect to the modification of any class of securities of the registrant, or the issuance of authorization for issuance of one class of securities of the registrant in exchange for outstanding securities of another class.

## **10. Financial and Other information**

### ***a. Audited Financial Statements***

A copy of ANI's Consolidated Audited Financial Statements for the year ended 31 December 2013 is attached hereto as **Annex "A"**.

### ***b. Interim Financial Statements***

A copy of ANI's Interim Financial Statements for the quarter ended 31 March 2014 is attached hereto as **Annex "B"**.

## **MANAGEMENT REPORT**

### ***a. History and Overview***

Incorporated on 4 February 1997, ANI started its business operations in the same year as an importer, trader and fabricator of post-harvest agricultural machineries intended to improve the productivity as well as increase the income of Filipino farmers. Formerly known as Mabuhay 2000 Enterprises, Inc., ANI was the first to bring into the Philippine market the Mega-Sun brand of grain dryers and thereafter established itself as one of the more reliable local supplier and manufacturer of conveyor systems and other rice mill equipment.

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

### ***b. Investment by Black River Capital Food partners Food Fund Holdings (Singapore), Pte. Ltd.***

As previously mentioned, on 29 December 2011, ANI entered into an Investment Agreement with, among others, Black River Capital Partners Food Fund Holdings (Singapore), Pte. Ltd. ("Black River"). Black River is a limited private company organized and existing under the laws of Singapore, with registered office address at 300 Beach Road #23-01 The Concourse, Singapore 199555. It is a subsidiary of Black River Capital Partners Fund (Food), LP, which is managed by Black River Asset Management LLC ("BRAM"). BRAM is a diversified investment organization offering focused investment strategies which includes capabilities in fixed income and equity markets. BRAM has a unique understanding of the emerging markets and an embedded knowledge of commodity-related trading and investing. Formed in 2003, BRAM is an independently managed subsidiary of Cargill, Inc., one of the world's largest providers of food, agriculture and industrial products and services.

Under the Investment Agreement, Black River shall acquire an aggregate of 125,486,095 Common Shares (each an "Investment Share" and collectively, the "Investment Shares") in ANI for an aggregate amount of US\$30,450,000 (the "Investment Price"). The Investment Shares consist of (i) 76,293,595 Common Shares (the "Sale Shares") which shall be purchased by Black River from Messrs. Chung Ming Yang, Jaime Tiu, Yuan Kho Jung, Ken Lai Tiu, Ken Swan Tiu, Ken Him Tiu and Ken Kwen Tiu (the "Selling Stockholders") on 20 January 2012 (the "Share Purchase"), and (ii) 49,792,500 Common Shares (the "Subscription Shares") which shall be subscribed by Black River out

of the increase in ANI's Authorized Capital Stock from ₱300,000,000.00 to ₱1,000,000,000.00 (the "Increase") to be undertaken by the Company (the "Investor Subscription"). The Sale Shares shall be equivalent to 28.11% of the outstanding capital stock of the Company upon the approval of the Increase by the Securities and Exchange Commission (SEC).

As provided in the Investment Agreement, the closing of the Share Sale and the Investor Subscription (the "Closing") shall take place on January 20, 2012 or such other date as may otherwise be agreed upon between ANI and the Investor (the "Closing Date").

Under the Investment Agreement, the Sale Shares shall be sold by way of a regular or special block sale through the PSE (whichever is appropriate at the time of Closing). The purchase price for the Sale Shares shall be US\$21,890,505 (the "Purchase Price"), which shall be payable to each Selling Stockholder. The Purchase Price shall be paid in United States Dollars to the account of the Company, the latter acting as the Attorney-in-Fact of the Selling Stockholders to receive the Purchase Price. Further, the Company and Earthright Holdings, Inc. ("Earthright"), a domestic holding company, shall execute a subscription agreement to subscribe for 125,807,500 shares out of the Increase for the aggregate subscription price of US\$21,890,505. The Selling Stockholders shall issue instructions to the Company to apply the Purchase Price received by the Company on behalf of the Selling Stockholders as full payment of Earthright's subscription. ANI and Black River shall also execute a subscription agreement to subscribe for the Subscription Shares for the aggregate subscription price of US\$8,559,495 (the "Subscription Price").

The 125,486,095 common shares acquired by Black River shall be subject to voluntary lock-up for a period of eighteen (18) months, while the 125,807,500 common shares acquired by Earthright shall be subject to voluntary lock-up as follows:

- i. 100% of the shares for a period of three (3) years following Closing date (the "First Moratorium Period");
- ii. 67% of the shares for a period of one (1) year after the First Moratorium Period (the "Second Moratorium Period"); and
- iii. 34% of the shares for a period of one (1) year after the Second Moratorium Period.<sup>11</sup>

On 19 January 2012, the Sale Shares were sold out by way of a regular block sale through PSE.

The investment contemplated under the Investment Agreement resulted in the infusion of fresh capital in the aggregate amount of US\$30,450,000 into ANI which is necessary in order to fund its local and global expansion.

#### **c. Convertible Note in favour of Black River**

Pursuant to the term sheet executed between ANI and Black River on 10 December 2013, the parties proceeded with the execution of (i) a Note Subscription Agreement between ANI and Black River dated 19 December 2013 and (ii) a Promissory Note by ANI dated 19 December 2013 (the "Note") for the principal amount of Three Hundred Thirty Five Million Pesos (₱335,000,000) with interest at the rate of three per cent (3%) per annum and term of three (3) years from issue date, subject to the Conversion Option and Redemption Option provided in the Note.

Under the Note, Black River shall have the option (the "Conversion Option"), which may be exercised at any time after the second anniversary of the issuance of the Note, to convert the Note, in part or in full, into common shares in ANI at the applicable Conversion Price to be determined by the parties based on the Net Income Before Tax of ANI. The Conversion Option may be exercised by Black River from time to time, beginning from the date following the second anniversary of the issuance of the Note, in such tranches as may be determined by Black River until all amounts outstanding on the

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<sup>11</sup> On 26 December 2013, Black River Capital Partners Food Fund Holdings (Singapore) Pte. Ltd. and Antonio L. agreed on the waiver of the lock up with regard to the 15,058,331 ANI shares of Mr. Tiu.

Note (whether principal sum or interest) have been fully converted into shares or have been repaid to Black River.

Under the Note, Black River shall also have the option after twelve (12) months from the issuance of the Note (the "Redemption Option") to require ANI to redeem the Note, in part or in full, at the Redemption Price. Redemption Price means the sum of the principal sum plus the interest accrued on the Note from issue date until and including the date of the exercise of the Redemption Option or, in case of a partial redemption of the Note, the principal amount to be redeemed on the redemption date and interest accrued on such amount from the issue date of the Note until and including the redemption date. In the event that Black River exercises the Redemption Option, Black River shall have a further option to subscribe (the "Subscription Option") to such number of shares that may be subscribed by applying the redemption price to the full payment of the subscription, at the applicable Conversion Price to be determined by the parties based on the Net Income Before Tax of the Company. Each Subscription Option may be exercised any time within two (2) years from the second anniversary of the issue date of the Note.

To ensure that a sufficient number of shares for the exercise of the Conversion Option and/or the Subscription Option by Black River as described above, ANI will set aside, at the most, 119,760,666 authorized but unissued shares, which number of shares shall be adjusted upon any exercise of the Conversion Option or Subscription Option.

On 31 March 2014, the Board of Directors of ANI approved a Note Subscription Agreement and Promissory Note in favor of Black River with a face value of ₱49 Million, term of until December 19, 2016 and interest at 3% per annum, with a conversion and redemption option similar to the Note Subscription Agreement and Promissory Note dated 19 December 2013 previously issued to Black River. To ensure that a sufficient number of shares for the exercise of the Conversion Option and/or the Subscription Option by Black River as described above, ANI will set aside, at the most, 17,342,566 authorized but unissued shares, which number of shares shall be adjusted upon any exercise of the Conversion Option or Subscription Option.

#### **d. Long Term Lease**

On 7 February 2014, ANI's wholly owned subsidiary, Best Choice Harvest Agricultural Corp., through the latter's subsidiary, Tagum Resources Agri Industries Inc., executed a Contract of Lease for the long term lease of a 2,943,254-square meter parcel of land in Tagum City, Davao for purposes of developing and operating a banana plantation.

#### **e. Foreign Subsidiaries**

In line with the plan for the global re-organization of the ANI Group of companies for more streamlined and efficient operations, a number of foreign subsidiaries have been established. ANI is currently in the process of implementing the previously approved global re-organization in accordance with the following plan and goal:



At present, the subsidiaries in the ANI Group of Companies have amended or are in the process of amending their Articles of Incorporation in line with the foregoing global re-organization plan.

**f. Nature and Scope of the Business of ANI and its Subsidiaries**

Incorporated on 4 February 1997, ANI started its business operations in the same year as an importer, trader and fabricator of post-harvest agricultural machineries intended to improve the productivity as well as increase the income of Filipino farmers. Formerly known as Mabuhay 2000 Enterprises, Inc., ANI was the first to bring into the Philippine market the Mega-Sun brand of grain dryers and thereafter established itself as one of the more reliable local supplier and manufacturer of conveyor systems and other rice mill equipment.

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

ANI's operations are divided into six (6) groups to ensure the best value, variety and convenience in growing fruits and vegetables, manufacturing food products, and distributing fresh and processed food products, thereby completing the entire "farm-to-plate" cycle. The groups are as follows:

- a. Farming
- b. Export
- c. Local Distribution
- d. Foreign Trading
- e. Retail
- f. Others

**Farming Group**

The Farming Group is engaged in commodity such as rice and corn and high value crops production, joint-venture farming and contract growing. Agricultural goods produced by the Farming Group are supplied to the Distribution and Export Groups.

Aside from fruit and vegetable production, the Farming group is also engaged in the distribution of farm inputs such as seeds, fertilizers, pesticides, as well as greenhouse and equipment.

The activities of the Farming Group are divided into four, namely: Vegetables, Fruits, Grains, and Inputs/Equipment Trading.

Under the Vegetable unit, the Farming Group manages farms located in Dau, Pampanga, Tanay, Rizal and Trece Martirez, Cavite.

On the other hand, the Fruits unit is involved in the production of banana, and to some extent mango, for export and local market. The Company acquired its own banana plantation, thru joint venture, to ensure the supply for expanding export market.

The Grains unit handles rice and corn production. Operations are concentrated in the provinces of Tarlac, Pampanga and Nueva Ecija. Contract growing projects are continuously implemented with partner farmers to secure supply during the season. To maximize the grain operations, the Farming Group also maintains a warehouse and a rice mill located in Arayat, Pampanga.

Lastly, the Inputs/Equipment Trading involves the sale, distribution, delivery of farm inputs and fabrication of different equipment such as conveyors and dryers.

The Farming Group thru joint ventures plans to expand its operations by engaging in a large scale operation of banana and pineapple plantations.

The Company's direct and indirect subsidiaries under the Farming/Farm Management Group are as follows:

- a. Best Choice Harvest Agricultural Corporation;
- b. Beidahuang (Phils.) Agro Industrial Development Corporation;
- c. Fresh & Green Palawan Agriventures, Inc.; and
- d. Ocean Biochemistry Technology Research, Inc.

*a. Best Choice Harvest Agricultural Corporation*

The ANI Group's farming activities are mainly handled through Best Choice Harvest Agricultural Corporation (BCH), a wholly owned subsidiary of ANI, which is currently engaged in the management of ANI's farms in Central Luzon and Mindanao. Current activities are being undertaken by BCH with the objective of eventually making the farms the primary source of supply for the ANI Group.

Pursuant to BCH's long term objective of uplifting the standard and quality of life of farmers, it entered into partnerships with farmers and/or farmer cooperatives through contract farming. This coordinates the linkages between the farmers and/or farmer cooperatives and BCH. Under this system, BCH commits to support the farmer/farmer cooperative's production by supplying farm inputs and providing technical advice. In return, the farmers/farmer cooperatives commit to exclusively provide specific commodity to BCH at the agreed quantity and quality thereby guaranteeing the ANI Group a reliable source of supply.

It is noteworthy that the Philippine Government recently enacted the Organic Agriculture Act of 2010 which aims to promote organic farming in the country. A salient feature of the law is the provision of incentives to micro, small and medium-scale organic farmers, such as income tax holiday, zero value-added tax on the purchase of organic inputs or bio-organic produce and exemption from the payment of import duties on agricultural equipment or machinery. BCH anticipates that it will be able to take advantage of the incentives offered under the said new law to further strengthen the ANI Group's supply chain.

Meanwhile, although the ANI Group's main fresh export product continues to be Philippine mango, it is looking forward to becoming a key player in the banana and pineapple industry. The prospect of Philippine bananas in the domestic and foreign market is still promising. It remains to be a consistent top dollar earner and locally it is the top fruit consumed by Filipinos.

Pursuant to a joint venture agreement entered into by BCH in 2013, a joint venture company, Tagum Resources Agri Industries Inc. (TRAIN), was incorporated. TRAIN, which is 51% owned by BCH, will engage in corporate banana production and is intended to fulfill the requirements of ANI Export Group. In 2014, TRAIN executed a Contract of Lease for the long term lease of a parcel of land in Tagum City, Davao for purposes of developing and operating a banana plantation.

BCH is a Board of Investments registered enterprise as “New Producer of Agricultural Products” (crops and fresh vegetables) on a non-pioneer status.

*b. Beidahuang (Phils.) Agro Industrial Development Corporation (Beidahuang)*

Beidahuang was incorporated on 20 April 2010. It is engaged in agricultural research and development, corporate farming, distribution and wholesale of foods and foodstuffs, and operation of mills.

On 20 September 2011, BCH acquired 30% of the outstanding capital stock of Beidahuang.

Heilongjiang Beidahuang Seed Group. Co. Ltd., the biggest seed science & technology enterprise in Heilongjiang Province, PROC, holds 40% equity interest in Beidahuang.

Beidahuang aims to produce high-yield rice seeds and distribute these to local farmers to help them raise farm productivity and profitability.

*c. Fresh and Green Palawan Agriventures, Inc. (FG Palawan)*

FG Palawan was incorporated on 9 September 2008. 51% of the outstanding capital stock of FG Palawan is owned by BCH. It is primarily engaged in corporate farming in the province of Palawan.

*d. Ocean Biochemistry Research Technology, Inc. (Ocean Biotech)*

Ocean Biotech was incorporated on 23 March 2009. It is primarily engaged in the production and growing of agricultural products such as mushroom.

Fifty-one percent (51%) of the outstanding capital stock of Ocean Biochemistry Research Technology, Inc. is owned by M2000.

**Export Group**

The Company's Export Group is in charge of looking for markets abroad as well as sourcing the best quality produce possible to satisfy its growing number of clients abroad. This group is the top dollar earner of ANI by exporting all kinds of fruits, vegetables and other agro products but its main export products are fresh banana, fresh mango and cocowater.

- i. Banana – the main banana export variety is Cavendish and its main production area is in Mindanao.

The Export Group sources its supply from small independent growers and from established corporate plantations to consolidate as many supply as it can to satisfy its clients in China, Korea, Middle East and Russia. The requirement of the ANI Export Group is currently in the range of 25-50 forty-foot containers a week.

- ii. Mango – Carabao mango (*Mangifera indica* L.) is the variety exported by ANI. The Export Group sources its mangoes from all over the Philippines via a network of growers and suppliers who have been in the business of mango for decades. The Export Group also taps the various mango contract growers of ANI who avails the inputs loan provided by the Farming Group. These mango growers follow the strict mango production system prescribed by the Government to comply with good agricultural practices as well as the pesticide spraying protocol. By adhering to these strict standards, the ANI mango exports can be accepted by any stringent market abroad.

The Export Group manages all the processes involve in exporting mango with the help of Hansung Agro Products Corp. as the processing and packing facility with vapor heat treatment (VHT).



- iii. Cocowater - Cocowater is one of the most exciting ANI products in the market today both local and export. This product is exported by the ANI Export Group to USA, Canada, Australia, New Zealand and the Middle East. The facility used for processing and packing for cocowater export is owned by M2000 Imex Co., Inc.

a. *M2000 IMEX Company, Inc. (M2000)*

“M2000” is a wholly-owned subsidiary of ANI and is engaged in the manufacturing and processing of its own brand of canned fruit products such as coconut juice. M2000 likewise provides toll-packing services to several local companies and is operating a blast freezing unit to serve the overseas demand for frozen fruits, root crops and leafy vegetables. M2000’s products are principally produced for export, with its largest markets being North America (30%), the Middle East (30%), Asia (25%), Europe (10%) and local 5%.

M2000’s canning facility has a production capacity of 12,000 cans per hour.

M2000 is a Board of Investment registered enterprise as New Export Producer of Frozen Fruits, Root Crops and Leafy Vegetables on a non-pioneer status with four (4) years income tax holiday starting on September 20, 2010.

In November 2012, M2000 entered into a Shareholders’ Agreement and Subscription Agreement with Tolman Manufacturing, Inc. (TMI) for the management and operation of a Tetra Packing line for, among others, coconut water to be located in the export processing zone in Carmelray, Laguna.

Under the Shareholders’ Agreement and Subscription Agreement, M2000 shall acquire an aggregate of Sixteen Million Four Hundred Thousand (16,400,000) primary common shares in TMI which shall be subscribed by the Corporation out of the increase of the authorized capital stock of TMI for an aggregate amount of Two Hundred Ten Million Pesos (P210,000,000.00) in cash and/or non-cash assets. Upon the approval of the increase of the authorized capital stock of TMI, M2000 shall own 51% of the total outstanding equity in TMI.

*Local Distribution Group*

The Local Distribution Group is composed of several companies with First Class Agriculture Corporation (FCA) at the forefront. FCA, Fresh and Green Harvest Agricultural Company, Inc. (FG) and Lucky Fruit and Vegetable Products, Inc. (LF), are the main distribution arm of ANI’s agricultural products under the “Fresh Choice Always”.

FCA and its sister companies are presently one of the largest wholesalers of fresh vegetables to leading supermarkets in the Philippines. In the Luzon area alone, FCA, FG and LF cater to around seventy supermarkets. In addition, they supply fresh vegetables to in-house brands of various supermarkets.

In the local front since fruits and vegetables are sourced on a nationwide scale from three types of suppliers: ANI subsidiaries engaged in farming/farm management, farmers with supply contracts, and buying station.

Meanwhile, the Distribution Group intends to boost revenues through new and innovative distribution methods such as direct selling approach to address consumers and institutional buyers’ need for fresh produce amidst problems on lack of proper storage.

In addition to the above plan of expanding the Distribution Group distribution reach locally, ANI also intends to take its distribution at a global level. The Distribution Group aims to enter the Australian, European and US markets.

Finally, the Distribution Group will undertake aggressive expansion of its product portfolio. It intends to launch new products such as processed foods, grains, and condiments. To complement said expansion, the Distribution Group will use modern technology to increase the shelf life of their products.

ANI has the following direct and indirect subsidiaries under its Local Distribution Group:

- a. First Class Agriculture Corporation
- b. Fresh and Green Harvest Agricultural Corporation
- c. Lucky Fruit and Vegetable Products, Inc.

*a. First Class Agriculture Corporation*

First Class Agriculture Corporation (FCA), a wholly-owned subsidiary of ANI, is engaged in the distribution of fruits and vegetables to supermarket chains, where it markets its products under the “FCA” (First Choice Always) brand. It supplies more than 100 varieties of vegetables and local fruits daily to various supermarket chains in Luzon.

*b. Fresh and Green Harvest Agricultural Corporation*

Fresh and Green Harvest Agricultural Corp. (F&G) is a wholly-owned subsidiary of FCA. F&G is intended to distribute fruits and vegetables to supermarkets and institutional outlets.

*c. Lucky Fruit and Vegetable Products, Inc.*

Lucky Fruit and Vegetable Products Inc. (“LF”) is a wholly-owned subsidiary of FCA. LF is engaged in the wholesale trading and distribution of commercial crops to food service and institutional accounts such as hotels, restaurants, and public markets throughout Luzon. It is expected to try the Mindanao market with Cagayan de Oro and Davao as its hubs.

*Foreign Trading Group*

As for international distribution, this activity is being undertaken by ANI with the support of Hansung Agro Products Products Corp., and Sunshine Supplies International Co., Ltd. ANI together with these companies sell and distribute agricultural and other commodities in Hong Kong, Macau, China, Japan, Korea, Australia and Europe.

The Company has the following direct and indirect subsidiaries under its Foreign Trading Group:

- a. Joyful Fairy (Fruits) Ltd. (BVI)
- b. Sunshine Supplies International Co., Limited
- c. Joyful Fairy (Fruits)Ltd. (HK)
- d. Freshness First Ltd. (Australia)

*a. Joyful Fairy (Fruits) Ltd. (BVI)*

Joyful Fairy (Fruits) Ltd. (BVI) is a company organized and existing under the laws of the British Virgin Islands. Joyful is 51% owned by AgriNuture HK Holdings Ltd., a Cayman Islands holding company, and the latter is a 100% subsidiary of ANI.

*b. Sunshine Supplies International Co., Limited*

Sunshine Supplies International Co., Limited is a company organized and existing under the laws of Hong Kong and is 100% owned subsidiary of Joyful Fairy (Fruits) Ltd. (BVI). It is engaged in the business of trading agricultural products like mangoes, onions, garlicks, potatoes, etc. in Hong Kong, Macau, China, and Europe.

*c. Joyful Fairy (Fruits) Ltd. (HK)*

Joyful Fairy (Fruits) Ltd. (HK) is a company organized and existing under the laws of Hong Kong and is a subsidiary of Joyful Fairy (Fruits) Ltd. (BVI). It is currently ranked amongst the top fruit importers in Hong Kong dealing in prime fruits like Sunkist Orange, Prima Grapes and California Grapes, among others. The company also has major supplies to China.

*d. Freshness First Ltd. (Australia)*

The company is 100% owned subsidiary by Agrinurture HK Holdings Ltd. Freshness First Ltd. was acquired in 2013 and its main activity is primary processing fruits and vegetables for distribution food processors, schools, restaurants, mining sites and airlines.

*Retail Group*

On 8 August, 2011, the SEC approved the amendment of the Articles of Incorporation of ANI to, among others, include the business of retail in the primary purpose. In line with this, ANI established its Retail Group in August of 2011. The establishment of the Retail Group completes its strategy of integrating Retail and Franchise into its portfolio of services in line with its vision of becoming a global leader in providing nutrition from farm to plate.

The direct and indirect subsidiaries of ANI under the Retail Group are as follows:

- a. The Big Chill, Inc.
- b. Heppy Corp

*a. The Big Chill, Inc.*

80% of the outstanding capital stock of The Big Chill, Inc., (TBC) is owned by ANI. TBC is engaged in the business of selling, on retail, beverages and other food products, and currently operates over sixty (60) retail outlets under the following brands:

- Big Chill
- Fresh Bar
- C'Verde
- Tully's Coffee
- Canecoction
- Super Fresh

TBC completes the innovative "farm-to-plate" business model of ANI that allows and enhances the synergy of all ANI's fruit and vegetable businesses. In addition to Big Chill's company owned stores, TBC has entered into the franchise arena in the Philippines. At present, TBC has licensed 3 Big Chill locations within Metro Manila, and two Tully's Coffee licenses. It is the intention of management to expand further the retail franchise opportunities by direct sales of License Agreements as well as the sale of profitable existing locations to qualified buyers.

At present, five (5) locations have been identified for such a sale. TBC has also opened an outlet in the Hong Kong Airport which allows the aggressive pursuit of a retail business outside of the Philippines.

*b. Heppy Corp (Heppy)*

Heppy was incorporated on 24 November 2008. It is primarily engaged in buying, selling distributing and marketing fruit drinks. Heppy became a wholly owned subsidiary of TBC on 1 September 2011.

*Others*

- a. Fruitilicious, Inc.
- b. Farmville Farming Co., Inc.
- c. Hansung Agro Products Corp.
- d. Qualis Logistics and Transport Services, Inc.

*a. Fruitilicious*

Fruitilicious, Inc. ("Fruitilicious") is located in Cagayan de Oro at the center of the fruit bountiful provinces of Bukidnon, Davao, Lanao Del Norte and Agusan del Sur in Mindanao. Fruitilicious also sometimes serves as the group's sourcing hub for its Mindanao operations. It operates a cold storage

facility, blast freezing and food processing facility to produce frozen and dried fruit products and by-products for local and international clients. Frutilicious is HACCP certified, which is proof that it supplies excellent and safe food products. Frutilicious is 90%-owned by ANI.

*b. Farmville Farming Co., Inc (Farmville)*

Farmville was incorporated on 2 June 2010. It is primarily engaged in trading and sourcing of fruits and vegetables.

During the last quarter of 2010, ANI acquired ownership interest in Farmville. Currently, ANI owns 51% of the outstanding capital stock of Farmville.

*c. Hansung Agro Products Corp. (Hansung)*

Hansung was incorporated on 21 February 2007 and became a wholly-owned subsidiary of ANI in 2011. It is primarily engaged in trading, wholesaling, importing and exporting goods including agricultural products. Hansung exports mangoes to Korea

*d. Qualis Logistics and Transport Services, Inc. (Qualis)*

Qualis was incorporated on 1 February 2010. It is primarily engaged in land transportation for the transportation and carriage of passengers, goods and merchandise within any place in the Philippines.

During the last quarter of 2010, ANI acquired ownership interest in Qualis. Currently, ANI owns 51% of the outstanding capital stock of Qualis.

All the Groups described above are hereinafter referred to collectively as the “ANI Group”.

## **e. Management’s Discussion and Analysis of Financial Condition and Result of Operations**

### **Overview**

ANI started as a simple manufacturing and trading company of post-harvest facilities. In 2001, ANI shifted its business to exporting fresh fruits and processed juices. Through hard work and strict adherence to quality service and products, ANI was recognized by PhilExport as one of the Top 50 Exporters of the Philippines.

In 2007, ANI acquired ownership of FCA, one of the country’s leading vegetable distributor. ANI likewise started an aggressive investment program in farming through its subsidiary, BCH. These acquisitions and aggressive investments were in line with ANI’s vision of establishing a strong farm-to-plate platform.

In 2011, the Company executed an Investment Agreement with Black River and Earthright Holdings, Inc. As discussed above, the investment contemplated under the Investment Agreement resulted in the infusion of fresh capital in the aggregate amount of US\$30,450,000 into the Company which is necessary in order to fund its local and global expansion.

In 2013, the Company executed (i) a Note Subscription Agreement and (ii) a Promissory Note in favor of Black River (the “Note”) for the principal amount of Three Hundred Thirty Five Million Pesos (P335,000,000) with interest at the rate of three per cent (3%) per annum and term of three (3) years from issue date, subject to the Conversion Option and Redemption Option provided in the Note.

In 2014, the Company executed a Note Subscription Agreement and Promissory Note in favor of Black River with a face value of Php49 Million, term of until 19 December 2016 and interest at 3% per annum and with a conversion and redemption option similar to the Note Subscription Agreement and Promissory Note previously issued to Black River in 2013.

Thus, ANI's financial condition and results of operations as reported in the audited financial statements should be taken into context with the Company's aggressive forward and backward integration that started in 2007. (See Annex "A": Audited Financial Statements as of 31 December 2013)

### Summary of Financial Information

Financial Statement Accounts (in ₱ '000 except per share figures)	AUDITED (As of 31 December)			UNAUDITED (As of 31 March 2014)
	2011	2012	2013	
Net Sales	2,253,760	2,329,947	2,926,429	988,850
Gross Profit	519,031	385,222	578,356	210,398
Operating Income	341,905	(355,455)	100,401	13,379
Net Income after Income Tax	215,888	(798,346)	22,446	(5,758)
<b>Balance Sheet Accounts</b>				
Total Current Assets	1,744,170	1,920,758	2,708,070	2,387,116
Total Assets	3,012,423	3,550,950	4,788,820	5,202,350
Total Current Liabilities	909,397	986,717	2,142,101	2,308,589
Total Liabilities	1,221,586	1,241,659	2,504,004	2,925,887
Total Stockholder's Equity	1,790,837	2,309,291	2,284,816	2,276,463
Total Liabilities and Stockholders' Equity	3,012,423	3,550,950	4,788,820	5,202,350

### FACTORS AFFECTING RESULTS OF OPERATIONS

#### Demand and Pricing

The demand for ANI's products may be affected by fluctuations in prices, as determined by seasonality, weather, quality and farm productivity. While ANI deals in widely consumed agricultural products, especially fruits and vegetables, it may be argued that a large portion of these products represent discretionary purchases, demand for which is influenced by price movements.

The factors that affect domestic demand may likewise affect export demand. Moreover export markets tend to be stricter with regard to product quality, and any negative quality issues may mean serious sanctions being imposed on the seller. ANI has normally been able to pass all quality standards in its major export markets, but there is no assurance that this performance can be sustained in the future.

Price fluctuations may affect ANI's net margins. Normally most of ANI's costs are variable, with fixed costs comprising mainly of salaries and production and logistics assets. Severe reductions in overall prices may therefore adversely affect ANI's net income margins.

#### Changes in Consumer Tastes and Preferences

Consumer preferences may change due to a number of factors, including changes in economic conditions and income levels, shifts in demographic and social trends, changes in lifestyle, regulatory actions and negative publicity regarding product quality, any of which may affect consumers' perception of and willingness to purchase ANI's products.

#### Advertising and Promotions

ANI has relied on billboard, radio, participation in sport league, non-traditional ads, print and television (a cooking show) advertising to push its "Fresh Choice Always" brand. Advertising and promotions are factors for consumer buying choices. Advertising affects consumer awareness of ANI's products by distinguishing it from other fresh produce, some of which are sold unbranded. Sales volumes and revenues may therefore be positively affected by the effectiveness of ANI's branding and advertising campaigns.

#### Competition

ANI faces competition from other domestic producers, which sells both its own brand and foreign brands.

## Taxes and Regulatory Environment

ANI's operations are subject to various taxes, most of the revenues which are export and agri related are VAT free but subject to income tax. Processed goods that are exported are under Zero-Rated VAT Sales. In 2006, the government increased the VAT rate from 10% to 12%. In 2009, corporate income tax was reduced to 30% from 32% the previous year. In general, ANI attempts to pass higher taxes to its consumers by raising the prices of its products in the event there is any additional tax to be announced, although the timing and size of such price rises can be influenced by factors such as inflation and other economic conditions in the Philippines. Price changes ANI makes as a result of the changes in tax rates could affect the demand for ANI's products as well as ANI's profit margins, product pricing and net income.

## DESCRIPTION OF REVENUE AND COST ITEMS (For the years 2011, 2012, 2013 and first quarter of 2014)

### Net Sales

ANI generates its net sales primarily from the sale, to both the domestic and export markets, of fresh fruits and vegetables. ANI's net sales are net of VAT and discounts.

The following table presents ANI's net sales for the periods indicated:

**Table 1: Net Sales**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>Jan 1- Dec 31</b>	<b>Jan 1- Dec 31</b>	<b>Jan 1- Dec 31</b>	<b>Jan 1 - March 31</b>
	<b>₱</b>	<b>₱</b>	<b>₱</b>	<b>₱</b>
Philippines	1,976,579	1,761,282	660,182	162,528
Exports	254,549	512,554	390,675	86,139
Foreign Trading	22,632	56,111	1,875,572	740,183
<b>Total</b>	<b>2,253,760</b>	<b>2,329,947</b>	<b>2,926,429</b>	<b>988,850</b>

### Cost of Sales

Cost of sales consists of:

- the cost of purchasing fruits and vegetables and raw material from growers and other traders and suppliers;
- depreciation and amortization costs, which relate primarily to the depreciation of production equipment, vehicles, facilities and buildings;
- personnel expenses, which include salary and wages, employee benefits and retirement costs for employees involved in the production process;
- repairs and maintenance costs relating to production equipment, facilities, vehicles and buildings;
- fuel and oil costs relating to the production and distribution process;
- communications, light and water expenses relating to the company's distribution and production processes and facilities; and
- other costs of sales, which include miscellaneous expenses such as supplies, rental, insurance and freight expenses.

In 2011, 2012 and 2013, the ANI's cost of sales was ₱1.7 billion, ₱1.9 billion and ₱2.3 billion, respectively, while the cost of sales for the first quarter of 2014 was ₱778.5 million.

### Operating Expenses

ANI's operating expenses consist of selling expenses and administrative expenses. In 2011, 2012 and 2013 the Company's operating expenses were ₱371 million, ₱775 million and ₱683 million, respectively. The operating expenses for the first three months of 2014 is ₱235 million.

ANI's operating expenses include the following major items:

- delivery expenses
- salaries, wages and other employee benefits
- advertising and promotions expenses
- professional fees
- repairs and maintenance expenses
- taxes and licenses
- transportation and travel expenses
- depreciation and amortization
- other operating and administrative expenses.

## CRITICAL ACCOUNTING POLICIES

ANI's significant accounting policies are set out in Note 2 of ANI's Audited Financial Statements attached herewith as Annex "A". The preparation of ANI's audited financial statements requires ANI's management to make estimates and assumptions that affect the amounts reported in ANI's financial statements and the related notes. Actual results may differ from those estimates and assumptions. ANI has identified the following accounting policies as critical to an understanding of its financial condition and results of operations, as the application of these policies requires significant management assumptions and estimates that could result in the reporting of materially different amounts if different assumptions or estimates are used.

## RESULTS OF OPERATIONS

### For the quarter ended March 31, 2013 compared to the quarter ended March 31, 2014

The following comparison of ANI's results of operations is based on the interim financial statements for the first three months of 2013 and 2014:

	For the Quarter-Ended March 31 (in Php '000)	
	2013	2014
<b>Revenues</b>	753,996	988,850
<b>Cost of Sales and Services</b>	644,922	788,452
<b>Gross Profit</b>	109,073	210,398
<b>Other Operating Income</b>	24,370	37,547
<b>Gen. &amp; Admin and Operating Expenses</b>	97,733	234,567
<b>Operating Profit</b>	35,711	13,379
<b>Other Income (Charges)</b>	11,767	19,137
<b>Provision for Income Tax</b>	3,797	8,930
<b>Net Income / (Loss)</b>	20,147	14,688

### **Revenues**

Revenues of the Group increased by 31% for the first quarter of 2014 versus the same period in 2013 with Foreign Trading Operations serving as the main driver.

### **Cost of Sales**

For the first quarter of 2013 and 2014, ANI's Cost of Sales was ₱644.9 million and ₱778.5 million, respectively. Increase in Cost of Sales of 21% is parallel to the increase in Revenues.

### **Gross Profit**

Consolidated Gross Profit of ANI as of March 31, 2013 and 2014 are ₱109 million, and ₱210 million, respectively. ANI focused on growing its business with the main revenue and margin drivers, and resulted to an increase of 93% compared to the same period in 2013.

### **Operating Expenses**

In the first quarter of 2013 and 2014 the Company's operating expenses were ₱97.7 million, and ₱234.6 million, respectively. The significant increase is attributable to expenses incurred under the Foreign Trading Group, the largest contributor to the Group's Revenues.

### **Income/(Loss) from Operating Activities**

The first quarter of 2014 experienced a decline at ₱13.4 million versus ₱35.7 million, due to pre-operating expenses and other sunk costs for the recent merges and acquisitions that are no longer allowed to be capitalized.

### **Provision for Income Tax**

Provision for the first quarter of 2014 is ₱8.9 million.

### **Profit for the year**

The first three months of 2014 incurred a loss of ₱14 million, due to pre-operating expenses and sunk costs charged outright, as explained above.

### **Year Ended December 31, 2013 compared to the Year Ended December 31, 2012**

	For the Year-Ended December 31 (in Php '000)	
	2012	2013
<b>Revenues</b>	2,329,947	2,926,429
<b>Cost of Sales and Services</b>	1,944,725	2,348,073
<b>Gross Profit</b>	385,222	578,356
<b>Other Operating Income</b>	34,486	205,178
<b>Gen. &amp; Admin and Operating Expenses</b>	775,163	683,133
<b>Operating Profit</b>	(355,455)	100,401
<b>Other Income (Charges)</b>	490,066	(54,188)
<b>Provision for Income Tax</b>	(47,174)	23,768
<b>Net Income / (Loss)</b>	(798,346)	22,446
<b>Other Comprehensive Income / (Loss)</b>	(27,644)	(7,311)
<b>Total Comprehensive Income / (Loss) – Net of Tax</b>	(825,991)	15,136

### **Revenues**

Revenues increased by 26% from ₱2.33 billion in 2012 to ₱2.93 billion in 2013 as a result of increase in domestic sales outlets, additional clients and export expansion.

### **Cost of Sales**

Cost of sales increased by 21% from ₱1.94 billion in 2012 to ₱2.35 billion in 2013. The cost of sales for 2013 however, is 3% lower than the cost of sales for 2012 in relation to the net sales.

### **Gross Profit**

As a result of the factors discussed above, gross profit increased by 50% from ₱385.22 million in 2012 to ₱578.36 million in 2013. The gross margin represented 20% of the net sales as compared to 17% in 2012.



### **Operating Expenses**

Operating expenses decreased by 12% from P775.16 million in 2012 to P683.13 million in 2013.

### **Income/(Loss) from Operating Activities**

Income/Loss from operating activities changed from a loss of P355.46 million in 2012 to an income of P100.40 million in 2013.

### **Other Income**

Other income came mostly from gain on fair value of biological assets.

### **Provision for Income Tax**

Provision for income tax increased by 169% from (P47.17) million in 2012 to P23.77 million in 2013, as a result of the decrease in operating loss.

### **Profit for the year**

Profit for the year turned around from a loss of P798.35 million in 2012 to P22.45 million profit in 2013.

### **Other comprehensive income**

Other Comprehensive Income/(Loss) amount to (P27,644) and (P7,311) for 2012 and 2013, respectively.

### **Year Ended December 31, 2012 compared to the Year Ended December 31, 2011**

The following comparison of ANI's results of operations is based on its Audited Financial Statements as of 31 December 2012 and 2011:

	<b>For the Year-Ended December 31 (in Php '000)</b>	
	<b>2011</b>	<b>2012</b>
<b>Revenues</b>	2,253,760	2,329,947
<b>Cost of Sales and Services</b>	1,734,729	1,944,725
<b>Gross Profit</b>	519,031	385,222
<b>Other Operating Income</b>	193,710	34,486
<b>Gen. &amp; Admin and Operating Expenses</b>	370,835	775,163
<b>Operating Profit</b>	341,905	(355,455)
<b>Other Income (Charges)</b>	(70,814)	(490,066)
<b>Provision for Income Tax</b>	55,203	(47,174)
<b>Net Income / (Loss)</b>	215,888	(798,346)
<b>Other Comprehensive Income/(Loss)</b>	892	(27,644)
<b>Total Comprehensive Income/(Loss) – Net of Tax</b>	216,781	(825,991)

#### **Revenues**

Net sales increased by 3% from P2.25 billion in 2011 to P2.33 billion in 2012. Minimal growth was recorded in 2012 when the Group ended its relationship with a major supermarket chain towards the end of the year.

#### **Cost of Sales**

Cost of sales increased by 12% from P1.73 billion in 2011 to P1.94 billion in 2012. The cost of sales for 2012 however is 7% lower/higher than the cost of sales for 2011 in relation to the net sales.

### *Gross Profit*

As a result of the factors discussed above, gross profit decreased by 25.78% from ₱519.03 million in 2011 to ₱385.22 million in 2012. The gross margin represented 16% of the net sales as compared to 23% in 2011.

### *Operating Expenses*

Operating expenses increased from ₱370.84 million in 2011 to ₱775.16 million in 2012 due to increased volume of production and sales.

### *Income from Operating Activities*

Income from operating activities decreased from ₱341.91 million in 2011 to (₱355,455) million in 2012. Operating margin also increased from 6% in 2010 to 14% in 2011.

### *Other Operating Income*

Other income came mostly from gain on fair value of biological assets.

### *Provision for Income Tax*

Provision for income tax decreased from ₱55.2 million in 2011 to (₱47.2) million in 2012, as a result of the decline in operating income.

### *Net Income*

Net income decreased from ₱217.46 million in 2011 to (₱825.99) million in 2012.

## **LIQUIDITY AND CAPITAL RESOURCES**

During the years 2011, 2012 and 2013, ANI's cash flows from operations have been sufficient to provide sufficient cash for ANI's operations and capital expenditures. ANI did not pay cash dividends in each of 2011, 2012 and 2013. The following table sets out ANI's cash flows for the years ended 31 December 2011, 2012 and 2013:

	For the year ended December 31 (in thousands of ₱)		
	2011	2012	2013
Net cash flows provided by/(used for) operating activities	119,966	(453,940)	566,373
Net cash flows provided by/(used for) investing activities	(991,463)	(790,012)	(1,054,882)
Net cash flows provided by/(used for) financing activities	904,838	1,352,791	607,419
Effect of Exchange Rate Changes in Cash on Hand and in Banks	1,362	720	(2363)
Net increase (decrease) in cash and cash equivalents	33,341	108,838	123,635

The following table sets out ANI's cash flows for the quarters ended 31 March 2013 and 2014:

	For the quarter ended 31 March (in thousands of ₱)	
	2013	2014
Net cash flows provided by/(used for) operating activities	7,975	(52,159)
Net cash flows provided by/(used for) investing activities	(33,526)	(569,037)
Net cash flows provided by/(used for) financing activities	42,120	372,895
Net increase (decrease) in cash and cash equivalents	16,569	(248,301)

### **Net Cash Flows from Operating Activities**

Net cash used by operating activities for the first 3 months of 2014 was ₱52.16 million.

Net cash flow from operating activities was ₱566.373 million for 2013. ANI's net income before income tax for this period was ₱46.214 million, and this amount was adjusted for depreciation and amortization of ANI's property, plant and equipment of ₱268.582 million, provision for retirement benefit cost of ₱0.97 million, impairment loss on trade and other receivables of ₱0.81 million, gain on changes in fair value of biological assets of ₱146.27 million, unrealized foreign exchange loss of ₱0.003 million, gain on sale of property, plant and equipment of ₱5.04 million, interest income of ₱2.37 million and interest expense of ₱35.56 million resulting in operating income before working capital changes of ₱219.45 million. Aggregate changes in working capital increased this amount by ₱346.92 million, resulting in net cash flow from operating activities of ₱566.37 million.

Net cash flow from operating activities was (₱453.94) million for 2012. The Company's net loss before income tax for this period was ₱845.52 million, and this amount was adjusted for depreciation and amortization of ANI's property, plant and equipment of ₱69.178 million, provision for retirement benefit cost of ₱1.529 million, loss due to natural calamities of ₱123.579 million, loss due to impairment of biological assets of ₱337.054 million, gain on changes in fair value of biological assets of ₱30.396 million, unrealized foreign exchange gain of ₱0.72 million, interest income of ₱0.234 and interest expense of ₱35.564 million resulting in operating income before working capital changes of ₱300.059 million. Aggregate changes in working capital decreased this amount by ₱153.88 million, resulting in net cash flow from operating activities of (₱453.94) million.

Net cash flow from operating activities was ₱119.966 million for 2011. ANI's net income before income tax for this period was ₱271.092 million, and this amount was adjusted for depreciation and amortization of the Company's property, plant and equipment of ₱48.830 million, provision for retirement benefit cost of ₱1.363 million, loss due to natural calamities of ₱21.505 million, bad debts of ₱1.653 million, gain on changes in fair value of biological assets ₱155.456 million, gain on bargain purchase of ₱32.199, unrealized foreign exchange gain of ₱0.184 million, gain on sale of property, plant and equipment of ₱0.125 million, interest income of ₱0.642 million and interest expense of ₱49.951 million resulting in operating income before working capital changes of ₱205.787 million. Aggregate changes in working capital decreased this amount by ₱85.82 million, resulting in cash flow from operating activities of ₱119.966 million.

#### *Net Cash Flows Used in Investing Activities*

Net cash used in investing activities for the first quarter 2014 is ₱569 million mainly in relation to the investment in the banana plantation joint venture through TRAIN.

Net cash used for investing activities was ₱1.055 billion in 2013. This reflects investments in property, plant and equipment and other non-current assets.

Net cash used for investing activities was ₱790.012 million in 2012. This reflects investments in property, plant and equipment and other non-current assets.

Net cash used for investing activities was ₱991.463 million in 2011. This reflects investments in property, plant and equipment and other non-current assets.

#### *Cash Flows Provided by (Used in) Financing Activities*

Net cash flows from financing activities as of 31 March 2014 is ₱375 million, which is mainly from the liability arising from the joint venture.

Net cash generated from financing activities was ₱607.419 million in 2013. This primarily reflects proceeds from borrowings, repayments of loans, and receipts from the issuance of share capital.

Net cash generated from financing activities was ₱1.353 billion in 2012. This primarily reflects proceeds from borrowings, repayments of loans, and receipts from the issuance of share capital.

Net cash provided by financing activities was ₱904.838 million in 2011. This primarily reflects proceeds and repayment of loans and short-term borrowings.

### *Capital Resources*

As of 31 March 2014, cash and cash equivalents were equivalent to ₱91.01 million. As of the same date, ANI had outstanding short-term debt of ₱1.11 billion. As of 31 March 2014, ANI had outstanding long-term debt of ₱90.00 million with current assets of ₱2.39 billion and current liabilities of ₱2.04 billion. As of the same date, ANI's working capital (current assets minus current liabilities) was ₱ 348.5 million. ANI believes that its working capital is sufficient for its present requirements.

As of 31 December 2013, ANI had cash and cash equivalents of ₱339.31 million. As of the same date, ANI had outstanding short-term debt of ₱1.369 billion and outstanding long-term debt of ₱126.53 million. As of December 31, 2013, ANI had current assets of ₱2.708 billion and current liabilities of ₱2.142 billion. As of the same date, ANI's working capital (current assets minus current liabilities) was ₱565.969 million. ANI believes that its working capital is sufficient for its present requirements.

As of 31 December 2012, ANI had cash and cash equivalents of ₱218.039 million. As of the same date, ANI had outstanding short-term debt of ₱780.132 million and an outstanding long-term debt of ₱180 million. As of 31 December 2012, ANI had current assets of ₱1.921 billion and current liabilities of ₱986,717 million. As of the same date, ANI's working capital (current assets minus current liabilities) was ₱934.041 million. ANI believes that its working capital is sufficient for its present requirements.

As of 31 December 2011, ANI had cash and cash equivalents of ₱108.480 million. As of the same date, ANI had outstanding short-term debt of ₱788.278 million. As of 31 December 2011, ANI had outstanding long-term debt of ₱252.500 million. As of 31 December 2011, ANI had current assets of ₱1.744 billion and current liabilities of ₱909.397 million. As of the same date, the ANI's working capital (current assets minus current liabilities) was ₱834.774 million. ANI believes that its working capital is sufficient for its present requirements.

### *Capital Expenditures*

ANI has made significant capital expenditures for property and equipment to improve operations, reduce costs and maintain performance of major equipment.

The table below set out ANI's capital expenditures for property and equipment in 2011, 2012, 2013 and the first quarter of 2014. ANI has historically sourced funding for its capital expenditures from bank loan and internally-generated funds.

Year ended December 31,	Expenditure (in '000)
2011	₱193,558
2012	₱103,937
2013	₱62,782

Quarter ended March 31,	Expenditure (in '000)
2014	₱555,107

ANI's budgeted capital expenditures are based on management's estimates and have not been appraised by an independent organization. In addition, ANI's capital expenditures are subject to various factors, including new product introductions, tolling arrangements and perceived surges in sales volumes of various products. There can be no assurance that ANI will implement its capital expenditure plans as intended at or below estimated costs.

### Off-Balance Sheet Arrangements

	Quarter ended 31 March	Year ended 31 December	
	2014	2013	2012
Liquidity:			
Current ratio	1.17	1.38	1.95
Solvency:			
Debt-to-equity ratio	1.29	1.10	0.54
Profitability:			
Return on average stockholders' equity of the Company	0.00	0.01	(0.39)
Asset-to-equity ratio	2.29	2.10	1.54
Operating efficiency:			
Revenue growth	0.31	0.26	0.03

ANI does not have any material off-balance sheet arrangements. ANI has not, however entered into any derivative transactions to manage its exposures to currency exchange rates, interest rates and fuel oil prices.

### KEY PERFORMANCE INDICATORS

Following below are the major performance measures that ANI uses. ANI employs analyses using comparisons and measurements based on the financial data for current periods against the same period of the previous year.

The manner in which the Company calculates its key performance indicators is set out in the table below:

Key Performance Indicator	Formula
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Debt-Equity Ratio	$\frac{\text{Total Liabilities (Current + non-current)}}{\text{Stockholder's Equity}}$
Return on Average Stockholders' Equity	$\frac{\text{Net Income}}{\text{Average Stockholders' Equity of the Company}}$
Asset to Equity Ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$
Average Stockholders' Equity of the Company	$\frac{\text{Stockholders' Equity, Beg. + Ending}}{2}$
Volume Growth	$\left[ \frac{\text{Current period Sales Volume}}{\text{Prior period Sales Volume}} \right] - 1$
Revenue Growth	$\left[ \frac{\text{Current period Net Sales}}{\text{Prior period Net Sales}} \right] - 1$

### Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following amended PFRS and PAS which were adopted as at January 1, 2013. The Group applied, for the first time, certain standards and amendments that require restatement of previous financial statements. These include PAS 19, *Employee Benefits* (Revised 2011), PFRS 13, *Fair Value Measurement* and amendments to PAS 1, *Presentation of Financial Statements*. In addition, the application of PFRS 12, *Disclosure of Interests in Other Entities*, resulted in additional disclosures in the consolidated financial statements.

Several other amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Group. The nature and the impact of each new standard and amendment are described below:

- PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments)

These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format, unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

- a. The gross amounts of those recognized financial assets and recognized financial liabilities;
- b. The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
- c. The net amounts presented in the statement of financial position;
- d. The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
  - i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
  - ii. Amounts related to financial collateral (including cash collateral); and
- e. The net amount after deducting the amounts in (d) from the amounts in (c) above.

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

- PFRS 10, *Consolidated Financial Statements*

The Group adopted PFRS 10 in the current year. PFRS 10 replaced the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addressed the accounting for consolidated financial statements. It also included the issues raised in SIC 12, *Consolidation Special Purpose Entities*. PFRS 10 established a single control model that applied to all entities including special purpose entities. The changes introduced by PFRS 10 require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The Group has assessed that the application of PFRS 10 has no material impact on the Group's financial position or performance.

- PFRS 11, *Joint Arrangements*

PFRS 11 replaced PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities-Non-Monetary Contributions by Venturers*. PFRS 11 removed the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The Group has assessed that the application of PFRS 11 has no impact on the Group's financial position or performance.

- PFRS 12, *Disclosure of Interests in Other Entities*

PFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights). While the Group has subsidiaries with material non-controlling interests, there are no unconsolidated structured entities. PFRS 12 disclosures are provided in Note 2.

- PFRS 13, *Fair Value Measurement*

PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS. PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures.

As a result of the guidance in PFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. The Group has assessed that the application of PFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI* (Amendments)

The amendments to PAS 1 introduced a grouping of items presented in OCI. Items that will be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Group's financial position or performance.

- PAS 19, *Employee Benefits* (Revised)

On 1 January 2013, the Group adopted the Revised IAS 19 Employee Benefits. For defined benefit plans, the Revised IAS 19 requires all actuarial gains and losses to be recognized in other comprehensive income and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred. Prior to adoption of the Revised IAS 19, the Group recognized actuarial gains and losses as income or expense when the net cumulative unrecognized gains and losses for each individual plan at the end of the previous period exceeded 10% of the higher of the defined benefit obligation and the fair value of the plan assets and recognized unvested past service costs as an expense on a straight-line basis over the average vesting period until the benefits become vested. Upon adoption of the revised IAS 19, the Group changed its accounting policy to recognize all actuarial gains and losses in other comprehensive income and all past service costs in profit or loss in the period they occur.

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

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

## ***f. Market Price of and Dividends on Registrant's Common Equity and Related Stockholder Matters***

### ***f.1. Market Information***

The Company's 535,693,037<sup>12</sup> issued and outstanding common shares have been approved for listing on the Second Board of the Philippine Stock Exchange (PSE) as of the date of this Report.

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<sup>12</sup> Of these common shares, 206,192,950 common shares were approved for listing by the PSE on 16 November 2012. However, the actual listing of the shares has not been completed as of the date of this Report.

Pursuant to its intention to be de-listed from the National Stock Exchange of Australia (NSX), the Company was voluntarily de-listed from the NSX effective on 30 June 2011.

The following is a summary of the average trading prices at the PSE for each of the quarterly periods from 2011 to the first quarter of 2014:

	2011				2012			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
High	₱10.50	₱10	₱9.4	₱11.08	₱ 13.52	₱ 10.50	₱ 9.15	₱ 8.79
Low	₱7.97	₱7.32	₱8.0	₱8.74	₱ 10.32	₱ 8.68	₱ 8.30	₱ 6.22

	2013				2014
	Q1	Q2	Q3	Q4	Q1
High	8.75	7.18	6.39	6.10	4.68
Low	6.60	5.00	5.00	5.02	4.58

As of 27 May 2014, the shares of ANI are being traded at the PSE at the average trading price of ₱3.95 per share.

## ***f.2. Holders***

As of 30 April 2014, ANI has a total outstanding common stock of 535,693,037 common shares held by thirty-one (31) individual and corporate stockholders on record.

Based on ANI's stock and transfer book, the stockholders of ANI on record as of 30 April 2014 are as follows:

	Name	No. of Shares	Percentage
1	PCD Nominee Corporation (Filipino)	297,428,361	55.522163%
2	PCD Nominee Corporation (Foreign)	170,863,979	31.895875%
3	Antonio L. Tiu	53,873,932	10.056866%
4	Southern Field Limited	8,429,757	1.573617%
5	Mark Kenrich O. Duca	3,000,000	0.560022%
6	Kathy Joy O. Duca	600,000	0.112004%
7	Queenie Jane O. Duca	600,000	0.112004%
8	Debbie Christie D. Ngo	600,000	0.112004%
9	Quality Investment & Securities Corporation	120,000	0.022401%
10	Jose M. Crisostomo	96,000	0.017921%
11	Gerardo L. Dean	62,700	0.011704%
12	Jose A. Ferriols and/or Eduardo A. Ferriols	5,000	0.000933%
13	Charlie Y. Busmeon	4,800	0.000896%
14	Nieves Q. Lim and/or Alexander D. Lim	2,640	0.000493%
15	Yang Chung Ming	1,200	0.000224%
16	James David Sayre	1,200	0.000224%
17	Tai Chuan-Lin	1,199	0.000224%
18	Julius D. Sanvictores	1,000	0.000187%
19	Bartholomew D. Young	1,000	0.000187%
20	Guillermo F. Gili Jr.	120	0.000022%
21	M.J. Soriano Trading, Inc.	120	0.000022%
22	Owen Nathaniel Sy Au ITF Li Marcus Au	20	0.000004%
23	John Aloysius S. Bernas	1	0.000000%
24	Leonor M. Briones	1	0.000000%
25	Claro F. Certeza	1	0.000000%
26	Cesar Dela Cruz	1	0.000000%
27	Alfonso Y. Go	1	0.000000%
28	Cristin Teodoro C. Lim	1	0.000000%



29	Francis P.N. Pangilinan	1	0.000000%
30	Dennis Sia	1	0.000000%
31	George Y. Uy	1	0.000000%
	<b>Total Issued and Outstanding Shares</b>	<b>535,693,037</b>	<b>100.000000%</b>

The following stockholders own more than 5% of the outstanding capital stock under the PCD Nominee Corp.:

<b>Title of Class</b>	<b>Name and Address of Record Owner and Relationship with Issuer</b>	<b>Name of Beneficial Owner and Relationship with Record Owner</b>	<b>Citizenship</b>	<b>No. of Shares Held</b>	<b>%</b>
Common	<p><b>PCD Nominee Corp. (Filipino) is the record owner</b></p> <p>G/F Makati Stock Exchange Bldg., 6767 Ayala Avenue, Makati City</p> <p>Stockholder</p>	<p>Earthright Holdings, Inc. with address at Unit 3C, Valuepoint Executive Building, 227 Salcedo St. Legazpi Village, Makati City is the beneficial owner of 125,807,500 shares of the Issuer lodged with Eagle Equities Inc. and 27,770,800 shares of the Issuer lodged with AB Capital Securities Inc.</p> <p>Eagle Equities Inc. and AB Capital Securities Inc. are trading participants (stock brokerage firms)</p>	Filipino	153,578,300	28.67%
Common	<p><b>PCD Nominee Corp. (Foreign) is the record owner</b></p> <p>G/F Makati Stock Exchange Bldg., 6767 Ayala Avenue, Makati City</p> <p>Stockholder</p>	<p>Black River Capital Partners Food Fund Holders (Singapore) Pte. Ltd. with address at 00 Beach Road #23-01 The Concourse Singapore 199555 is the beneficial owner of 165,641,645 shares of the Issuer which are held by Standard Chartered Bank.</p> <p>Standard Chartered Bank is a custodian bank.</p>	Singaporean	165,641,645	30.92%

The shareholdings of all the stockholders do not relate to an acquisition, business combination or other reorganization.

### ***f.3. Dividends***

ANI is authorized to declare and distribute dividends to the extent that it has unrestricted retained earnings. Unrestricted retained earnings represent the undistributed profits of a corporation that have not been earmarked for any corporate purposes. A corporation may pay dividends in cash, by distribution of property, or by issuance of shares. Dividends declared in the form of cash or additional shares are subject to approval by ANI's Board of Directors. In addition to approval by the Board of Directors, dividends declared in the form of additional share are also subject to the approval of the ANI's shareholders representing at least two-thirds (2/3) of the outstanding capital stock. Holders of outstanding common shares as of a dividend record date will be entitled to full dividends declared without regard to any subsequent transfer of such Shares. SEC approval is required before any property or stock dividends can be distributed. While there is no need for SEC approval for distribution of cash dividends, the SEC must be notified within five (5) days from its declaration.

On 11 April 2012, the Board of Directors of ANI approved the declaration of a 20% stock dividend with a record date of 15 June 2012 and payment date of 11 July 2012. The said 20% stock dividend declaration was ratified by the stockholders on 21 May 2012.

Aside from the foregoing, ANI has not declared any other dividends.

#### ***f.4. Recent Issuance of Shares Constituting Exempt Transaction***

On 23 December 2013, ANI filed a Notice of Exempt Transaction with the Securities and Exchange Commission (SEC) in relation to the Promissory Note by ANI dated 19 December 2013 (the "Note") in favor of Black River for the principal amount of Three Hundred Thirty Five Million Pesos (P335,000,000) with interest at the rate of three per cent (3%) per annum and term of three (3) years from issue date, subject to the Conversion Option and Redemption Option provided in the Note, as described above.

To ensure that a sufficient number of shares for the exercise of the Conversion Option and/or the Subscription Option by Black River as described above, ANI will set aside, at the most, 119,760,666 authorized but unissued shares, which number of shares shall be adjusted upon any exercise of the Conversion Option or Subscription Option.

The form of payment for the Note is in cash and no underwriter or selling agent was involved in any of the sales. Exemption from registration was based on Section 10.1 (k) of the Securities and Regulations Code, to wit:

*"(k) The sale of securities by an issuer to fewer than twenty (20) persons in the Philippines during the twelve-month period."*

On 8 April 2014, ANI filed a Notice of Exempt Transaction with the SEC in relation to the Promissory Note by ANI dated 31 March 2014 in favor of Black River for the principal amount of Forty Nine Pesos (P49,000,000) with interest at the rate of three per cent (3%) per annum and term of until 19 December 2016 from issue date.

To ensure that a sufficient number of shares for the exercise of the Conversion Option and/or the Subscription Option by Black River as described above, ANI will set aside, at least, 17,342,566 authorized but unissued shares, which number of shares shall be adjusted upon any exercise of the Conversion Option or Subscription Option.

The form of payment for the Note is in cash and no underwriter or selling agent was involved in any of the sales. Exemption from registration was based on Section 10.1 (k) of the Securities and Regulations Code, to wit:

*"(k) The sale of securities by an issuer to fewer than twenty (20) persons in the Philippines during the twelve-month period."*

The 119,760,666 authorized but unissued shares set aside by ANI were already registered with the SEC at the time of the sale, pursuant to the SEC Order of Registration and Certificate of Permit to offer Securities for Sale dated 19 May 2009. The Notice of Exemption was filed by ANI in compliance with the directive of the Philippine Stock Exchange (PSE), as part of the post-approval requirements for private listing of the Issuer.

#### ***f.5. Discussion on Compliance with Leading Practice on Corporate Governance***

With respect to the treatment of all stockholders, it is the policy of the Board to promote the rights of the stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights. The Board shall respect the rights of the stockholders as provided for in the Corporation Code, specifically: (i) right to vote on all matters that require their consent or approval; (ii) pre-emptive right to all stock issuances of the corporation; (iii) right to inspect corporate books and records; (iv) right to information; (v) right to dividends; and (vi) appraisal right.

It is the policy of the Board to ensure transparency and fairness in the conduct of the annual and special stockholders' meetings of ANI. The Board encourages the stockholders to personally attend such meetings. The stockholders are also apprised ahead of time of their right to appoint a proxy, should they be unable to attend. Subject to the requirements of the by-laws, it is the policy of the Board that the exercise of the right to appoint a proxy shall not be unduly restricted and any doubt about the validity of a proxy is resolved in the stockholder's favour.

With respect to the rights of minority shareholders and of other stakeholders, in addition to the rights provided in the Corporation Code, the Securities Regulation Code and all relevant rules and regulations, it is the policy of the Board to give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of ANI.

It is the responsibility of the Board to take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy. The Board shall likewise provide accurate and timely information to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

To measure or determine the level of compliance of the Board of Directors and top-level management with its Manual on Corporate Governance (the "Manual"), ANI shall establish an evaluation system composed of the following:

- Self-assessment system to be done by Management;
- Yearly certification of the Compliance Officer on the extent of the ANI's compliance to the Manual;
- Regular committee report to the Board of Directors; and
- Independent audit mechanism wherein an audit committee, composed of three (3) members of the Board, regularly meets to discuss and evaluate the financial statements before submission to the Board, reviews results of internal and external audits to ensure compliance with accounting standards, tax, legal and other regulatory requirements.

To ensure compliance with the adopted practices and principles on good corporate governance, ANI has designated the Corporate Secretary as Compliance Officer. The Compliance Officer shall: (i) monitor compliance with the provisions and requirements of the Manual; (ii) perform evaluation to examine ANI's level of compliance; and (iii) determine violations of the Manual and recommend penalties for violations thereof for further review and approval by the Board of Directors.

Aside from this, ANI has an established plan of compliance which forms part of the Manual. The plan enumerates the following means to ensure full compliance:

- Establishing the specific duties, responsibilities and functions of the Board of Directors;
- Constituting committees by the Board and identifying each committee's functions;
- Establishing the role of the Corporate Secretary;
- Establishing the role of the external and internal auditors; and
- Instituting penalties in case of violation of any of the provisions of the Manual.

To date, there has been no deviation from ANI's Manual.

## **11. Mergers, Consolidations, Acquisitions and Similar Matters**

At present, ANI has no definitive plans involving the following:

- a. the merger or consolidation into or with any other person or of any other person into or with ANI;
- b. the acquisition by ANI or any of its security holders of securities of another person;
- c. the acquisition by ANI of any other going business or of the assets thereof;

- d. the sale or other transfer of all or any substantial part of the assets of ANI; or
- e. the liquidation or dissolution of ANI.

## **12. Acquisition or Disposition of Property**

There are no matters or actions to be taken up in the meeting with respect to the acquisition or disposition of any property by ANI.

## **13. Restatement of Accounts**

ANI restated its consolidated financial statements as at 31 December 2012 and 1 January 2012 and for the years ended 31 December 2012 and 2011, to take up the following adjustments:

### *a. Trademark*

Reversal of revaluation surplus arising from the revaluation of FCA's Trademark, amounting to ₱524.0 million and the related deferred income tax effect of ₱225.0 million due to a change in accounting policy from the revaluation method to the cost method.

### *b. Biological Assets*

Biological assets amounting to ₱463.0 million as at 31 December 2012 were written-down to ₱91.0 million as this amount best represents the value of the biological assets as at that date.

### *c. Advances to Related Parties*

Write-off of ₱237.4 million of advances to related parties out of the outstanding balance as of 31 December 2012 as these represent uncollectible portions of related party advances coming from non-operating subsidiaries.

### *d. Trade and Other Receivables*

Trade receivables amounting to ₱126.9 million out of the outstanding balance as at 31 December 2012 as these represent uncollectible trade accounts from third parties.

### *e. General and Administrative Expenses*

Legal fees pertaining to the various consultations made with lawyers during 2012 amounting to ₱23.2 million were not taken up during the said period.

<b>OTHER MATTERS</b>
----------------------

## **14. Action with Respect to Reports**

The following reports, copies of which will be duly furnished to stockholders without charge, will be submitted for stockholders approval and/or ratification at the Annual Meeting of Stockholders on 23 June 2014:

- a. The Audited Financial Statements for the year ending 31 December 2013;
- b. Annual Report for the year ending 31 December 2013; and
- c. Minutes of the previous Annual Meeting of the Stockholders.

Approval of the Annual Report and the Audited Financial Statements for the year ending 31 December 2013 constitutes ratification by the stockholders of the Company's performance for 2013.

The matters approved and acted upon by the Board of Directors of ANI after the previous stockholders' meeting on 27 May 2013 which are to be ratified by the stockholders on 23 June 2014 are the following:

- a. Amendment of the Third Article of the Articles of Incorporation (AOI) to indicate the exact principal office address as "No. 54 National Road, Dampol II-A, Pulilan, Bulacan, Philippines" instead of "Pulilan, Bulacan," pursuant to SEC Memorandum Circular No. 6 Series of 2014 requiring all companies to indicate the exact address in the AOI;
- b. Amendment of the Sixth Article of the Articles of Incorporation, Article III of the By Laws and Article 4 of the Manual of Corporate Governance in order to reduce the number of independent directors from 3 to 2;
- c. Amendment of the Seventh Articles of the Articles of Incorporation for the purpose of increasing the authorized capital stock of the Company from ₱1Billion to ₱2Billion divided into 2 Billion common shares with a par value of ₱1 and the authority to conduct of a stock rights offering pursuant to said increase of authorized capital stock, under such terms and conditions to be determined by the Board of Directors/Executive Committee;
- d. Approval/ratification of the Promissory Note by the Company dated 19 December 2013 in favor of Black River for the principal amount of Php335 Million with interest at the rate of three per cent (3%) per annum and term of three (3) years from issue date, subject to the Conversion Option and Redemption Option provided in the Note; and Promissory Note by the Company dated 31 March 2014 in favor of Black River with a face value of Php49 Million, term of until December 19, 2016 and interest at 3% per annum;<sup>15</sup>
- e. Approval/ratification of the issuance and listing of up to 300 Million primary shares in favour of Greenery Holdings Incorporated and/or Agrinurture Development Holdings Inc. (100% owned subsidiary of Greenery Holdings Incorporated which is in the process of being incorporated); and
- f. Approval/ratification of the issuance and listing of up to 30 Million primary shares in favour of Antonio L. Tiu and/or management of the Company pursuant to the Stock Option Plan previously approved by the Board of Directors and stockholders, subject to the revised terms and conditions as may be determined by the Board of Directors after endorsement by the Company's Compensation Committee.

## **16. Matters Not Required to be Submitted**

Aside from the matters mentioned in Item 15 above, there are no other acts of management and the Board of Directors in the preceding year that need the approval of the stockholders.

Ratification of acts of management and of the Board of Directors referred to in the Notice of Annual Meeting refers to acts done in the operations of ANI and/or pursuant to the previous authority given by the stockholders, some of which have been duly disclosed to the Securities and Exchange Commission and the Philippine Stock Exchange in accordance with law, such as the global re-organization plan.

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<sup>15</sup> Section 9, Article II of the Company's By-Laws provides, among others, that "any change <sup>15</sup>to the capital stock of the Corporation, including (but not limited to): (A) the issuance of equity securities, or securities or other instruments convertible into equity securities, by the Corporation; or (B) the issue or grant of additional shares or rights of subscription, conversion or exchange in respect of shares in the Corporation's capital stock; or (C) undertaking any share split, share subdivision or any other kind of restructuring of the Corporation's share or loan capital" requires the approval of stockholders representing at least 75% of the outstanding capital stock.

Stockholders' approval on the following matters is being sought in the interest of transparency and as a matter of customary practice or procedure undertaken at every annual meeting of stockholders of ANI:

- a. Authority to enter into loan transactions, credit accommodations or other types of credit facilities, surety/guaranty transactions in the aggregate amount of Fifty Million U.S. Dollars (US\$50,000,000.00), and renewals, extensions, re-availments, restructurings and amendments thereof with various banks, trust entities, quasi-banks, financial institutions, entities, corporations or individuals, as well as to enter into any other transactions in implementation of the foregoing under such terms and conditions as may be determined by the Board of Directors; and
- b. Authority to convert Antonio L. Tiu's advances into equity under such terms and conditions to be determined by the Board of Directors/Executive Committee.

#### **17. Amendment of Charter, By-Laws or Other Documents**

The following shall be submitted for stockholders' approval/ratification:

- a. Amendment of the Third Article of the Articles of Incorporation (AOI) to indicate the exact principal office address as "No. 54 National Road, Dampol II-A, Pulilan, Bulacan, Philippines" instead of "Pulilan, Bulacan";
- b. Amendment of the Seventh Articles of the Articles of Incorporation for the purpose of increasing the authorized capital stock of the Company from ₱1Billion to ₱2Billion divided into 2 Billion common shares with a par value of ₱1; and
- c. Amendment of the Sixth Article of the Articles of Incorporation, Article III of the By Laws and Article 4 of the Manual of Corporate Governance in order to reduce the number of independent directors from 3 to 2.

The amendment of the Third Article of the Articles of Incorporation of ANI will be undertaken in compliance SEC Memorandum Circular No. 6 Series of 2014 requiring all companies to indicate the exact address in the Articles of Incorporation.

The amendment of the Seventh Article of the Articles of Incorporation of ANI to increase the authorized capital stock will be undertaken for capital raising.

The amendment of the Sixth Article of the Articles of Incorporation, Article III of the By Laws and Article 4 of the Manual of Corporate Governance in order to reduce the number of independent directors from 3 to 2 is in line with the global re-organization being undertaken and to allow independent management to have a board seat.

Other than the above, there are no actions to be taken in relation to the amendment of ANI's Articles of Incorporation, By-Laws or Manual on Corporate Governance.

#### **18. Other Proposed Action**

- a. *Approval/ratification of the Promissory Note and Note Subscription Agreement in favor of Black River Capital Partners Food Fund Holdings (Singapore), Pte. Ltd.*

On 19 December 2013, ANI and Black River executed (i) a Note Subscription Agreement by ANI and Black River dated 19 December 2013 and (ii) a Promissory Note by ANI dated 19 December 2013 (the "Note") for the principal amount of Three Hundred Thirty Five Million Pesos (₱335,000,000) with interest at the rate of three per cent (3%) per annum and term of three (3) years from issue date, subject to the Conversion Option and Redemption

Option provided in the Promissory Note. Under the Note, Black River shall have the option (the "Conversion Option"), which may be exercised at any time after the second anniversary of the issuance of the Note, to convert the Note, in part or in full, into common shares in ANI at the applicable Conversion Price to be determined by the parties based on the Net Income Before Tax of ANI. The Conversion Option may be exercised by Black River from time to time, beginning from the date following the second anniversary of the issuance of the Note, in such tranches as may be determined by Black River until all amounts outstanding on the Note (whether principal sum or interest) have been fully converted into shares or have been repaid to Black River.

Under the Note, Black River shall also have the option after twelve (12) months from the issuance of the Note (the "Redemption Option") to require ANI to redeem the Note, in part or in full, at the Redemption Price. Redemption Price means the sum of the principal sum plus the interest accrued on the Note from issue date until and including the date of the exercise of the Redemption Option or, in case of a partial redemption of the Note, the principal amount to be redeemed on the redemption date and interest accrued on such amount from the issue date of the Note until and including the redemption date. In the event that Black River exercises the Redemption Option, Black River shall have a further option to subscribe (the "Subscription Option") to such number of shares that may be subscribed by applying the redemption price to the full payment of the subscription, at the applicable Conversion Price to be determined by the parties based on the Net Income Before Tax of ANI. Each Subscription Option may be exercised any time within two (2) years from the second anniversary of the issue date of the Note.

To ensure that a sufficient number of shares for the exercise of the Conversion Option and/or the Subscription Option by Black River as described above, ANI will set aside, at the most, 119,760,666 authorized but unissued shares, which number of shares shall be adjusted upon any exercise of the Conversion Option or Subscription Option.

On 31 March 2014, the Board of Directors of ANI approved another Note Subscription Agreement and Promissory Note of ANI in favor of Black River dated 31 March 2014 with a face value of ₦49 Million, term of until December 19, 2016 and interest at 3% per annum, with a Conversion and Redemption Option similar to those indicated in the above-described Note Subscription Agreement and Promissory Note dated 19 December 2013.

ANI is seeking stockholders' approval for the foregoing transactions because Section 9, Article II of ANI's By-Laws provides, among others, that "any change to the capital stock of the Corporation, including (but not limited to): (A) the issuance of equity securities, or securities or other instruments convertible into equity securities, by the Corporation; or (B) the issue or grant of additional shares or rights of subscription, conversion or exchange in respect of shares in the Corporation's capital stock; or (C) undertaking any share split, share subdivision or any other kind of restructuring of the Corporation's share or loan capital" requires the approval of stockholders representing at least 75% of the outstanding capital stock.

b. *Authority to enter into loan transactions, credit accommodations or other types of credit facilities, surety/guaranty transactions*

ANI intends to obtain from the stockholders an authorization to enter into loan transactions, credit accommodations or other types of credit facilities, surety/guaranty transactions in the aggregate amount of Fifty Million Dollars (\$50,000,000.00), and renewals, extensions, re-availments, restructurings and amendments thereof with various banks, trust entities, quasi-banks, financial institutions, entities, corporations or individuals, as well as to enter into any other transactions in implementation of the foregoing under such terms and conditions as may be determined by the Board of Directors.

The foregoing pertains to the grant of authority in favor of the Board of Directors to enter into loan transactions, credit accommodations or other types of credit facilities, surety/guaranty transactions in the aggregate amount of Fifty Million Dollars (\$50,000,000.00), and including

the renewals, extensions, re-availments, restructurings and amendments thereof (the "Loans").

The proceeds from any of these Loans shall be used to finance the capital expenditures of ANI and as additional working capital. The maximum amount of Fifty Million Dollars (\$50,000,000.00) set for the authority is for the purpose of leveraging the equity position of ANI.

The purpose of obtaining this authority from the stockholders in favor of the Board of Directors is to be able to respond to any future urgent financial needs that may arise in relation to ANI's capital expenditures and/or need for working capital considering that (i.) some banks, trust entities, quasi-banks, financial institutions, entities, or corporations require stockholders' approval for loan transactions, credit accommodations or other types of credit facilities or surety/guaranty transactions to be taken out by ANI even if the same is not required under the Corporation Code; (ii.) the annual stockholders' meeting is only held once a year and some loan transactions may be entered into after the 2014 annual stockholders' meeting on 23 June 2014 but before the 2015 annual stockholders' meeting; and (iii) ANI is a publicly listed company and thus, preparing for a special stockholders' meeting just to have a Loan transaction approved may not be feasible.

- c. *Authority to convert Antonio L. Tiu's advances into equity under such terms and conditions to be determined by the Board of Directors/Executive Committee*

On 31 March 2014, the Board of Directors approved the authority to convert Antonio L. Tiu's advances into equity under such terms and conditions to be determined by the Board of Directors.

ANI is seeking stockholders' approval for the foregoing transactions because Section 9, Article II of the Company's By-Laws provides, among others, that "any change to the capital stock of the Corporation, including (but not limited to): (A) the issuance of equity securities, or securities or other instruments convertible into equity securities, by the Corporation; or (B) the issue or grant of additional shares or rights of subscription, conversion or exchange in respect of shares in the Corporation's capital stock; or (C) undertaking any share split, share subdivision or any other kind of restructuring of the Corporation's share or loan capital" requires the approval of stockholders representing at least 75% of the outstanding capital stock.

- d. *Approval/ratification of the issuance and listing of up to 30 Million primary shares in favour of Antonio L. Tiu and/or management of the Company pursuant to the Stock Option Plan previously approved by the Board of Directors and stockholders, subject to the revised terms and conditions as may be determined by the Board of Directors after endorsement by the Company's Compensation Committee*

On 26 May 2014, the Board of Directors approved the issuance and listing of up to 30 Million primary shares in favour of Antonio L. Tiu and/or management of ANI pursuant to the Stock Option Plan previously approved by the Board of Directors and stockholders, subject to the revised terms and conditions as may be determined by the Board of Directors after endorsement by ANI's Compensation Committee, and approved/ratified by the stockholders.

ANI is seeking stockholders' approval for the foregoing transaction because Section 9, Article II of ANI's By-Laws provides, among others, that "any change to the capital stock of the ANI, including (but not limited to): (A) the issuance of equity securities, or securities or other instruments convertible into equity securities, by the Corporation; or (B) the issue or grant of additional shares or rights of subscription, conversion or exchange in respect of shares in the Corporation's capital stock; or (C) undertaking any share split, share subdivision or any other kind of restructuring of the Corporation's share or loan capital" requires the approval of stockholders representing at least 75% of the outstanding capital stock.



- e. *Approval/ratification of the issuance and listing of up to 300 Million primary shares in favour of Greenery Holdings Incorporated and/or Agrinurture Development Holdings Inc. (100% owned subsidiary of Greenery Holdings Incorporated which is in the process of being incorporated);*

On 26 May 2014, the Board of Directors approved the issuance and listing of up to 300 Million primary shares in favour of Greenery Holdings Incorporated and/or Agrinurture Development Holdings Inc.<sup>16</sup>

ANI is seeking stockholders' approval for the foregoing transaction because Section 9, Article II of the Company's By-Laws provides, among others, that "any change to the capital stock of the Corporation, including (but not limited to): (A) the issuance of equity securities, or securities or other instruments convertible into equity securities, by the Corporation; or (B) the issue or grant of additional shares or rights of subscription, conversion or exchange in respect of shares in the Corporation's capital stock; or (C) undertaking any share split, share subdivision or any other kind of restructuring of the Corporation's share or loan capital" requires the approval of stockholders representing at least 75% of the outstanding capital stock.

## **19. Voting Procedures**

- (a) For the approval or ratification of the reports and acts of the Board of Directors and Management in Item Nos. 15 and 16, the vote of stockholders present in person or by proxy representing at least a majority of the total outstanding capital stock entitled to vote shall be required.

During the election of directors, there must be present, either in person or by representative authorized to act by written proxy, the owners of at least a majority of the total outstanding capital stock. Unless a poll is demanded either before or on the declaration of the result of the vote on a show of hands, the election shall be done by a show of hands. Every stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares of stock standing, at the time fixed in the By-Laws, in his own name on the stock books of ANI, or where the By-Laws is silent, at the time of election; and said stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; Provided, That the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of ANI multiplied by the whole number of directors to be elected; Provided, however, that no delinquent stock shall be voted. Candidates receiving the highest number of votes shall be declared elected. Any meeting of the stockholders called for an election may adjourn from day to day or from time to time but not *sine die* or indefinitely if, for no reason, no election is held, or if there be not present or represented by proxy, at the meeting, the owners of a majority of the outstanding capital stock.

The votes shall be duly taken and counted by the Corporate Secretary.

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<sup>16</sup> Agrinurture Development Holdings Inc. is in the process of incorporation in the Securities and Exchange Commission.

UPON WRITTEN REQUEST OF A STOCKHOLDER, THE COMPANY UNDERTAKES TO FURNISH SAID STOCKHOLDER A COPY OF SEC FORM 17-A FREE OF CHARGE, EXCEPT FOR EXHIBITS ATTACHED THERETO WHICH SHALL BE CHARGED AT COST. ANY WRITTEN REQUEST FOR A COPY OF SEC FORM 17-A SHALL BE ADDRESSED AS FOLLOWS:

**AGRINURTURE, INC.**  
54 National Road, Dampol II-A  
Pulilan, Bulacan, Philippines

Attention: Atty. Martin C. Subido

<b>PART III.</b>
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**SIGNATURE PAGE**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on 28 May 2014.

**AGRINURTURE, INC.**

By:



**JENNIFER T. ONG**  
Assistant Corporate Secretary

# COVER SHEET

A 1 9 9 7 0 1 8 4 8

SEC Registration Number

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

(Company's Full Name)

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

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

Mr. Romeo Bato

(Contact Person)

551-0773

(Company Telephone Number)

1 2

Month

3 1

Day

(Calendar Year)

1 7 - A

(Form Type)

0 5

Month

27

Day

(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

CRM

Dept. Requiring this Doc.

Not Applicable

Amended Articles Number/Section

38

Total No. of Stockholders

Total Amount of Borrowings

P1,283.1 million

Domestic

P212.5 million

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.





# AGRINURTURE, INC.

54 National Road, Dampol 2<sup>nd</sup> A, Pulilan, Bulacan 3005, Philippines  
Telefax: (632) 299-8305 • [www.ani.com.ph](http://www.ani.com.ph)  
Manila Office: (632) 846-8309 / 556-9660 • Fax (632) 804-0382

SECURITIES AND EXCHANGE COMMISSION  
SEC Building, EDSA Greenhills  
Mandaluyong, Metro Manila

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Agrinurture, Inc. and its Subsidiaries** is responsible for the preparation and fair presentation of the Consolidated financial statements for the years ended December 31, 2013 and 2012, including the additional components attached therein, in accordance with accounting principles generally accepted in the Philippines. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of Consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the Consolidated financial statements and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders has examined the Consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the Stockholders and Board of Directors, has expressed its opinion on the fairness of presentation upon completion of such examination.

Signature

Antonio L. Tiu  
Chairman of the Board/President

Signature

Kenneth S. Tan  
Treasurer/Chief Fiscal Officer

Signed this 29<sup>th</sup> day of April 2014.

SUBSCRIBED AND SWORN TO BEFORE ME, this APR 30 2014 day at CITY OF MAKATI  
Affiant(s) exhibiting to me his/her their Id's: \_\_\_\_\_

Doc No. 477  
Page No. 93  
Book No. 2001  
Series of: 1010

ATTY. GERVACIO B. ORTIZ JR.  
NOTARY Public City of Makati  
Until December 31, 2014  
IBP No. 656155-Lifetime Member  
MCLE Compliance No. III-0014282  
Appointment No. M-199-(2013-2014)  
PTR No. 42255u5 Jan. 2, 2014/Makati  
Makati City Roll No. 40091  
101 Urban Ave., Brgy. Pio del Pilar,  
Makati City

## **INDEPENDENT AUDITORS' REPORT**

The Stockholders and the Board of Directors  
AgriNurture, Inc.  
No. 54 National Road, Dampol II-A  
Pulilan, Bulacan

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of AgriNurture, Inc. and its subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2013, and the consolidated statement of income, consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### ***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, 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.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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



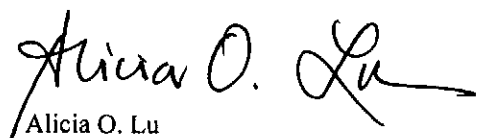
***Opinion***

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of AgriNurture, Inc. and its subsidiaries as at December 31, 2013, and their financial performance and their cash flows for the year then ended in accordance with Philippine Financial Reporting Standards.

***Other Matter***

The consolidated financial statements of the Group as at December 31, 2012 and for the years ended December 31, 2012 and 2011 were audited by other auditors who expressed an unmodified opinion on those statements on April 29, 2013 before the adjustments described in Note 26 to the consolidated financial statements.

SYCIP GORRES VELAYO & CO.



Alicia O. Lu

Partner

CPA Certificate No. 0062493

SEC Accreditation No. 0661-AR-2 (Group A),

March 13, 2014, valid until March 12, 2017

Tax Identification No. 102-090-613

BIR Accreditation No. 08-001998-66-2012,

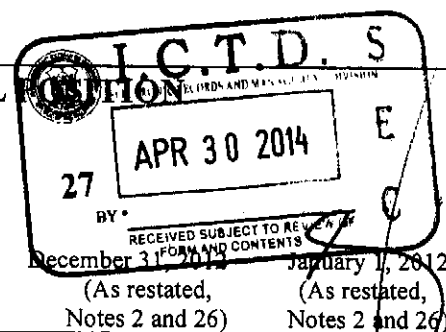
April 11, 2012, valid until April 10, 2015

PTR No. 4225183, January 2, 2014, Makati City

April 29, 2014



**AGRINURTURE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2013**  
**(With Comparative Figures for December 31, 2012)**



	December 31, 2013	(As restated, Notes 2 and 26)	(As restated, Notes 2 and 26)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash (Note 4)	₱339,310,829	₱218,038,556	₱108,479,707
Trade and other receivables (Note 5)	715,241,065	715,893,129	657,816,762
Note receivable	—	58,000,000	58,000,000
Advances to related parties (Note 19)	996,048,861	304,831,975	17,530,521
Inventories (Note 6)	121,137,973	134,863,797	155,442,289
Biological assets (Note 7)	249,571,640	162,769,958	626,470,470
Advances to projects (Note 8)	160,479,951	241,075,819	88,848,343
Prepayments and other current assets (Note 9)	126,279,586	85,284,267	31,582,396
<b>Total Current Assets</b>	<b>2,708,069,905</b>	<b>1,920,757,501</b>	<b>1,744,170,488</b>
<b>Noncurrent Assets</b>			
Biological assets (Note 7)	—	23,304,328	71,379,585
Advances to projects (Note 8)	490,673,604	643,520,097	261,758,011
Property, plant and equipment (Note 10)	853,199,100	686,935,791	652,428,349
Intangibles (Note 11)	652,638,418	240,614,670	269,867,076
Deferred income tax assets (Note 21)	59,836,178	20,992,899	2,292,168
Other noncurrent assets	24,402,861	14,824,586	10,527,137
<b>Total Noncurrent Assets</b>	<b>2,080,750,161</b>	<b>1,630,192,371</b>	<b>1,268,252,326</b>
<b>TOTAL ASSETS</b>	<b>₱4,788,820,066</b>	<b>₱3,550,949,872</b>	<b>₱3,012,422,814</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Trade and other payables (Note 12)	₱672,296,439	₱186,691,947	₱110,739,286
Loans and borrowings (Note 13)	1,369,055,089	780,132,400	788,278,447
Advances from related parties (Note 19)	87,481,250	13,151,135	289,837
Income tax payable	8,262,200	5,091,244	9,534,836
Other current liabilities	5,006,107	1,650,164	554,345
<b>Total Current Liabilities</b>	<b>2,142,101,085</b>	<b>986,716,890</b>	<b>909,396,751</b>
<b>Noncurrent Liabilities</b>			
Loans and borrowings - net of current portion (Note 13)	126,528,894	180,000,000	252,500,000
Pension liability (Note 20)	6,977,199	6,010,240	2,985,046
Lease payable (Note 24)	176,645,982	61,072,615	—
Deferred income tax liabilities (Note 21)	51,751,206	7,859,292	56,703,937
<b>Total Noncurrent Liabilities</b>	<b>361,903,281</b>	<b>254,942,147</b>	<b>312,188,983</b>
<b>Total Liabilities</b>	<b>2,504,004,366</b>	<b>1,241,659,037</b>	<b>1,221,585,734</b>
<b>Equity Attributable to Equity Holders of the Parent (Note 14)</b>			
Capital stock	535,693,037	535,693,037	261,060,867
Additional paid-in capital	2,158,742,461	2,158,742,461	999,647,940
Other components of equity:			
Revaluation surplus	—	—	21,000,000
Foreign currency translation reserve	(6,068,727)	(2,203,676)	694,595
Retained earnings	(463,909,194)	(517,152,787)	331,563,983
	2,224,457,577	2,175,079,035	1,613,967,385
<b>Non-controlling Interests</b>	<b>60,358,123</b>	<b>134,211,800</b>	<b>176,869,695</b>
<b>Total Equity</b>	<b>2,284,815,700</b>	<b>2,309,290,835</b>	<b>1,790,837,080</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱4,788,820,066</b>	<b>₱3,550,949,872</b>	<b>₱3,012,422,814</b>

See accompanying Notes to Consolidated Financial Statements.



**AGRINURTURE, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENT OF INCOME****FOR THE YEAR ENDED DECEMBER 31, 2013****(With Comparative Figures for the Years Ended December 31, 2012 and 2011)**

	Years Ended December 31		
	2013	2012 (As restated, Notes 2 and 26)	2011 (As restated, Notes 2 and 26)
<b>REVENUES</b> (Note 15)	<b>₱2,926,429,244</b>	<b>₱2,329,946,985</b>	<b>₱2,253,760,239</b>
<b>COST OF SALES AND SERVICES</b> (Note 16)	<b>(2,348,073,422)</b>	<b>(1,944,724,778)</b>	<b>(1,734,728,854)</b>
<b>GROSS PROFIT</b>	<b>578,355,822</b>	<b>385,222,207</b>	<b>519,031,385</b>
Other operating income (Note 17)	205,178,250	34,486,221	193,709,918
General and administrative (Note 18)	(678,704,301)	(401,157,423)	(369,182,969)
Other operating expenses	(4,428,348)	(374,005,508)	(1,652,934)
<b>OPERATING PROFIT (LOSS)</b>	<b>100,401,423</b>	<b>(355,454,503)</b>	<b>341,905,400</b>
Losses on biological asset	—	(454,736,209)	(21,504,832)
Finance income (Note 4)	2,366,896	234,785	642,087
Finance costs (Note 12)	(56,554,415)	(35,564,234)	(49,950,841)
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>46,213,904</b>	<b>(845,520,161)</b>	<b>271,091,814</b>
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b> (Note 21)			
Current	10,711,750	18,517,139	26,154,504
Deferred	13,055,973	(65,691,007)	29,048,870
	<b>23,767,723</b>	<b>(47,173,868)</b>	<b>55,203,374</b>
<b>NET INCOME (LOSS)</b>	<b>₱22,446,181</b>	<b>(798,346,293)</b>	<b>₱215,888,440</b>
Net income (loss) attributable to:			
Equity holders of the parent	(₱43,656,522)	(₱758,473,012)	₱193,540,075
Non-controlling interests	66,102,703	(39,873,281)	22,348,365
	<b>₱22,446,181</b>	<b>(₱798,346,293)</b>	<b>₱215,888,440</b>
<b>Basic and diluted earnings (loss) per share</b> (Note 15)	<b>(₱0.08)</b>	<b>(₱1.42)</b>	<b>₱0.74</b>

See accompanying Notes to Consolidated Financial Statements.





**AGRINURTURE, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED DECEMBER 31, 2013**
**(With Comparative Figures for the Years Ended December 31, 2012 and 2011)**

	Years Ended December 31		
	2013	2012 (As restated, Notes 2 and 267)	2011 (As restated, Notes 2 and 26)
<b>NET INCOME (LOSS)</b>	<b>P22,446,181</b>	<b>(P798,346,293)</b>	<b>P215,888,440</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations	(7,318,419)	(5,682,885)	1,361,950
Income tax effect	—	—	—
	<b>(7,318,419)</b>	<b>(5,682,885)</b>	<b>1,361,950</b>
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>			
Re-measurement on pension liability	11,063	(1,373,696)	(671,205)
Income tax effect	(3,319)	412,109	201,361
	<b>7,744</b>	<b>(961,587)</b>	<b>(469,843)</b>
Revaluation surplus	—	(21,000,000)	—
Income tax effect	—	—	—
	<b>—</b>	<b>(21,000,000)</b>	<b>—</b>
<b>Net other comprehensive income not to be reclassified to profit or loss in subsequent periods</b>	<b>7,744</b>	<b>(21,961,587)</b>	<b>(469,843)</b>
<b>TOTAL OTHER COMPREHENSIVE INCOME (LOSS) - NET OF TAX</b>	<b>(7,310,675)</b>	<b>(27,644,472)</b>	<b>892,107</b>
<b>TOTAL COMPREHENSIVE INCOME - NET OF TAX</b>	<b>P15,135,506</b>	<b>(P825,990,765)</b>	<b>P216,780,547</b>
Total comprehensive income attributable to:			
Equity holders of the parent	(P47,513,829)	(P783,332,871)	P193,764,827
Non-controlling interests	62,649,335	(42,657,895)	23,015,720
	<b>P15,135,506</b>	<b>(P825,990,766)</b>	<b>P216,780,547</b>

*See accompanying Notes to Consolidated Financial Statements.*


# AGRINURTURE, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2013

### Equity Attributable to Equity Holders of the Parent

	Capital Stock (Note 15)	Additional Paid-in Capital (Note 15)	Revaluation surplus	Translation reserve	Retained Earnings Appropriated	Unappropriated	Total	Non-controlling Interests	Total
Balances at January 1, 2011, as previously stated	₱217,993,119	₱675,502,960	₱545,170,823	₱-	₱19,000,000	₱119,958,011	₱1,577,624,913	₱7,567,721	₱1,585,192,634
Restatement			(524,170,823)				(524,170,823)		
Balances at January 1, 2011, as restated	217,993,119	675,502,960	21,000,000	-	19,000,000	119,958,011	1,053,454,090	7,567,721	1,061,021,811
Net income	-	-	-	-	-	193,639,428	193,639,428	22,249,012	215,888,440
Reclassification	-	-	-	-	-	(99,353)	(99,353)	99,353	-
Other comprehensive income (loss)	-	-	-	694,595	-	(469,843)	224,752	667,355	892,107
Total comprehensive income (loss)	-	-	-	694,595	-	-	193,764,827	23,015,720	216,780,547
Issuance of common shares	43,067,748	324,144,980	-	-	-	-	367,212,728	-	367,212,728
Reclassifications	-	-	-	-	-	(464,260)	(464,260)	464,260	-
Non-controlling interests arising on business combination	-	-	-	-	-	-	-	97,079,994	97,079,994
Post-acquisition investment of non-controlling interest	-	-	-	-	-	-	-	48,742,000	48,742,000
Reversal of appropriated retained earnings	-	-	-	-	(19,000,000)	19,000,000	-	-	-
Balances at December 31, 2011	₱261,060,867	₱999,647,940	₱21,000,000	₱694,595	₱-	₱331,563,983	₱1,613,967,385	₱176,869,695	₱1,790,837,080



Equity Attributable to Equity Holders of the Parent

	Capital Stock (Note 15)	Additional Paid-in Capital (Note 15)	Revaluation surplus	Translation reserve	Retained Earnings		Total	Non-controlling Interests	Total
					Appropriated	Unappropriated			
<b>Balances at December 31, 2011, as previously stated</b>	<b>P261,060,867</b>	<b>P999,647,940</b>	<b>P545,170,823</b>	<b>P694,595</b>	<b>P-</b>	<b>P332,246,760</b>	<b>P2,138,820,985</b>	<b>P176,869,695</b>	<b>P2,315,690,680</b>
Restatement	-	-	(524,170,823)	-	-	(682,777)	(524,853,600)	-	(524,853,600)
<b>Balances at December 31, 2011, as restated</b>	<b>261,060,867</b>	<b>999,647,940</b>	<b>21,000,000</b>	<b>694,595</b>	-	<b>331,563,983</b>	<b>1,613,967,385</b>	<b>176,869,695</b>	<b>1,790,837,080</b>
Net loss	-	-	-	-	-	(758,473,012)	(758,473,012)	(39,873,281)	(798,346,293)
Other comprehensive loss, net of tax	-	-	(21,000,000)	(2,898,271)	-	(961,587)	(24,859,858)	(2,784,614)	(27,644,472)
Total comprehensive loss	-	-	(21,000,000)	(2,898,271)	-	(759,434,600)	(783,332,871)	(42,657,895)	(825,990,766)
Issuance of common shares	185,350,000	1,159,094,521	-	-	-	-	1,344,444,521	-	1,344,444,521
Stock dividend declaration	89,282,170	-	-	-	-	(89,282,170)	-	-	-
<b>Balances at December 31, 2012, as restated</b>	<b>535,693,037</b>	<b>2,158,742,461</b>	-	<b>(2,203,676)</b>	-	<b>(517,152,787)</b>	<b>2,175,079,035</b>	<b>134,211,800</b>	<b>2,309,290,835</b>
<b>Balances at December 31, 2012, as previously stated</b>	<b>535,693,037</b>	<b>2,158,742,461</b>	<b>524,170,823</b>	<b>(2,203,676)</b>	-	<b>137,827,320</b>	<b>3,354,229,965</b>	<b>134,211,800</b>	<b>3,488,441,765</b>
Restatement	-	-	(524,170,823)	-	-	(654,980,107)	(1,179,150,930)	-	(1,179,150,930)
<b>Balances at December 31, 2012, as restated</b>	<b>535,693,037</b>	<b>2,158,742,461</b>	-	<b>(2,203,676)</b>	-	<b>(517,152,787)</b>	<b>2,175,079,035</b>	<b>134,211,800</b>	<b>2,309,290,835</b>
Net income (loss)	-	-	-	-	-	(43,656,522)	(43,656,522)	66,102,703	22,446,181
Other comprehensive income (loss)	-	-	-	(3,865,051)	-	7,744	(3,857,307)	(3,453,368)	(7,310,675)
Total comprehensive income (loss)	-	-	-	(3,865,051)	-	(43,648,778)	(47,513,829)	62,649,335	15,135,506
Non-controlling interests arising on business combination	-	-	-	-	-	-	-	(39,610,641)	(39,610,641)
Increase in share of subsidiary	-	-	-	-	-	96,892,371	96,892,371	(96,892,371)	-
<b>Balances at December 31, 2013</b>	<b>P535,693,037</b>	<b>P2,158,742,461</b>	<b>P-</b>	<b>(P6,068,727)</b>	<b>P-</b>	<b>(P463,909,194)</b>	<b>P2,224,157,577</b>	<b>P60,358,123</b>	<b>P2,284,515,700</b>

See accompanying Notes to Financial Statements.



**AGRINURTURE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	Years Ended December 31		
	2013	2012 (As restated, see Note 2)	2011 (As restated, see Note 2)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income (loss) before income tax	<b>₱46,213,904</b>	(₱845,520,161)	271,091,814
Adjustments for:			
Depreciation and amortization (Note 9)	<b>268,582,147</b>	69,178,348	48,829,728
Movements in pension liability	<b>966,959</b>	1,528,994	1,363,197
Loss due to natural calamities (Note 7)	—	123,578,983	21,504,832
Loss due to impairment of biological assets (Note 7)	—	337,054,547	—
Impairment loss on trade and other receivables	<b>812,907</b>	9,906,931	1,652,934
Gain on changes on fair value of biological assets (Note 7)	<b>(146,268,765)</b>	(30,396,338)	(155,456,374)
Gain on bargain purchase	—	—	(32,198,522)
Unrealized foreign exchange losses (gains) – net	<b>3,345</b>	(720,270)	(183,945)
Gain on sale of property, plant and equipment	<b>(5,043,898)</b>	—	(125,000)
Interest income (Note 27)	<b>(2,366,896)</b>	(234,785)	(642,087)
Interest expense (Notes 21 and 28)	<b>56,554,415</b>	35,564,234	49,950,841
Operating income before working capital changes	<b>219,454,118</b>	(300,059,517)	205,787,418
Decrease (increase) in:			
Trade and other receivables	<b>652,064</b>	(193,908,598)	(398,082,815)
Inventories	<b>13,725,824</b>	20,578,492	325,006,082
Prepayments and other current assets	<b>(40,995,319)</b>	(46,697,955)	(15,509,742)
Increase (decrease) in:			
Trade and other payables	<b>329,564,700</b>	103,107,422	76,590,018
Biological assets	<b>82,771,411</b>	—	—
Other current liabilities	<b>3,355,943</b>	1,095,819	(422,444)
Net cash generated from operations	<b>608,528,741</b>	(415,884,337)	193,368,517
Income taxes paid	<b>11,811,701</b>	(2,726,174)	(28,829,567)
Interest received	<b>2,366,896</b>	234,785	642,087
Interest paid	<b>(56,334,415)</b>	(35,564,234)	(45,215,140)
Net cash flows from operating activities	<b>566,372,923</b>	(453,939,960)	119,965,897

(Forward)



Years Ended December 31			
	2013	2012 (As restated, see Note 2)	2011 (As restated, see Note 2)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to:			
Property, plant and equipment	(₱62,781,877	(₱103,936,879)	(₱193,558,405)
Intangible assets	(589,369,628)	(29,252,406)	(9,372,394)
Decrease (increase) in:			
Advances to related parties	(691,216,886)	(654,651,623)	(516,913,293)
Increase in advances to projects	233,442,361	—	(261,758,011)
Other noncurrent assets	(9,578,275)	(2,422,449)	(9,985,486)
Proceeds from:			
Sale of property, plant and equipment	6,621,956	251,089	125,000
Note receivable	58,000,000	—	—
Net cash flows used in investing activities	(1,054,882,349)	(790,012,268)	(991,462,589)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from loans and borrowings	535,451,583	1,367,223,732	1,040,778,447
Advances from related parties	71,967,085	(289,837)	16,289,072
Payments of loans and borrowings	—	(1,447,869,779)	(519,442,200)
Proceeds from issuance of capital stock	—	1,433,726,691	367,212,728
Net cash flows from financing activities	607,418,668	1,352,790,807	904,838,047
<b>NET INCREASE IN CASH</b>	<b>123,635,303</b>	<b>108,838,579</b>	<b>33,341,355</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>218,038,556</b>	<b>108,479,707</b>	<b>73,776,402</b>
<b>EFFECT OF EXCHANGE RATE CHANGES IN CASH</b>	<b>(2,363,030)</b>	<b>720,270</b>	<b>1,361,950</b>
<b>CASH AT END OF YEAR (Note 4)</b>	<b>₱339,310,829</b>	<b>₱218,038,556</b>	<b>₱108,479,707</b>

See accompanying Notes to Consolidated Financial Statements.



# **AGRINURTURE, INC. AND SUBSIDIARIES**

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## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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### **1. Corporate Information**

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

On March 30, 2009, the SEC approved the change in the Parent Company's primary purpose to engage in corporate farming, in all its branches for the planting, growing, cultivating and producing of crops, plants and fruit bearing trees, of all kinds and in connection to engage in agri-tourism and other pleasurable pursuits for the enjoyments and appreciation of mother nature and ecology and to engage in the establishment, operation and maintenance of equipment, structures and facilities for the preservation, conservation and storage of foods, grains and supplies, like cold storage and refrigeration plants.

On April 15, 2009, the Company was listed on the Philippine Stock Exchange (PSE) with an initial listing by way of introduction of 178,536,602 common shares, with a par value of ₱1.00 per share in the Second Board of the PSE.

The Parent Company's registered principal office address is No. 54 National Road, Dampol II-A, Pulilan, Bulacan. The Parent Company's business address is 11th Floor, Salcedo Tower, 169 H.V. dela Costa Street, Salcedo Village, Makati City.

The consolidated financial statements as at and for the year ended December 31, 2013 (with comparative figures for December 31, 2012 and 2011) were authorized for issuance by the Parent Company's BOD on April 29, 2014.

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### **2. Basis of Preparation and Consolidation, Statement of Compliance and Summary of Significant Accounting Policies**

#### **Basis of Preparation**

The consolidated financial statements have been prepared on a historical cost basis, except for biological assets that have been measured at fair value less estimated point of sale costs and trademark measured at fair value. The consolidated financial statements and these notes are presented in Philippine peso, the Parent Company's functional and presentation currency. All amounts are rounded to the nearest peso, unless otherwise otherwise indicated.

#### **Statement of Compliance**

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



**Basis of Consolidation from January 1, 2010**

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

	Country of Incorporation	Nature of Business	Effective Ownership		
			2013	2012	2011
First Class Agriculture Corporation (FCAC)	Philippines	Trading (Agricultural goods)	100%	100%	100%
M2000 IMEX Company, Inc. (IMEX)	Philippines	Manufacturing and export	100%	100%	100%
Hansung Agro Products Corporation (HAPC)	Philippines	Processing (Agricultural goods)	100%	100%	100%
Best Choice Harvest Agricultural Corp. (BCHAC)	Philippines	Farm management	100%	100%	100%
*Fresh and Green Harvest Agricultural Company, Inc. (FG)	Philippines	Trading (Agricultural goods)	100%	100%	100%
*Lucky Fruit & Vegetable Products, Inc. (LFVPI)	Philippines	Trading (Agricultural goods) Manufacturing/processing/trading frozen agricultural products	100%	100%	100%
Fruitilicious Company, Inc. (FI)	Philippines		90%	90%	90%
Xiamen Waitaixing Trading Corp. (XWT)	China	Trading (Agricultural goods)	51%	51%	51%
*Sunshine Supplies International Co., Ltd. (SSIC)	Hong Kong	Trading (Agricultural goods)	51%	51%	51%
Qualis Logistics and Transport Services, Inc. (QLTS)	Philippines	Logistics	51%	51%	51%
Farmville Farming Co., Inc. (FFCI)	Philippines	Trading (Agricultural goods)	51%	51%	51%
*Ocean Biochemistry Technology Research, Inc. (OBT)	Philippines	Farm management	51%	51%	51%
*Fresh and Green Palawan Agriventures, Inc. (FGP)	Philippines	Farm management	51%	51%	51%
The Big Chill (TBC)	Philippines	Food and beverage retailing and franchising	80%	51%	51%
Heppy Corporation (HC)	Philippines	Food and beverage retailing and franchising	100%	51%	51%
*Goods and Nutrition for All, Inc. (GANA)	Philippines	Retail and wholesale	100%	100%	—
Agrinurture HK Holdings Ltd. (Cayman Islands) (ANI HK)	Hong Kong	Holding Company	100%	—	—
*Agrinurture Int'l Ltd. (ANI IL)	Hong Kong	Trading and retail	100%	—	—
*Freshness First Pty. Ltd. (FFPL)	Australia	Processing and trading	100%	—	—
*BSK Pty. Ltd. (BSK)	Australia	Nature	100%	—	—
*Michsul Pty. Ltd. (MPL)	Australia	Wholesale	100%	—	—
*ANI AgriNurture Europe S.L. (ANI ESL)	Spain	Trading (Agricultural goods)	100%	—	—
*ANI China	China	Trading (Agricultural goods)	100%	—	—
	British Virgin Islands				
*Joyful Fairy (Fruits) Limited (JF BVI)	Islands	Trading (Agricultural goods)	51%	—	—
*Joyful Fairy HK7 (JF HK)	Hong Kong	Trading (Agricultural goods)	51%	—	—

\*Direct and indirect ownership

**Subsidiaries**

Subsidiaries are entities over which the Parent Company has control.

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

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



#### *Non-controlling Interest*

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

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

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the cumulative translation differences, recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the parent company's share of components previously recognized in other comprehensive income to profit or loss.

#### Basis of Consolidation Prior to January 1, 2010

The above mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Non-controlling interests represented the portion of profit or loss and net assets in the subsidiaries not held by the Group and are presented separately in the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position separately from the parent's equity.
- Acquisition of non-controlling interest is accounted for using the entity concept method, whereby the difference between the consideration and the book value of the share of the net assets acquired is recognized as an equity transaction.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost.

#### Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following amended PFRS and PAS which were adopted as at January 1, 2013.

The Group applied, for the first time, certain standards and amendments that require restatement of previous financial statements. These include PAS 19, *Employee Benefits* (Revised 2011), PFRS 13, *Fair Value Measurement* and amendments to PAS 1, *Presentation of Financial*





*Statements.* In addition, the application of PFRS 12, *Disclosure of Interests in Other Entities*, resulted in additional disclosures in the consolidated financial statements.

Several other amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Group.

The nature and the impact of each new standard and amendment are described below:

- **PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments)**

These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format, unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

- a) The gross amounts of those recognized financial assets and recognized financial liabilities;
- b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
- c) The net amounts presented in the statement of financial position;
- d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
  - i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
  - ii. Amounts related to financial collateral (including cash collateral); and
- e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

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

- **PFRS 10, *Consolidated Financial Statements***

The Group adopted PFRS 10 in the current year. PFRS 10 replaced the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addressed the accounting for consolidated financial statements. It also included the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 established a single control model that applied to all entities including special purpose entities. The changes introduced by PFRS 10 require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The Group has assessed that the application of PFRS 10 has no material impact on the Group's financial position or performance.

- **PFRS 11, *Joint Arrangements***

PFRS 11 replaced PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removed the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The Group has assessed that the application of PFRS 11 has no impact on the Group's financial position or performance.



- **PFRS 12, *Disclosure of Interests in Other Entities***  
PFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights). While the Group has subsidiaries with material noncontrolling interests, there are no unconsolidated structured entities. PFRS 12 disclosures are provided in Note 2.
- **PFRS 13, *Fair Value Measurement***  
PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS. PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures.

As a result of the guidance in PFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. The Group has assessed that the application of PFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- **PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI* (Amendments)**  
The amendments to PAS 1 introduced a grouping of items presented in OCI. Items that will be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Group's financial position or performance.
- **PAS 19, *Employee Benefits* (Revised)**  
On 1 January 2013, the Group adopted the Revised IAS 19 Employee Benefits. For defined benefit plans, the Revised IAS 19 requires all actuarial gains and losses to be recognized in other comprehensive income and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred. Prior to adoption of the Revised IAS 19, the Group recognized actuarial gains and losses as income or expense when the net cumulative unrecognized gains and losses for each individual plan at the end of the previous period exceeded 10% of the higher of the defined benefit obligation and the fair value of the plan assets and recognized unvested past service costs as an expense on a straight-line basis over the average vesting period until the benefits become vested. Upon adoption of the revised IAS 19, the Group changed its accounting policy to recognize all actuarial gains and losses in other comprehensive income and all past service costs in profit or loss in the period they occur.

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



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

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

The changes in accounting policies have been applied retrospectively. The effects of adoption on the financial statements are as follows:

As at December 31, 2013			
	Old PAS 19	Increase (decrease)	Revised PAS 19R
<b>Statements of financial position:</b>			
Retirement liability	8,620,051	1,642,852	₱6,977,199
Deferred income tax asset	59,143,806	692,372	59,836,178
Retained earnings	1,836,021	(2,327,480)	4,163,501
Remeasurement gain on retirement benefits liability (net of deferred income tax asset)	—	(7,744)	(7,744)
As at December 31, 2012			
	As previously reported	Increase (decrease)	As restated
<b>Statements of financial position:</b>			
Retirement liability	₱3,629,902	₱2,380,338	₱6,010,240
Deferred income tax asset	19,843,165	1,149,734	20,992,899
Retained earnings	7,827,320	(5,301,627)	2,525,693
Remeasurement loss on retirement benefits liability (net of deferred income tax asset)	—	1,771,555	1,771,555
As at January 1, 2012			
	As previously reported	Increase (decrease)	As restated
<b>Statements of financial position:</b>			
Retirement liability	₱4,770,648	(₱1,785,602)	₱2,985,046
Deferred income tax asset	1,822,971	469,197	2,292,168
Retained earnings	2,740,573	1,644,539	4,385,112
Remeasurement loss on retirement benefits liability	—	(328,134)	(328,134)



	2013	2012	2011
Statements of comprehensive income:			
Retirement benefits expense	₱974,703	₱1,253,639	₱1,212,273
Provision for income tax	292,411	376,092	363,682
Net income	682,292	877,547	848,591
Remeasurement on pension asset	(7,744)	1,771,555	(328,134)
Income tax effects	2,323	(531,466)	98,440
Other comprehensive income (loss)	(10,067)	2,303,021	(426,575)

The adoption did not have impact on consolidated statement of cash flows.

*Change of presentation*

Upon adoption of the Revised IAS 19, the presentation of the income statement was updated to reflect these changes. Net interest is now shown under the finance income/expense line item (previously under personnel expenses under general and administrative expenses). This presentation better reflects the nature of net interest since it corresponds to the compounding effect of the long-term net defined benefit liability (net defined benefit asset). In the past, the expected return on plan assets reflected the individual performance of the plan assets, which were regarded as part of the operating activities.

- *PAS 27, Separate Financial Statements* (as revised in 2011)  
As a consequence of the issuance of the new PFRS 10, *Consolidated Financial Statements*, and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The adoption of the amended PAS 27 did not have a significant impact on the separate financial statements of the entities in the Group.
- *PAS 28, Investments in Associates and Joint Ventures* (as revised in 2011)  
As a consequence of the issuance of the new PFRS 11, *Joint Arrangements*, and PFRS 12, *Disclosure of Interests in Other Entities*, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendments affect disclosures only and have no material impact on the Group's financial position or performance.

*Annual Improvements to PFRSs (2009-2011 cycle)*

The annual improvements to PFRSs (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The Group adopted these amendments for the current year.

- *PFRS 1, First-time Adoption of PFRS - Borrowing Costs*  
The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Group as it is not a first-time adopter of PFRS.



- *PAS 1, Presentation of Financial Statements - Clarification of the Requirements for Comparative Information*  
These amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. As a result, the Group has not included complete comparative information in respect of the opening consolidated statement of financial position as at January 1, 2012. The amendments affect disclosures only and have no impact on the Group's financial position or performance.
- *PAS 16, Property, Plant and Equipment - Classification of Servicing Equipment*  
The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment has no significant impact on the Group's financial position or performance.
- *PAS 32, Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments*  
The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The amendment does not have any significant impact on the Group's financial position or performance.
- *PAS 34, Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities*  
The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

New Accounting Standards, Interpretations and Amendments Effective Subsequent to December 31, 2013

The Group will adopt the following standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards and interpretations to have a significant impact on its consolidated financial statements.

*Effective in 2014:*

- *PAS 36, Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments)*  
These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for



annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- **Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)**  
These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group since none of the entities in the Group would qualify to be an investment entity under PFRS 10.
- **Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21)**  
IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Group does not expect that IFRIC 21 will have material financial impact in future financial statements.
- **PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)**  
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Group.
- **PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)**  
The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Group's financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

*Effective in 2015:*

- **PFRS 9, *Financial Instruments***  
PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or



loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities. PFRS 9 is effective for annual periods beginning on or after January 1, 2015.

*To be Determined:*

- **Philippine Interpretation IFRIC 15, Agreements for the Construction of Real Estate**  
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

The revised, amended and additional disclosure or accounting changes provided by the standards and interpretations will be included in the consolidated financial statements in the year of adoption, if applicable.

Summary of Significant Accounting Policies

Foreign Currency Translation

The consolidated financial statements are presented in Philippine Peso (₱), which is the Parent Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The functional and presentation currency of the entities in the Group (except for XWT, SSIC, ANI HK, ANI IL, JF HK, FFPL, ANI ESL and JF BVI) is also the Philippine peso.

Transactions in foreign currencies are initially recorded by entities under the Group at the respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at functional currency closing rate of exchange at the end of reporting period. All differences arising on settlement or translation of monetary items are recognized in the consolidated statement of income except for foreign exchange differences that qualify as capitalizable borrowing cost for qualifying assets. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transaction. Nonmonetary items



measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

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

#### Presentation of Financial Statements

The Company has elected to present separately the items of recognized income and expense and other comprehensive income in consolidated statement of income and consolidated statement comprehensive income, respectively.

#### Cash

Cash includes cash on hand and in banks, which earns interest at their respective bank deposit rates.

#### Financial Instruments

##### *Date of recognition*

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

Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date (i.e., the date that the Group commits to purchase or sell the asset).

##### *Initial Recognition and Measurement of Financial Instruments*

The Group determines the classification of financial instruments at initial recognition and, where allowed and appropriate, re-evaluates this designation at every end of the reporting period.

All financial instruments are recognized initially at fair value. Directly attributable transaction costs are included in the initial measurement of all financial instruments, except for financial instruments measured at FVPL.

##### *Financial Assets*

Financial assets within the scope of PAS 39 are classified in the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market.

The Group's financial assets are in the nature of loans and receivables. The Group has no financial assets classified as AFS, FVPL and HTM investments as at December 31, 2013 and 2012.

##### *Financial Liabilities*

Also under PAS 39, financial liabilities are classified into financial liabilities at FVPL, loans and borrowings or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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





holders of financial instruments classified as equity are charged directly to equity net of any related income tax.

The Group's financial liabilities are in the nature of loans and borrowings. The Group has no financial liabilities classified as at FVPL as at December 31, 2013 and 2012.

#### *Subsequent Measurement*

The subsequent measurement of financial instruments depends on their classification as follows:

##### *Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate short-term resale and are not classified or designated as AFS financial assets or financial assets at FVPL. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The amortization is included under "Finance costs" in the consolidated statement of income. The losses arising from impairment are recognized in the consolidated statement of income as "Finance costs".

Loans and receivables are included in current assets if maturity is within twelve (12) months from the end of reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2013 and 2012, the Group's loans and receivables include cash, trade and other receivables, note receivable and advances to related parties in the consolidated statement of financial position (see Notes 4, 5 and 21).

##### *Loans and Borrowings*

Financial liabilities are classified in this category if these are not held for trading or not designated as at FVPL upon inception of the liability. These include liabilities arising from operations or borrowings. Loans and borrowings are classified as current liabilities if maturity is within twelve (12) months from financial reporting period. Otherwise, these are classified as noncurrent liabilities.

Loans and borrowings are initially recognized at fair value of the consideration received, less directly attributable transaction costs. After initial recognition, such loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the consolidated statements of income when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any issue cost, and any discount or premium on settlement. The EIR amortization is included under "Finance costs" in the consolidated statement of income.

This accounting policy applies primarily to the Group's trade and other payables, loans and borrowings and advances from related parties that meet the above definition (other than liabilities that are covered by other accounting standards, such as income tax payable and pension) (see Notes 11 and 12 and 21).



#### Offsetting of Financial Instruments

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognized amounts and the Group intends to either settle on a net basis, or to realize the asset and the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented at gross amounts in the consolidated statement of financial position.

#### Impairment of Financial Assets

The Group assesses at each financial reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### *Loans and Receivables*

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

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets' original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

Interest income continues to be recognized based on the original EIR of the asset. The interest income is recorded as part of "Finance income" in the consolidated statements of income. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of income. Loans, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.



### Derecognition of Financial Instruments

#### *Financial Assets*

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

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

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay. In such case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

#### *Financial Liabilities*

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

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of income.

### Business Combinations and Goodwill starting January 1, 2010

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer’s previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through the consolidated statement of income. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair



value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PAS 39 either in consolidated statement of income or as change to other income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the consideration transferred over the Group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

#### Business Combination Prior to January 1, 2010

In comparison to the above mentioned requirements, the following differences applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets. Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognized goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognized if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration affected goodwill.

#### Business Combination Accounted for Using the Pooling of Interest Method

Business combinations involving entities or entities under common control with no consideration transferred are accounted for using the pooling of interest method which is scoped out of PFRS 3, *Business Combination*. The pooling of interests method generally involve the following:

- The assets and liabilities of the combining entities are reflected at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, that would otherwise be done under the purchase method. The only adjustments that are made are to harmonize accounting policies;
- No new goodwill is recognized as a result of the combination; the only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any



difference between the consideration paid/transferred and the equity acquired is reflected within equity;

- The consolidated statements of income reflects the results of the combining entities for the full year, irrespective of when the combination took place; and
- Comparatives are presented as if the entities had always been combined.

#### Inventories

Inventories, excluding the long-term stock pile inventory, are valued at the lower of cost or net realizable value (NRV). NRV of finished goods inventories is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. For materials and supplies, cost is composed of purchase price, transport, handling and other costs directly attributable to its acquisition. NRV of materials and supplies is the current replacement cost.

#### Property, Plant and Equipment

Except for land, property, plant and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment loss. Such cost includes the cost of replacing part of such property, plant and equipment when that cost is incurred if the recognition criteria are met. Land is stated at cost less any impairment in value.

Subsequent expenditures relating to an item of property, plant and equipment such as additions, major improvements and renewals are added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. Expenditures for repairs and maintenance are charged to operating expenses in the Group's consolidated financial statements of income (loss) during the period in which these are incurred.

Depreciation is computed on the straight-line basis over the following estimated useful lives of the assets:

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

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

Construction in progress represents leasehold improvements under construction and is stated at cost. This includes cost of construction, renovation, and other direct costs. Borrowing costs that are directly attributable to the construction of property, plant and equipment are capitalized during the construction period. Construction in-progress is not depreciated until the relevant asset is completed and ready for intended use.

An amount is written-down to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.



The useful lives, residual value and depreciation method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from items of property, plant and equipment. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits that are expected to arise from its continued use.

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

#### Borrowing Cost

Borrowing costs are generally expensed as incurred. Interest on borrowed funds used to finance the construction of the asset to the extent incurred during the period of construction is capitalized as part of the cost of the asset. The capitalization of the borrowing cost as part of the cost of the asset: (a) commences when the expenditures and borrowing costs are being incurred during the construction and related activities necessary to prepare the asset for its intended use are in progress; and (b) ceases when substantially all the activities necessary to prepare the asset for its intended use are complete.

#### Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss as the expense category that is consistent with the function of the intangible assets. Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.

#### Impairment of Nonfinancial Assets

##### *Property, Plant and Equipment and Other Current and Noncurrent Assets*

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or CGU is written down to its recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax



discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators. Impairment losses are recognized in the consolidated statement of income.

Recovery of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The recovery is recorded in profit or loss. However, the increased carrying amount of an asset due to a recovery of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depletion, depreciation and amortization) had no impairment loss been recognized for that asset in prior years.

#### Determination of Fair Values

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

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

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

- Level 1 - Quoted prices in active markets for identical asset or liability
- Level 2 - Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
- Level 3 - Those with inputs for asset or liability that are not based on observable market data (unobservable inputs)

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



External valuers are involved for valuation of significant assets, such as trademark. Involvement of external valuers is decided upon annually by the management after discussion with and approval by the Company's audit committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated every three years. Management, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The valuation committee, in conjunction with the Group's external valuers, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

On an interim basis, management and the Group's external valuers present the valuation results to the audit committee and the Group's independent auditors. This includes a discussion of the major assumptions used in the valuations.

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

#### Provisions

##### *General*

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

#### Other Comprehensive Income

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

#### Capital Stock

Common shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from proceeds. The excess of proceeds from issuance of shares over the par value of shares are credited to additional paid-in capital.

Where the Parent Company or any of its subsidiaries purchases the Parent Company's shares (treasury shares), the consideration paid including any directly attributable incremental costs is deducted from equity attributable to the Parent Company's equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects is included in equity attributable to the Parent Company's stockholders.





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

#### Retained Earnings

Retained earnings represent the cumulative balance of periodic net income or loss, dividend contributions, prior period adjustments, effect of changes in accounting policy and other capital adjustments.

#### *Sale of goods*

Revenue from the sale of goods in the course of ordinary course of activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue from sale of goods is recognized when all the following conditions are satisfied:

- a. the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b. the Group retains the continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c. the amount of revenue can be measured reliably;
- d. it is probable that the economic benefits associated with the transaction will flow to the Group; and
- e. the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### *Rendering of Services*

Revenue from services is recognized in the period in which they are rendered, provided the amount of revenue can be measured reliably and it is probable that the Group will receive consideration.

#### *Interest*

Revenue is recognized as interest accrues (using the EIR method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

#### *Dividend*

Dividend income is recognized when the Group's right to receive payment is established.

#### *Rental*

Revenue is recognized based on a straight-line basis over the term of the lease agreement.

#### Cost and Expenses Recognition

Cost and expenses are decreases in economic benefits during the financial reporting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Cost and expense, interest expense and other finance costs are recognized in the consolidated statement of income in the period these are incurred.

#### Leases

##### *Determination of Whether an Arrangement Contains a Lease*

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



A reassessment is made after inception of the lease only if one of the following applies:

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

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

#### *Group as a Lessee*

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are amortized as an expense in consolidated statement of income on a straight-line basis over the lease term.

#### *Group as a Lessor*

Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

#### Pension Benefits

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

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

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

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

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



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

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

#### Basic/Diluted Earnings Per Share

##### *Basic Earnings Per Share (EPS)*

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

##### *Diluted EPS*

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

#### Income Taxes

##### *Current Income Tax*

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

Current income tax relating to items recognized directly in the consolidated statement of changes in equity is recognized in equity and not in the consolidated statement of income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

##### *Deferred Income Tax*

Deferred income tax is provided using the liability method on temporary differences at the end of reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.



Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in foreign subsidiaries and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in foreign subsidiaries and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred income tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries, associates and interest in joint ventures. With respect to investments in other subsidiaries, associates and interests in joint ventures, deferred income tax liabilities are recognized except when the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax relating to items recognized outside consolidated statement of income is recognized outside consolidated statement of income. Deferred income tax items are recognized in correlation to the underlying transaction either in other income or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.



#### Business Segments

For management purposes, the Group is organized into operating segments according to the nature of the sales and the services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

#### Contingencies

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

#### Events after the Reporting Period

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

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### **3. Significant Accounting Judgments, Estimates and Assumptions**

The consolidated financial statements prepared in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments, estimates and assumptions 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. However, actual outcome can differ from these estimates.

#### Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognized in the consolidated financial statements:

##### *Determining Functional Currency*

Based on the economic substance of the underlying circumstances relevant to the Parent Company, the functional currency of the Parent Company has been determined to be the Philippine peso. Each subsidiary in the Group also determines its own functional currency. The functional currency of the subsidiaries in the Group is also the Philippine peso. The functional currency is the currency of the primary economic environment in which the Parent Company and its subsidiaries operates. It is the currency that mainly influences the costs and expenses, in which funds from financing activities are generated, and in which receipts from operating activities are generally retained.

##### *Classification of Financial Instruments*

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



*Determining Operating Lease Commitments - Group as a Lessee*

The Group has entered into equipment leases. The Group has determined that it does not retain all the significant risks and rewards of ownership of these equipment which are leased on operating leases.

*Determining Operating Lease Commitments - Group as a Lessor*

The Group has entered into commercial property leases on its investment properties portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Estimates and Assumptions

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

*Estimating Allowance for Impairment Losses on Trade and Other Receivables*

The Group evaluates specific accounts where the Group has information that certain customers are unable to meet their financial obligations. The Group assesses individually the receivables based on factors that affect its collectibility. Factors such as the Group's length of relationship with the customers and the customer's current credit status are considered to ascertain the amount of allowances that will be recorded in the receivables account. These allowances are re-evaluated and adjusted as additional information is received.

In addition to specific allowance against individually significant loans and receivables, the Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on any deterioration in the Group's assessment of the accounts since their inception. The Group's assessments take into consideration factors such as any deterioration in country risk and industry, as well as identified structural weaknesses or deterioration in cash flows.

The carrying value of trade and other receivables amounted to ₱715,241,065 as at December 31, 2013 (December 31, 2012: ₱715,893,129). Allowance for impairment losses on trade and other receivables amounted to ₱14,856,558 as at December 31, 2013 (December 31, 2012: ₱14,775,382), respectively (see Note 5).

*Estimating Allowance for Impairment Losses on Inventory*

The Group maintains allowance for inventory losses at a level considered adequate to reflect the excess of cost of inventories over their NRV. NRV tests are performed at least annually and represent the estimated future sales price of the product based on prevailing spot metals prices at the reporting period, less estimated costs to complete production and bring the product to sale. Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile, the percentage of contained nickel ore based on assay data. Stockpile tonnages are verified by periodic surveys. Increase in the NRV of inventories will increase the cost of inventories but only to the extent of their original production costs.

As at December 31, 2013, inventories carried at lower of cost or NRV amounted to ₱121,137,973 (2012: ₱134,863,797). There are no provision for impairment losses recognized in 2013 and 2012 (see Note 6).



*Estimating Useful Lives of Property, Plant and Equipment*

The Group estimates the useful lives of property, plant and equipment and investment property based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment and investment property are reviewed periodically and are 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 assets. In addition, estimation of the useful lives of property, plant and equipment and investment property is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. There is no change in the estimated useful lives of the property, plant and equipment and investment properties as at December 31, 2013 and 2012.

The carrying values of property, plant and equipment as at December 31, 2013 amounted to ₱853,199,100 (December 31, 2012: ₱686,935,791) (see Note 9).

*Estimating Impairment Losses on Property, Plant and Equipment*

The Group assesses impairment on property, plant and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The factors that the Group considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that can materially affect the consolidated financial statements.

These assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss would be recognized whenever evidence exists that the carrying value is not recoverable. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

An impairment loss is recognized and charged to earnings if the discounted expected future cash flows are less than the carrying amount. Fair value is estimated by discounting the expected future cash flows using a discount factor that reflects the market rate for a term consistent with the period of expected cash flows. No impairment loss was recognized in 2013 and 2012.

The carrying values of property, plant and equipment amounted to ₱853,199,100 as at December 31, 2013 (December 31, 2012: ₱686,935,791) (see Note 9).



*Determining Pension Benefits*

The determination of the Group's obligation and cost for pension benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions, as described in Note 32, include among others, discount rates, expected rates of return and future salary increase rates. In accordance with PAS 19, actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligations in such future periods. While management believes that its assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the Group's pension and other retirement obligations.

Pension liability amounted to ₱6,977,199 as at December 31, 2013 (December 31, 2012: ₱6,010,240) (see Note 20).

*Assessing Recoverability of Deferred Income Tax Assets*

The Group reviews the carrying amounts of deferred income tax assets at each end of the reporting period and reduces the amounts to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized.

The Group has net deferred income tax assets amounting to ₱59,836,178 million as at December 31, 2013 (December 31, 2012: ₱20,992,899) (see Note 21).

As at December 31, 2013 and 2012, the Group has temporary difference on NOLCO and excess Minimum Corporate Income Tax (MCIT) amounting to ₱413,906,486 (2012: ₱308,543,712), for which no deferred income tax asset was recognized because it is more likely than not that the carryforward benefit will not be realized on or prior to its expiration (see Note 21).

*Determining Fair Values of Financial Instruments*

Where the fair values of financial assets and liabilities recorded in the consolidated statements of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility and correlation.

**4. Cash**

	2013	2012
Cash on hand	<b>₱5,084,379</b>	₱23,806,932
Cash with banks	<b>334,226,450</b>	194,231,624
	<b>₱339,310,829</b>	<b>₱218,038,556</b>

Cash with banks earn interest at the respective bank deposit rates. Interest income earned from cash with banks amounted to ₱2,366,896 in 2013 (₱234,785 and ₱642,087 in 2012 and 2011, respectively).





## 5. Trade and Other Receivables

	2013	2012 (As restated, Note 27)
Trade receivables	<b>₱646,006,784</b>	₱570,928,239
Deposits to suppliers	<b>69,792,136</b>	140,503,797
Others	<b>14,298,704</b>	19,236,475
	<b>730,097,624</b>	730,668,511
Less allowance for impairment losses	<b>(14,856,558)</b>	(14,775,382)
	<b>₱715,241,066</b>	₱715,893,129

Trade receivables are noninterest-bearing and are generally on fifteen (15)-day to thirty (30)-day terms.

Deposit to suppliers represents advance payments that will be settled by delivery of inventories to the Group.

Others represent cash advances given to consultants that will be used in the site inspection and development of TBC stores and will be reclassified to proper accounts liquidated.

The Group's allowance for impairment losses pertains to trade receivables and is based on specific impairment assessments performed by the Group.

Movements in allowance for impairment losses follow:

	2013	2012
Beginning balances	<b>₱14,775,382</b>	₱4,868,451
Provision (Note )	<b>812,907</b>	9,906,931
Write-off	<b>731,731</b>	—
Ending balances	<b>₱14,856,558</b>	₱14,775,382

## 6. Inventories

	2013	2012
Vegetables and fruits	<b>₱95,222,822</b>	₱107,850,286
Packaging materials and other supplies	<b>19,035,548</b>	27,013,511
Finished goods	<b>6,879,603</b>	—
	<b>₱121,137,973</b>	₱134,863,797

Cost of inventories recognized as cost of sales in 2013 amounted to ₱106.2 million (₱134.9 million and ₱1,729.4 million in 2012 and 2011, respectively).

Management believes that the Group's inventories are not impaired as at December 31, 2013 and 2012. Accordingly, there were no provisions for impairment losses that were recognized in 2013, 2012 and 2011.

There were no unusual purchase commitments and accrued net losses on such commitments



## 7. Biological Assets

	2013		
	Consumable	Bearer	Total
Beginning balance	₱98,775,350	₱87,298,936	₱186,074,287
Transfers from advances to projects	11,500,000	5,000,000	16,500,000
Contribution to joint ventures	86,802,875	—	86,802,875
Harvested and transferred to inventory	(98,775,350)	(87,298,936)	(186,074,286)
Gain on changes on fair value of biological assets	148,388,773	(2,120,008)	146,268,765
	₱246,691,648	₱2,879,992	₱249,571,640

	2012 (As restated, Note 2)		
	Consumable	Bearer	Total
Beginning balance	₱286,058,632	₱411,791,423	₱697,850,055
Transfers from advances to projects	200,480,000	—	200,480,000
Harvested and transferred to inventory	(74,894,270)	(208,822,932)	(283,717,202)
Losses on biological assets	(330,623,267)	(124,112,942)	(454,736,209)
Gain on changes on fair value of biological assets	17,754,256	8,443,388	26,197,643
	₱98,775,350	₱87,298,936	₱186,074,287

An analysis of the gain (loss) from changes in fair value of biological assets is as follows:

	2013		
	Consumable	Bearer	Total
Fair value of biological assets	₱308,364,560	₱3,599,990	₱311,964,550
Estimated point-of-sale costs	(61,672,912)	(719,998)	(62,392,910)
Fair value less estimated point-of-sale costs	246,691,648	2,879,992	249,571,640
Initial costs/transfers from advances to projects during the year	(98,302,875)	(5,000,000)	(103,302,875)
Gain on changes in fair value	₱148,388,773	(₱2,120,008)	₱146,268,765

	2012 (As restated, Note 27)		
	Consumable	Bearer	Total
Fair value of biological assets	₱389,646,193	₱188,816,176	₱578,462,369
Estimated point-of-sale costs	(77,929,239)	(37,763,235)	(115,692,474)
Fair value less estimated point-of-sale costs	311,716,955	151,052,941	462,769,895
Remaining initial costs/transfers from advances to projects in prior year	(30,061,533)	(108,048,042)	(138,109,575)
Initial costs/transfers from advances to projects during the year	(200,480,000)	—	(200,480,000)
Gain on changes in fair value of biological assets	81,175,421	43,004,899	124,180,320
Remaining loss on changes in fair value recognized in prior period	(63,421,166)	(34,561,511)	(97,982,677)
Gain on changes in fair value	₱17,754,255	₱8,443,388	₱26,197,643



Consumable biological assets include rice, corn, pineapple, and mushroom. Aside from producing crops, the Group is also engaged in production, field testing and commercialization of new and imported crop varieties that are high yielding. Relevant data on agricultural activities pertaining to consumable biological assets is shown below.

Consumables	Utilized Area (ha)	
	2013	2012
Banana	455	—
Lowland vegetables	115	—
Rice	—	888
Corn and Pineapple	—	—
Cassava	—	35
Lowland vegetables	—	160

The Group's bearer biological assets include vegetable bearing plants, mango and other fruit trees. Mango trees managed by the BCHAC in Central Luzon and Mindanao amounted to nil and 2,500 in 2013 and 2012, respectively. Demo farms have been set-up in different parts of Luzon for fruit and vegetables growing.

Other relevant data on agricultural activities pertaining to bearer biological assets is shown below.

Bearer Biological Assets	Utilized Area (ha)	
	2013	2012
Highland vegetables	5	36

*The Group's financial condition and results of operations may be adversely affected by any disruptions in the supply of, or the price fluctuations, for its major products.*

The group procures its vegetables and fruits from various sources, ranging from small farmers to cooperatives and big producers. Currently, part of the Group's internal supply requirement is provided for by its farming subsidiary, BCHAC. As a policy, volume, and quality is the main consideration in the sourcing of all the products handled by the Parent Company. However, the risks of supply shortages poses significant threat to the continuity of business operations and ultimately, to the results of operations of the Group. To mitigate supply risks, the Group maintains relationships with various counterparties to maintain its position in the supply chain.

There are no biological assets that are pledged as security for liabilities and whose title is restricted as at December 31, 2013 and 2012.

## 8. Advances to Projects

	2013	2012 (As restated, see Note 27)
Farm projects	₱333,575,819	₱241,075,819
Other projects	317,577,736	643,520,097
	<b>₱651,153,555</b>	<b>₱883,595,916</b>



Advances to projects represent cash advances provided for farm projects and other projects related to brand building and management, business, property and plant/commissary development. Other advances include cash advances made for identified business prospects in Europe, Macedonia and Kosovo, that are expected to materialize in the next twelve (12) months.

An agreement was entered between the Group and Tetra Pak regarding future acquisition of equipment necessary for pre-processing, sterilization, aseptic storage and CIP station for coconut water. The Group paid 25% of the price (Lump sum price of US 2,624,100) in advances, 15 days following the signing the agreement, while the remaining be paid on the next period.

Advances to projects will be reclassified as "Biological Assets", "Property, Plant and Equipment" or "Investment" once the project or business prospect materializes.

#### 9. Prepayments and Other Current Assets

	2013	2012
Prepaid rent	<b>₱38,973,184</b>	₱27,308,882
Input value-added tax (VAT)	<b>39,754,481</b>	22,465,989
Prepaid insurance	<b>19,431,265</b>	15,714,649
Deposits	<b>24,769,567</b>	16,057,337
Creditable withholding tax	<b>2,679,666</b>	2,566,513
Others	<b>671,423</b>	1,170,897
	<b>₱126,279,586</b>	₱85,284,267

Input tax represents the Value-Added Tax (VAT) paid on purchases of applicable goods and services, net of output tax, which can be recovered as tax credit against future tax liability of the Group upon approval by the Philippine Bureau of Internal Revenue (BIR) and/or the Philippine Bureau of Customs.

Rental deposits consist of payments made by the company in advance in order to secure a rent



10. Property, Plant and Equipment

December 31, 2013:

	Land	Building	Store warehouse equipment	Delivery transportation equipment	Machinery and equipment	Office furniture and fixtures	Leasehold improvement	Total
<b>Cost:</b>								
Balances at January 1	₱91,302,330	₱120,832,638	₱111,723,832	₱51,545,236	₱319,761,605	₱26,577,095	₱121,430,831	₱843,173,567
Additions	-	28,509,000	223,099,047	20,947,696	85,353,964	4,558,540	14,128,766	376,597,013
Disposals	(150,000)	-	-	(1,106,000)	-	(350,263)	-	(1,606,263)
Reclassification	58,000,000	-	(26)	(50,250)	50,250	343,082	(343,056)	58,000,000
Balances at December 31	149,152,330	149,341,638	334,822,853	71,336,682	405,165,819	31,128,454	135,216,541	1,276,164,317
<b>Accumulated depreciation</b>								
Balances at January 1	-	15,027,923	16,340,993	18,142,797	59,210,940	9,288,168	38,226,955	156,237,776
Depreciation expense	-	6,066,144	195,592,391	21,161,011	16,092,429	4,905,763	23,938,299	267,756,037
Disposals	-	-	-	(678,333)	-	(350,263)	-	(1,028,596)
Reclassification	-	(276,416)	162,819	-	(152,515)	266,112	-	-
Balances at December 31	-	20,817,651	212,096,203	38,625,475	75,150,854	14,109,780	62,165,254	422,965,217
<b>Net book values</b>	<b>₱149,152,330</b>	<b>₱128,523,987</b>	<b>₱122,726,650</b>	<b>₱32,711,207</b>	<b>₱330,014,965</b>	<b>₱17,018,674</b>	<b>₱73,051,287</b>	<b>₱853,199,100</b>

December 31, 2012:

	Land	Building	Store warehouse equipment	Delivery transportation equipment	Machinery and equipment	Office furniture and fixtures	Leasehold improvement	Total
<b>Cost:</b>								
Balances at January 1	₱91,302,330	₱116,941,246	₱95,345,297	₱44,258,121	₱271,047,226	₱22,007,710	₱98,906,370	₱739,808,300
Additions	-	3,891,392	16,378,535	7,287,115	20,902,698	4,597,590	22,181,405	75,238,735
Disposals	-	-	-	-	-	(28,205)	-	(28,205)
Reclassification	-	-	-	-	27,811,681	-	343,056	28,154,737
Balances at December 31	91,302,330	120,832,638	111,723,832	51,545,236	319,761,605	26,577,095	121,430,831	843,173,567
<b>Accumulated depreciation</b>								
Balances at January 1	-	9,305,243	7,575,101	13,601,833	30,948,295	6,389,982	19,559,497	87,379,951
Depreciation expense	-	5,722,680	8,765,892	4,540,964	28,262,645	2,898,186	18,667,458	68,857,825
Balances at December 31	-	15,027,923	16,340,993	18,142,797	59,210,940	9,288,168	38,226,955	156,237,776
<b>Net book values</b>	<b>₱91,302,330</b>	<b>₱105,804,715</b>	<b>₱95,382,839</b>	<b>₱33,402,439</b>	<b>₱260,550,665</b>	<b>₱17,288,927</b>	<b>₱83,203,876</b>	<b>₱686,935,791</b>



## 11. Intangible Assets

December 31, 2013:

	Trademark	Computer Software	Franchise	Goodwill	Total Intangible Assets
<b>Costs:</b>					
Beginning balance	₱200,227,710	₱1,899,244	₱9,049,750	₱29,989,414	₱241,166,118
Additions	68,000,000	2,376,997	—	—	70,376,997
Reversal of revaluation surplus	(247,309,822)	—	—	—	(247,309,822)
Restatement addition	200,000,000	3,060	—	389,366,568	589,369,628
Ending balance	220,917,888	4,279,301	9,049,750	419,355,982	653,602,921
<b>Accumulated amortization and impairment:</b>					
Beginning balance	43,171	508,277	—	—	551,448
Amortization	—	413,055	—	—	413,055
Balance at end of the period	43,171	921,332	—	—	964,503
Net balance	₱220,874,717	₱3,357,969	₱9,049,750	₱419,355,982	₱652,638,418

December 31, 2012:

	Trademark	Computer Software	Franchise	Goodwill	Total Intangible Assets
<b>Costs:</b>					
December 31, 2012					
Beginning balance	₱979,043,170	₱920,724	₱9,049,750	₱29,989,414	₱1,019,003,058
Additions	—	978,520	—	—	978,520
Change in fair value during the period	(30,000,000)	—	—	—	(29,021,480)
Reversal of revaluation surplus	(748,815,461)	—	—	—	(748,815,461)
Ending balance	200,227,709	1,899,244	9,049,750	29,989,414	242,144,637
<b>Accumulated amortization and impairment:</b>					
Balance, beginning	43,171	277,351	—	—	320,522
Amortization	—	230,926	—	—	230,926
Balance at end of the period	43,171	508,277	—	—	—
Net balance	₱200,184,539	₱1,390,967	₱9,049,750	₱29,989,414	₱240,614,670

## 12. Trade and Other Payables

	2013	2012
Trade payables	₱607,546,671	₱80,156,406
Accrued expenses	21,067,878	33,847,866
Customers' deposits	23,270,383	31,200,000
Withholding tax payable	922,267	2,724,848
Accrued interest payable	220,000	—
Others	19,269,240	38,762,827
	₱672,296,439	₱186,691,947

The average credit period on purchases of certain goods from suppliers is 30 days from date of invoice.



Trade payables relate to payables to suppliers and relate to transactions in the ordinary course of business. Accrued expenses consist of accrued salaries and rental which are usual in the business operations of the Group. This account also includes accrual for professional fees that were already incurred but unpaid. Accrued interest payable pertains to interest in loans and borrowings that is usually payable on demand. Customers' deposit represents deposit for freight and will be paid to the freight forwarders. Withholding tax payable includes taxes withheld from salaries of employees which will be remitted in the next month. Others represent other operating expenses that are payable to various suppliers and contractors.

### 13. Loans and Borrowings

	2013	2012
Various loans from Landbank with an interest rate of 6% per annum	₱279,300,000	₱285,000,000
Various loans from Banco de Oro (BDO) with an interest rate of 4.00% to 4.125% per annum	318,325,000	252,500,000
Convertible and redeemable note payable	335,000,000	—
Various loans from HSBC with an interest rate of 2.0454%	137,084,877	—
Various loans from Mega International Commercial Bank with an interest rate of 2.0954% to 4.00% per annum	99,122,130	157,600,000
Various loans from RCBC with an interest rate of 2% to 6% per annum	86,700,690	152,222,400
Various loans from Malayan Bank with an interest rate of 2.5%	50,000,000	—
Various loans from HSBC with an interest rate of 2.0454%	19,324,320	—
Various loans from Chinatrust with an interest rate of 5.00% to 6.75% per annum	139,000,000	100,000,000
Department of agriculture	13,048,625	12,810,000
Others	18,678,341	—
	1,495,583,983	960,132,400
Less current portion	(1,369,055,089)	(780,132,400)
Interest-bearing loans - net of current portion	₱126,528,894	180,000,000

Loans were obtained for working capital requirements and other operating requirements and are generally payable in one (1) year except for loan from LBP and the convertible and redeemable note payable.

The Group obtained the long-term loan from LBP amounting to ₱300.0 million with interest of 6.00% per annum with a term of sixty (60) months, payable semi-annual. Carrying values of the loan as at December 31, 2013 and 2012 amounted to ₱180 million and ₱240 million, respectively. The currently maturing portion of the long-term loan amounted to ₱60 million as at December 31, 2013 and 2012, respectively.

The Group obtained convertible and redeemable loan from Black River Capital Partners Food Fund Holdings (Singapore) Pte. Ltd.



Interest expense incurred on the above loans amounted to ₱56,554,415 and ₱35,564,234 in 2013 and 2012, respectively.

#### 14. Capital Stock

	2013		2012	
	Number of Shares	Amount	Number of shares	Amount
Authorized - ₱1 par value per share	1,000,000,000	₱1,000,000,000	1,000,000,000	₱1,000,000,000
Issued and outstanding	535,693,037	₱535,693,037	535,693,037	₱535,693,037

On September 11, 2009, the Board of Directors approved the proposed increase of authorized capital stock shares from 300,000,000 shares with ₱1 par value to 1,000,000,000 shares with par value and by the vote of the stockholders owning or representing at least 2/3 of the outstanding capital shares at a meeting held on December 16, 2009. On April 12, 2012, the SEC approved the application for the increase in authorized capital stock.

The 25% of the increased capital shares was subscribed and fully paid by Earthright Holdings, Inc. and Black River Capital Partners Food Fund Holdings (Singapore) Pte. Ltd.

Subscriber	Nationality	Number of shares	Subscribed Amount	Amount paid-in capital	Premium
Earthright Holdings, Inc.	Filipino	125,807,500	₱125,807,500	₱125,807,500	₱812,200,425
Black River Capital Partners Food Fund Holdings (Singapore) Pte. Ltd.	Singaporean	49,192,500	49,192,500	₱49,192,500	317,581,647
		175,000,000	₱175,000,000	₱175,000,000	₱1,129,782,072

#### 15. Revenues

	2013	2012	2011
Sale of goods	₱2,907,301,899	₱2,326,311,066	₱2,216,428,342
Service income	19,127,345	3,635,919	37,331,897
	₱2,926,429,244	₱2,329,946,985	₱2,253,760,239

Sale of goods pertains to agricultural produce and other related products.

Service income pertains to logistic services.

#### 16. Cost of Sales and Services

	2013	2012	2011
Inventories at January 1	₱134,863,797	₱155,442,289	₱77,536,576
Addition due to acquisition	-	-	6,613,413
Harvested agricultural produce (Note 11)	186,074,286	283,717,202	407,507,485
Purchases	2,128,851,732	1,612,640,863	1,393,145,531
Cost of goods available for sale	2,449,789,815	2,051,800,354	1,884,803,005
Inventories at December 31 (Note 9)	(121,137,973)	(134,863,797)	(155,442,289)
Cost of sales	2,328,651,842	1,916,936,557	1,729,360,716
Cost of services	19,421,580	27,788,221	5,368,138
	₱2,348,073,422	₱1,944,724,778	₱1,734,728,854





## 17. Other Operating Income

	2013	2012	2011
Gain on changes in fair value of biological assets	₱146,268,765	₱26,197,643	₱155,456,374
Interest income from farmers	24,151,884	2,025,211	—
Realized foreign exchange gain	10,016,092	720,270	379,176
Gain on sale of transportation equipment	5,043,898	—	125,000
Rent income	2,989,841	797,588	—
Gain on bargain purchase	—	—	32,198,522
Other income	16,707,770	4,745,509	5,550,846
	<b>₱205,178,250</b>	<b>₱34,486,221</b>	<b>₱193,709,918</b>

## 18. General and Administrative Expenses

	2013	2012	2011
Depreciation and amortization	₱268,169,092	₱58,896,470	₱48,829,728
Salaries and wages	118,806,718	54,949,066	74,958,569
Freight and handling cost	65,990,242	45,115,511	108,281,922
Rental	38,738,799	38,073,704	22,658,527
Contracted services	41,006,480	54,519,509	7,274,581
Supplies	27,631,272	20,597,902	14,896,826
Communication, light and water	21,344,516	20,585,915	11,412,493
Taxes and licenses	17,988,643	14,450,180	8,237,471
Commissions	14,379,610	1,345,392	3,184,675
Advertising	8,784,139	28,632,303	18,944,785
Transportation and travel	6,313,425	29,361,161	11,598,440
Repairs and maintenance	7,257,520	7,146,530	19,677,657
Professional fees	21,833,955	4,866,831	3,187,088
Others	20,459,890	22,616,949	16,040,207
	<b>₱678,704,301</b>	<b>₱401,157,423</b>	<b>₱369,182,969</b>

## 19. Related Party Transactions

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and their key management personnel, directors, or its stockholders.

In the normal course of business, the Company transacts with entities which are considered related parties under PAS 24, *Related Party Disclosures*. Advances from a related party represent noninterest-bearing cash advances from related party for working capital requirements that are payable on demand.



The following outstanding related party accounts were presented in the Group's consolidated statement of financial position as at December 31, 2013 and 2012:

	Amount		Advances to related parties		Advances from related parties		Terms	Conditions
	2013	2012	2013	2012	2013	2012		
<i>Advances to related parties</i>								
Stockholder	₱593,689,536	₱304,831,975	₱898,521,511	₱304,831,975	₱-	₱-	Collectible on demand; noninterest-bearing	Unsecured; no guarantee
Officers and employees	91,235,955	388	91,235,955	-	-	-	Collectible on demand; noninterest-bearing	Unsecured; no guarantee
Others	6,291,395	-	6,291,395	-	-	-	Collectible on demand; noninterest-bearing	Unsecured; no guarantee
<i>Advances from related parties</i>								
With common investee								
Hijo Resources Corporation	86,232,000	-	-	-	86,232,000	-	Payable on demand, noninterest-bearing	Unsecured; no guarantee
Officers and employees	-	-	-	-	1,249,250	13,151,135	Payable on demand; noninterest-bearing	Unsecured; no guarantee
Total								

#### Compensation of Key Management Personnel

The Company considers its management up to the President as key management personnel. Total remuneration of key management personnel, composed mainly of short-term employee benefits and provision for retirement benefits that are included under "Personnel costs" in the consolidated statement of income amounted to ₱31,119,735.34 in 2013 (₱37,656,328 and ₱13,350,334 in 2012 and 2011, respectively.)

## **20. Pension Liability**

The Group has unfunded, noncontributory defined benefit retirement plans covering substantially all of its employees.

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



Changes in the unfunded pension liability for 2013 and 2012 are as follows:

	2013	2012 (As restated, Note 2)
Beginning balance	<b>₱5,249,535</b>	₱2,224,341
Current service cost	<b>1,119,264</b>	997,584
Net interest	<b>231,336</b>	256,055
Net actuarial gain	<b>14,576</b>	—
Adjustment due to curtailment/settlement	<b>370,234</b>	—
Pension cost charged to consolidated statement of income	<b>1,735,410</b>	1,253,639
Actuarial loss on obligation	<b>1,152,952</b>	1,771,555
Contributions	<b>(1,160,697)</b>	—
	<b>₱6,977,200</b>	₱5,249,535

The table below demonstrates the sensitivity analysis to a reasonable possible change in defined benefit obligation, with all other variables held constant, of the various assumptions used in actuarial valuation as at December 31, 2013:

Assumptions	Change in assumption - increase (decrease)	Sensitivity to defined benefit obligation
Discount rates	<b>0.50%</b> <b>(0.50%)</b>	(₱39,860) 39,860
Future salary increase	<b>0.50%</b> <b>(0.50%)</b>	17,714 (17,714)

The Company's latest actuarial valuation report is as at and for the year ended December 31, 2013.

## 21. Income Taxes

a. Details of provision for income tax for the year are as follows:

	2013	2012	2011
Current	<b>(₱8,640,745)</b>	₱18,517,139	₱26,154,504
Deferred	<b>32,408,468</b>	(65,691,007)	29,048,870
	<b>₱23,767,723</b>	<b>(₱47,173,868)</b>	₱55,203,374



- b. A reconciliation of provision for income tax for 2013 and 2012 applicable to income before income tax computed at the statutory income tax rates to provision for deferred income tax follows:

	2013	2012
Provision for income tax computed at the statutory tax rate	<b>₱13,864,171</b>	(₱253,656,048)
Tax effects of:		
Changes in unrecognized deferred tax assets	<b>31,946,696</b>	208,021,816
Nontaxable income	<b>(30,358,055)</b>	(1,501,511)
Nondeductible expenses	<b>9,187,410</b>	39,482
Interest income subject to final tax	<b>(710,069)</b>	(70,436)
Royalty income subject to final tax	<b>(161,607)</b>	—
Income subject to income tax holiday	<b>(823)</b>	(7,171)
	<b>₱23,767,723</b>	(₱47,173,868)

- c. The components deferred income tax liabilities as at December 31, 2013 and 2012 are as follows:

	2013	2012
Gain on changes in fair value of biological assets	<b>₱51,739,922</b>	₱7,859,292
Remeasurement of retirement liability	<b>11,284</b>	—
	<b>₱51,751,206</b>	₱7,859,292

- d. The components of unrecognized deferred income tax assets as at December 31, 2013 and 2012 are as follows:

	2013	2012
Impairment loss on trade receivables	<b>₱—</b>	₱—
Pension liability	<b>371,307</b>	—
NOLCO	<b>412,882,900</b>	308,374,095
MCIT	<b>652,279</b>	169,617
	<b>₱413,906,486</b>	₱308,543,712

The Group review deferred tax assets at each financial reporting date and recognized these to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Deferred tax assets were recognized as of December 31, 2012 as management believes that the carry forward benefit would be realized in its future operations.

- e. As at December 31, 2013, the Company has NOLCO that can be claimed as deduction from future taxable income as follows:

Year incurred	Available until	NOLCO
2013	2016	206,144,889
2012	2015	150,293,172
2011	2014	87,129,475
		<b>₱443,567,536</b>



Movements in NOLCO in 2013 and 2012 are as follows:

	2013	2012
Beginning balances	₱320,173,036	₱450,212,317
Additions	206,144,889	150,293,172
Expirations	(82,750,389)	(280,332,453)
Ending balances	₱443,567,536	₱320,173,036

- f. The Company did not avail of the optional standard deduction in 2013 and 2012.

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

### Financial Risk Management Objectives and Policies

The Company's principal financial instruments consist of cash, restricted cash and advances from a related party. The main purpose of these financial instruments is to finance the Company's normal course of its operating activities. The Company has various other financial assets and financial liabilities such as receivables, refundable deposits under "Other current assets" and accounts payable and other liabilities which arise directly from its operations.

The Company is exposed to interest rate risk, liquidity risk, credit risk and foreign currency risk. The main objective of the Company's financial risk management is to identify and monitor said risks in an ongoing basis and to minimize and mitigate such risks.

### Interest Rate Risk

The Company's exposure to the risk that the value of its financial assets will fluctuate because of changes in market interest rates pertains to placements of restricted cash with fixed rates of interest ranging from 1.13% to 1.25% in 2013 and 0.75% in 2012 for US dollar placements and 0.75% to 2.25% in 2013 and 0.75% to 2.88% for 2012 for PHP placements. The Company opted not to disclose the sensitivity analysis on interest rate risk since placements of restricted cash are not material in relation to the financial statements as a whole.

### Liquidity Risk

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

The tables below summarize the maturity profile of the Company's financial liabilities as at December 31, 2013 and 2012 based on undiscounted payments:

2013	Less than three months	Three to twelve months	One to five years	Total
Accounts payable and other liabilities	₱28,171,498	₱23,073,470	₱—	₱51,244,968



2012	Less than three months	Three to twelve months	One to five years	Total
Accounts payable and other liabilities	P34,110,423	P8,674,524	P-	P42,784,947
Advances from a related party	-	1,178,581	-	1,178,581
	P34,110,423	P9,853,105	P-	P43,963,528

The table below summarizes the maturity profile of the Company's financial assets used to manage liquidity risk of the Company as at December 31, 2013 and 2012.

**December 31, 2013:**

	On demand	1 year or less	More than 1 year	Total
<b>Loans and borrowings:</b>				
Cash in banks	P15,641,506	P-	P-	P15,641,506
Receivables	23,845,555	76,254,495	-	100,100,050
Restricted cash	-	65,481,559	-	65,481,559
Refundable deposits included in other current assets	-	-	66,382	66,382
	P39,487,061	P141,736,054	P66,382	P181,289,497

**December 31, 2012:**

	On demand	1 year or less	More than 1 year	Total
<b>Loans and borrowings:</b>				
Cash in banks	P10,711,507	P-	P-	P10,711,507
Receivables	7,380,370	128,945,961	-	136,326,331
Restricted cash	-	25,539,995	-	25,539,995
Refundable deposits included in other current assets	-	-	86,382	86,382
	P18,091,877	P154,485,956	P86,382	P172,664,215

**Credit Risk**

Credit risk refers to the potential loss arising from any failure by counterparties to fulfill their obligations, as and when they fall due. It is inherent to the business as potential losses may arise due to the failure of its customers and counterparties to fulfill their obligations on maturity periods or due to adverse market conditions.

The Company has no significant concentration of credit risk with any single counterparty or group of counterparties having similar characteristics. Credit risk on financial assets which comprise cash, receivables, restricted cash and refundable deposits included in "Other current assets" arising from the default of the counterparty has a maximum exposure equal to the carrying amount of these financial instruments.



The table below shows the maximum exposure to credit risk for the Company's financial assets, without taking into account any collateral and other credit enhancements as at December 31, 2013 and 2012:

	2013	2012
Cash	₱334,226,450	₱194,231,624
Trade and other receivables	730,097,624	730,668,511
Notes receivable	—	58,000,000
Advances to related parties	996,048,861	304,831,975
Refundable deposits included in "Other current assets"	24,769,567	16,057,337
	<b>₱2,668,473,839</b>	<b>₱1,853,025,885</b>

The table below summarizes the aging analysis of the Company's financial assets as at December 31, 2013 and 2012:

2013	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		31 to 60 days	61 to 90 days	Over 90 days		
Cash in banks	₱194,231,624	₱—	₱—	₱—	₱—	₱194,231,624
Trade receivables	470,263,234	156,754,412	209,005,882	89,733,789	14,769,151	940,526,468
Notes receivable	—	—	—	—	—	—
Advances to related parties	1,440,619,051	—	—	—	—	1,440,619,051
Refundable deposits included in "Other current assets"	23,957,587	—	—	—	—	23,957,587
<b>Total</b>	<b>₱2,198,210,605</b>	<b>₱156,754,503</b>	<b>₱209,005,882</b>	<b>₱74,964,638</b>	<b>₱14,769,151</b>	<b>₱2,668,473,839</b>

2012	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		31 to 60 days	61 to 90 days	Over 90 days		
Cash in banks	₱194,231,624	₱—	₱—	₱—	₱—	₱194,231,624
Receivables	487,074,697	156,237,635	140,503,797	58,836,343	14,775,382	857,427,854
Notes receivable	58,000,000	—	—	—	—	58,000,000
Advances to related parties	743,366,407	—	—	—	—	743,366,407
Refundable deposits included in "Other current assets"	—	—	—	—	—	—
<b>Total</b>	<b>₱147,527,836</b>	<b>₱2,994,369</b>	<b>₱5,899,532</b>	<b>₱6,200,443</b>	<b>₱10,042,035</b>	<b>₱1,853,025,885</b>

The table below summarizes the credit quality of the Company's financial assets based on its historical experience with the corresponding parties as at December 31, 2013 and 2012:

2013	Neither past due nor impaired		Past due or impaired	Total
	High Grade	Standard Grade		
Cash in banks	₱194,231,624	₱—	₱—	₱194,231,624
Receivables	298,739,671	627,017,646	14,769,151	100,100,050
Restricted cash	65,481,559	—	—	65,481,559
Refundable deposits included in "Other current assets"	—	—	66,382	66,382
<b>Total</b>	<b>₱102,620,685</b>	<b>₱54,756,875</b>	<b>₱23,911,937</b>	<b>₱181,289,497</b>



2012	Neither past due nor impaired		Past due or impaired	Total
	High Grade	Standard Grade		
Cash in banks	₱ –	₱194,231,624	₱ –	₱10,711,507
Receivables	18,380,022	92,896,312	25,049,997	136,326,331
Restricted cash	25,539,995	–	–	25,539,995
Refundable deposits included in “Other current assets”	–	–	–	–
<b>Total</b>	<b>₱54,631,524</b>	<b>₱92,896,312</b>	<b>₱25,136,379</b>	<b>₱172,664,215</b>

- Cash in bank and restricted cash are assessed as high grade since this is deposited in a reputable bank, which has a low probability of insolvency.
- High grade receivables pertain to receivables from employees and program partners who consistently pay before the maturity date. Standard grade receivables are receivables that are collected on their due dates even without an effort from the Company to follow them up. Both high grade and standard grade receivables currently have no history of default.

*Foreign currency risk*

The Company is exposed to foreign currency risk on its outstanding foreign currency denominated financial assets and financial liabilities. To address the risk associated with the volatility of the foreign exchange rate, the Company actively monitors its currency exposures.





The Company has the following US Dollar denominated financial assets and financial liabilities:

2013										
2013	AUD	Peso Equivalent	Euro €	Peso Equivalent	RMB\$	Peso Equivalent	HK\$	Peso Equivalent	US\$	Peso Equivalent
Financial Assets:										
Cash with banks	72,784	P-	€-	P-	SG\$-	P-	¥6,492,026	P-	US\$781,943	P34,714,348
Trade and other receivables	899,331	-	-	-	-	-	-	-	3,440,878	152,757,799
Advances to related parties	-	-	-	-	-	-	-	-	-	-
Financial Liabilities:										
Trade and other payables	(18)	(1,312)	(1,102,606)	(67,056,086)	(59,572)	(2,084,960)	(90,000)	(38,160)	(420,859)	(18,684,035)
Bank loans	-	-	-	-	-	-	-	-	(6,312,000)	(280,221,240)
Loans payable	(18)	(1,312)	(1,102,606)	(67,056,086)	(59,572)	(2,084,960)	(90,000)	(38,160)	(34,190,000)	(1,517,865,050)
Net Financial Liabilities	(£18)	(P1,312)	(£1,102,606)	(P67,056,086)	(SG\$59,572)	(P2,084,960)	(P90,000)	(P38,160)	(US\$36,700,038)	(P1,629,298,178)
									4,222,821	187,472,147
2012										
2012	GBP	Peso Equivalent	Euro €	Peso Equivalent	SG\$	Peso Equivalent	¥	Peso Equivalent	US\$	Peso Equivalent
Financial Assets:										
Cash with banks	£-	P-	€-	P-	SfideG\$-	P-	¥-	P-	US\$781,943	P34,714,348
Trade and other receivables	-	-	-	-	-	-	-	-	3,440,878	152,757,799
Financial Liabilities:										
Trade and other payables	(18)	(1,312)	(1,102,606)	(67,056,086)	(59,572)	(2,084,960)	(90,000)	(38,160)	(420,859)	(18,684,035)
Bank loans	-	-	-	-	-	-	-	-	(6,312,000)	(280,221,240)
Loans payable	(18)	(1,312)	(1,102,606)	(67,056,086)	(59,572)	(2,084,960)	(90,000)	(38,160)	(34,190,000)	(1,517,865,050)
Net Financial Liabilities	(£18)	(P1,312)	(£1,102,606)	(P67,056,086)	(SG\$59,572)	(P2,084,960)	(P90,000)	(P38,160)	(US\$36,700,038)	(P1,629,298,178)
									4,222,821	187,472,147

The exchange rate used per US\$1.00 was P44.395 and P41.05 as at December 31, 2013 and 2012, respectively.



The following table demonstrates the sensitivity to a reasonable possible change in exchange rates, with all other variables held constant, of the Company's income before income tax due to changes in fair value of monetary assets and liabilities.

	Increase /decrease in US Dollar rate	Effect on total fund income
<b>2013</b>	<b>+0.55</b>	<b>₱572,469</b>
	<b>-0.66</b>	<b>(686,963)</b>
<b>2012</b>	<b>+0.72</b>	<b>₱952,487</b>
	<b>-0.75</b>	<b>(992,174)</b>

There is no other impact on the Company's fund balance other than those already affecting the statement of comprehensive income.

#### Capital Management Objectives and Policies

The primary objective of the Company capital management policy is to ensure that the fund balance is maintained at an adequate level. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

Capital consists of the total fund balance of the Company as at December 31, 2013 and 2012 amounting to ₱404,938,872 and ₱389,923,590, respectively.

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### **23. Fair Value Measurement**

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

#### *Cash with banks*

The carrying amount of cash with banks approximates their fair value due to the short-term nature and maturity of these financial instruments.

#### *Trade and Other Receivables and Trade and Other Payables*

Similarly, the carrying amounts of trade and other receivables and trade and other payables approximate their fair values due to the short-term nature of these accounts.

#### *Note receivable*

The carrying amount reported in the balance sheet for notes receivable approximates its fair value because the interest rates on the portfolio of notes receivable approximate current interest rates to be received on similar current notes receivable.

#### *Loans and Borrowings*

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



## 24. Lease Agreements

The Group has finance leases for various items of plant and machinery. These leases have terms of renewal, but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease. Future minimum lease payments under finance leases with the present value of the net minimum lease payments are, as follows:

	2013	2012
Within one year	₱37,541,101	₱49,621,385
After one year but not more than five years	42,842,265	66,478,678
Total Minimum lease payments	₱80,383,366	₱116,100,063

## 25. Business Combination and Goodwill

In 2013, the Group acquired the following subsidiaries for the purpose of global expansion and to explore counter-trading opportunities on countries where AgriNurture, Inc. operates.

### Acquisition of Michsul Pty. Ltd. (MPL)

On July 1, 2013, the Group acquired one hundred percent (100%) ownership interest of MPL, a company registered in Australia, primarily engaged in food processing and distribution of fresh fruits and vegetables.

The carrying value of MPL's net assets at acquisition date are as follows:

Net Assets	₱9,075,224
Percentage acquired	100%
Share on fair value of net assets acquired	9,075,224
Acquisition cost	85,826,778
<b>Provisional Goodwill</b>	<b>₱76,751,554</b>

### Acquisition of Joyful Fairy Fruits Ltd. (Hong Kong)

On January 1, 2013, the Group acquired fifty one percent (51%) ownership interest of Joyful Fairy Fruits Ltd. (Hong Kong), a company registered in Hong Kong, primarily engaged in distribution, importing and exporting of merchandise of all kinds.

The carrying value of Joyful Fairy Fruits Ltd. (Hong Kong)'s net liabilities at acquisition date are as follows:

Net Liabilities	₱128,050,737
Percentage acquired	51%
Share on fair value of net assets acquired	65,305,876
Acquisition cost	102,625,000
<b>Provisional Goodwill</b>	<b>₱167,930,876</b>

### Acquisition of BSK Pty. Ltd (BPL)

On March 1, 2013, the Group acquired one hundred percent (100%) ownership of BPL, a company registered in Australia, primarily engaged in food processing and distribution of fresh fruits and vegetables.



The carrying value of BPL's net liabilities at acquisition date are as follows:

<b>Net Liabilities</b>	<b>₱23,752,337</b>
Percentage acquired	100%
Share on fair value of net assets	23,752,337
Acquisition cost	75,203,642
<b>Provisional Goodwill</b>	<b>₱98,955,979</b>

Based on the assumptions used, Goodwill recognized in 2013 is not impaired as at December 31, 2013.

#### Acquisitions in 2012

On September 30, 2010, the Parent Company obtained 51% ownership in WTX and SSIC for US\$160,000 and US\$40,000 or ₱6,943,520 and ₱1,735,880, respectively. A Memorandum of agreement entered into by both WTX and SSIC stipulates that the Parent Company will infuse capital funds amounting to \$1,340,000 and US\$960,000, respectively.

#### Acquisition of GANA

In 2012, LFPVI acquired one hundred percent (100%) interest in GANA, a Company registered in the Philippines, primarily engaged in the business of manufacturing, importing, bartering, distributing, selling on wholesale or retail, and otherwise dealing in all kinds of goods, commodities, merchandise and wares.

#### Acquisition of Freshness First Pty. Ltd.

In 2012, Agrinulture HK Holdings acquired one (1) share of Freshness First Pty. Ltd. From ANI for a total consideration of \$1.

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## 26. Prior Period Adjustments

The Group restated its consolidated financial as at December 31, 2012 and January 1, 2012 and for the years ended December 31, 2012 and 2011, to take up the following adjustments:

#### *Trademark*

Reversal of revaluation surplus arising from the revaluation of FCA's Trademark, amounting to ₱524.0 million and the related deferred income tax effect of ₱225.0 million due to a change in accounting policy from the revaluation method to the cost method.

#### *Biological Assets*

Write-down to ₱91.0 million of biological assets amounting to ₱463.0 million as at December 31, 2012 were written-down to ₱91.0 million as this amount best represents the value of the biological assets as at that date.

#### *Advances to Related Parties*

Write-off of ₱237.4 million of advances to related parties out of the outstanding balance as of December 31, 2012 as these represents uncollectible portions of related party advances coming from non-operating subsidiaries.



*Trade and Other Receivables*

Trade receivables amounting to ₱126.9 million out of the outstanding balance as at December 31, 2012 as these represents uncollectible trade accounts from third parties.

*General and Administrative Expenses*

Legal fees pertaining to the various consultations made with lawyers during 2012, amounted to ₱23.2 million were not taken up during the said period.

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**27. Events After Reporting Period**

*Lease Agreement Between HEARBCO-2 and TRAIN*

On March 1, 2014, HEARBCO-2 (the lessor) and TRAIN (the lessee) entered into a 60-year lease agreement until February 28, 2073, whereby a parcel of land, with an area of 2,943,254 square meters located at Madaum, Tagum City, Davao del Norte, including all improvements and biological assets therein, are to be leased to the lessee for an annual rental fee of ₱70,000 per hectare.



## 28. Segment Information

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

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

	December 31, 2012							
	Farming/Sourcing	Exports	Distribution	Retail	Foreign Trading	Others	Eliminations	Total
External customers	₱232,193,506	₱390,674,889	₱199,113,048	₱180,122,314	₱1,875,571,893	₱48,753,594	₱-	₱2,926,429,244
Inter-segment revenues	-	-	398,318,897	-	-	75,055,210	(473,374,107)	-
Total revenues	232,193,506	390,674,889	597,431,945	180,122,314	1,875,571,893	123,808,804	(473,374,107)	2,926,429,244
Cost of sales	222,392,522	264,145,704	446,274,839	92,213,421	1,681,319,266	89,279,401	466,973,311	2,328,651,842
Cost of services	-	-	-	-	-	19,421,580	-	19,421,580
Segment operating earnings	₱9,800,984	₱126,529,185	₱151,157,106	₱87,908,893	₱194,252,627	₱15,107,823	₱6,398,752	₱578,355,822
General and administrative	₱29,544,869	₱139,399,681	₱136,495,732	₱151,298,574	₱199,592,126	₱31,151,469	(₱8,778,150)	₱678,704,301
Finance income	2,153,581	45,262	18,145	9,037	127,860	13,011	-	2,366,896
Finance expense	2,742,695	24,677,415	27,927,699	102,720	769,065	334,821	-	56,554,415
Gain (loss) on biological assets	146,268,765	-	-	-	-	-	-	146,268,765
Other operating income	1,221,536	4,145,984	7,759,366	2,017,561	41,955,969	805,108	(3,424,387)	54,481,137
Provision for (benefit from) income tax	(43,783,700)	7,887,092	(2,001,935)	16,912,921	(1,430,336)	(1,351,765)	-	23,767,723
Net income (loss) attributable to equity holders of the parent	(33,912,864)	26,516,609	7,490,749	35,619,344	(6,760,165)	14,702,849	-	43,656,522
Segment assets	₱899,080,092	₱5,334,889,717	₱654,784,819	₱339,008,997	₱650,892,061	₱176,405,199	(₱3,326,076,997)	₱4,728,983,888
Deferred income tax assets - net	11,139,783	20,651,408	4,922,669	19,676,441	-	3,445,877	-	59,836,178
Total assets	₱910,219,875	₱5,355,541,125	₱659,707,488	₱358,685,438	₱650,892,061	₱179,851,076	₱3,326,076,997	₱4,788,820,066



Segment liabilities	P529,545,204	P2,670,781,883	P341,084,214	P162,814,865	P653,866,248	67,656,254	(P1,973,495,508)	P2,452,253,160
Deferred income tax liabilities – net	51,739,921	-	11,285	-	-	-	-	51,751,206
Total liabilities	P581,285,125	P2,670,781,883	P341,095,499	P162,814,865	P653,866,248	P67,656,254	P1,973,495,508	P2,504,004,366
Capital expenditures	P24,995,632	P1,878,481	P-	P17,933,007	P-	P1,451,945	P-	P46,259,065
Depreciation, amortization and depletion	11,338,342	26,618,994	6,907,836	48,727,576	169,888,076	4,688,268	-	268,169,092



December 31, 2012

	Farming/Sourcing	Exports	Distribution	Retail	Foreign Trading	Others	Eliminations	Total
External customers	P432,822,603	P512,553,624	P1,068,147,851	P110,265,778	P56,111,050	P150,046,079	P-	P2,329,946,985
Inter-segment revenues	-	-	503,042,312	-	-	70,811,017	(1,076,895,641)	-
Total revenues	432,822,603	512,553,624	1,571,190,163	110,265,778	56,111,050	220,857,096	(1,076,895,641)	2,329,946,985
Cost of sales	416,191,594	411,972,599	891,044,521	69,625,324	36,197,134	91,905,385	-	1,916,936,557
Cost of services	-	-	-	-	-	27,788,221	-	27,788,221
Segment operating earnings	P16,631,009	P100,581,025	P680,145,642	P40,640,454	P19,913,916	P101,163,490	(P573,851,286)	P385,222,207
General and administrative	P33,244,995	P101,070,468	P189,433,396	P32,043,502	P12,454,569	P32,910,493	P-	P401,157,423
Finance income	-	108,874	68,775	24,189	-	32,947	-	234,785
Finance expense	6,268,144	17,531,692	11,744,653	-	19,745	-	-	35,564,234
Gain (loss) on biological assets	(460,632,959)	-	-	-	-	-	-	(460,632,959)
Other operating income	17,124,755	20,356,751	928,204	1,228,015	733,645	11,600	-	40,382,970
Other operating expenses	126,759,343	247,206,789	-	39,376	-	-	-	374,005,508
Provision for (benefit from) income tax	(42,271,179)	(4,265,300)	(935,443)	157,305	140,749	-	-	(47,173,868)
Net income (loss) attributable to equity holders of the parent	(550,878,497)	(240,496,999)	(22,142,297)	9,652,475	8,173,248	37,219,058	-	(758,473,012)
Segment assets	P667,613,703	P1,786,490,241	P569,706,298	P266,755,452	P55,432,244	P183,959,035	P-	P3,529,956,973
Deferred income tax assets - net	8,135,802	6,123,803	3,615,260	1,523,389	-	1,594,645	-	20,992,899
Total assets	P675,749,505	P1,792,614,044	P573,321,558	P268,278,841	P55,432,244	P185,553,680	P-	P3,550,949,872
Segment liabilities	P398,376,986	P295,391,992	P365,771,408	P158,506,201	(P42,107,645)	P57,860,803	P-	P1,233,799,745
Deferred income tax liabilities - net	7,859,292	-	-	-	-	-	-	7,859,292
Total liabilities	P406,236,278	P295,391,992	P365,771,408	P158,506,201	(P42,107,645)	P57,860,803	P-	P1,241,659,037
Capital expenditures	P35,014,992	P67,292,962	P-	P26,066,210	P-	P4,815,121	P-	P133,189,285
Depreciation, amortization and depletion	12,880,799	31,719,177	6,955,282	9,577,506	-	8,045,584	-	69,178,348





December 31, 2011

	Farming/Sourcing	Exports	Distribution	Retail	Foreign Trading	Others	Eliminations	Total
External customers	P467,699,390	P254,548,875	P1,279,521,831	P87,708,620	P22,631,813	P141,649,710	P-	P2,253,760,239
Inter-segment revenues	-	-	116,583,952	-	-	16,171,161	(132,755,113)	-
Total revenues	467,699,390	254,548,875	1,396,105,783	87,708,620	22,631,813	157,820,871	(132,755,113)	P2,253,760,239
Cost of sales	(452,302,802)	(191,281,402)	(957,530,520)	(32,820,434)	(7,193,746)	(88,231,812)	-	(1,729,360,716)
Cost of services	-	-	-	-	-	(5,368,138)	-	(5,368,138)
Segment operating earnings	P15,396,588	P63,267,473	P438,575,263	P54,888,186	P15,438,067	P64,220,921	(P132,755,113)	P519,031,385
General and administrative	P33,021,292	P26,116,613	P189,828,504	P51,673,487	P895,935	P67,647,138	P-	P369,182,969
Finance income	307,704	87,098	228,483	7,150	-	11,652	-	642,087
Finance expense	-	(4,975,160)	(18,856,091)	-	-	(26,119,590)	-	(49,950,841)
Gain (loss) on biological assets	(21,504,832)	-	-	-	-	-	-	(21,504,832)
Other operating income	161,456,374	6,005,126	25,475,471	125,000	647,947	-	-	193,709,918
Other operating expenses	-	104,034	1,507,664	41,236	-	-	-	1,652,934
Provision for (benefit from) income tax	5,180,085	19,075,006	30,765,703	1,395,318	959,314	(2,172,052)	-	55,203,374
Net income (loss) attributable to equity holders of the parent	95,106,092	19,088,884	106,737,303	1,910,295	14,230,766	(43,533,264)	-	193,540,076
Segment assets	P940,253,386	P869,950,468	P653,444,162	P275,656,568	P83,048,052	P187,778,010	P-	P3,010,130,646
Deferred income tax assets - net	674,535	208,092	571,946	388,670	-	448,925	-	2,292,168
Total assets	P940,927,921	P870,158,560	P654,016,108	P276,045,238	P83,048,052	P188,226,935	P-	P3,012,422,814
Segment liabilities	P138,972,636	P 516,920,855	P288,988,765	P31,342,212	P42,758,034	(P53,198,759)	P-	P1,164,881,797
Deferred income tax liabilities - net	47,648,754	9,055,183	-	-	-	-	-	56,703,937
Total liabilities	P186,621,390	P525,976,038	P288,988,765	P31,342,212	P42,758,034	(P53,198,759)	P-	P1,221,585,734
Capital expenditures	P3,558,121	P28,608	P965,500	P33,141,270	-	P64,930,933	P-	P102,624,432
Depreciation, amortization and depletion	7,396,362	153,108,858	5,681,503	31,928,843	-	4,815,233	-	202,930,799

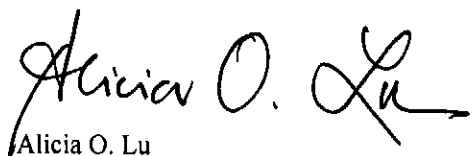


## **INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors  
AgriNurture, Inc.  
No. 54 National Road, Dampol II-A  
Pulilan, Bulacan

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of AgriNurture, Inc. and its subsidiaries as at December 31, 2013 and for the year then ended, included in this Form 17-A, and have issued our report thereon dated April 29, 2014. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Parent Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Alicia O. Lu

Partner

CPA Certificate No. 0062493

SEC Accreditation No. 0661-AR-2 (Group A),

March 13, 2014, valid until March 12, 2017

Tax Identification No. 102-090-613

BIR Accreditation No. 08-001998-66-2012,

April 11, 2012, valid until April 10, 2015

PTR No. 4225183, January 2, 2014, Makati City

April 29, 2014



**AgriNurture, Inc. and Subsidiaries****SUPPLEMENTARY SCHEDULES****FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012**

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**SCHEDULE I**  
**AGRINURTURE, INC.**  
**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR**  
**DIVIDEND DECLARATION**  
**PURSUANT TO SEC MEMORANDUM CIRCULAR NO.11**  
**DECEMBER 31, 2013**

Unappropriated retained earnings (deficit) as at December 31, 2012, as reflected in audited financial statements		P175,632,779
Unrealized foreign exchange gain - net except those attributable to cash and cash equivalents		—
Unappropriated retained earnings (deficit), <i>as adjusted to available for dividend distribution, beginning</i>		175,632,779
<b><u>Add: Net income actually earned/realized during the period</u></b>		
Net income during the period closed to Retained Earnings	P2,548,208	2,548,208
<b><u>Less: Non-actual/unrealized income net of tax</u></b>		
Equity in net income of associate/joint venture	—	
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	—	
Unrealized actuarial gain	—	
Fair value adjustment (mark-to-market gains)	—	
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 PFRS	—	
Subtotal	—	
<b>Add:</b> Non-actual losses		
Remeasurement loss on pension liability (after tax)	178,854	
Depreciation on revaluation increment (after tax)	—	
Adjustment due to deviation from PFRS/GAAP – loss	—	
Loss on fair value adjustment of investment property (after tax)	—	
Stock option expense for the period	—	
Subtotal	178,854	
<b><u>Net income actually earned during the period</u></b>		2,727,062
<b>Add (Less):</b>		
Dividend declarations during the period	—	
Appropriations of retained earnings	—	
Reversals of appropriations	—	
Effects of prior period adjustments	(251,862,746)	
Treasury shares	—	
Subtotal	(251,862,746)	(251,862,746)
<b>TOTAL RETAINED EARNINGS (DEFICIT), END AVAILABLE FOR DIVIDEND DISTRIBUTION</b>		<b><u>(P73,502,905)</u></b>

**SCHEDULE II**  
**AGRINURTURE, INC. AND SUBSIDIARIES**  
**TABULAR SCHEDULE OF EFFECTIVE STANDARDS**  
**AND INTERPRETATIONS UNDER THE PFRS**  
**PURSUANT TO SRC RULE 68, AS AMENDED**  
**DECEMBER 31, 2013**

**I. List of Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] effective as at December 31, 2013:**

Philippine Financial Reporting Standards and Interpretations		Adopted	Not adopted	Not applicable
Effective as at December 31, 2013				
<b>Framework for the Preparation and Presentation of Financial Statements</b>				
Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
<b>PFRSs Practice Statement Management Commentary</b>		✓		
<b>Philippine Financial Reporting Standards</b>				
<b>PFRS 1 (Revised)</b>	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
<b>PFRS 2</b>	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
<b>PFRS 3 (Revised)</b>	Business Combinations	✓		
<b>PFRS 4</b>	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
<b>PFRS 5</b>	Non-current Assets Held for Sale and Discontinued Operations			✓

(Forward)

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not adopted	Not applicable
<b>PFRS 6</b>	Exploration for and Evaluation of Mineral Resources			✓
<b>PFRS 7</b>	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
<b>PFRS 8</b>	Operating Segments	✓		
<b>PFRS 9</b>	Financial Instruments	Not early adopted		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not early adopted		
<b>PFRS 10</b>	Consolidated Financial Statements	✓		
<b>PFRS 11</b>	Joint Arrangements	✓		
<b>PFRS 12</b>	Disclosure of Interests in Other Entities	✓		
<b>PFRS 13</b>	Fair Value Measurement	✓		
<b>Philippine Accounting Standards</b>				
<b>PAS 1 (Revised)</b>	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
<b>PAS 2</b>	Inventories	✓		
<b>PAS 7</b>	Statement of Cash Flows	✓		
<b>PAS 8</b>	Accounting Policies, Changes in Accounting Estimates and Errors	✓		

(Forward)

<b>PROBATIONARY STANDARDS (PAS) (1999-2004)</b> <b>STANDARDS (PAS) (1999-2004)</b> <b>Effective as at December 31, 2004</b>		Adopted	Not adopted	Not applicable
<b>PAS 10</b>	Events after the Reporting Date	✓		
<b>PAS 11</b>	Construction Contracts			✓
<b>PAS 12</b>	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
<b>PAS 16</b>	Property, Plant and Equipment	✓		
<b>PAS 17</b>	Leases	✓		
<b>PAS 18</b>	Revenue	✓		
<b>PAS 19</b>	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
<b>PAS 19 (Amended)</b>	Employee Benefits	✓		
<b>PAS 20</b>	Accounting for Government Grants and Disclosure of Government Assistance			✓
<b>PAS 21</b>	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
<b>PAS 23 (Revised)</b>	Borrowing Costs	✓		
<b>PAS 24 (Revised)</b>	Related Party Disclosures	✓		
<b>PAS 26</b>	Accounting and Reporting by Retirement Benefit Plans			✓
<b>PAS 27</b>	Consolidated and Separate Financial Statements	✓		
<b>PAS 27 (Amended)</b>	Separate Financial Statements	✓		
<b>PAS 28</b>	Investments in Associates	✓		
<b>PAS 28 (Amended)</b>	Investments in Associates and Joint Ventures	✓		
<b>PAS 29</b>	Financial Reporting in Hyperinflationary Economies			✓
<b>PAS 31</b>	Interests in Joint Ventures			✓

(Forward)

PHILIPPINE STANDARD ACCOUNTING FRAMEWORK (PSAF) PROJECT GROUP STANDARD SETTING COMMITTEE (PSA-SSC) FOR PHILIPPINE ACCOUNTING STANDARDS Interim Financial Reporting, 2018		Adopted	Not adopted	Not applicable
<b>PAS 32</b>	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
<b>PAS 33</b>	Earnings per Share	✓		
<b>PAS 34</b>	Interim Financial Reporting			✓
<b>PAS 36</b>	Impairment of Assets	✓		
<b>PAS 37</b>	Provisions, Contingent Liabilities and Contingent Assets	✓		
<b>PAS 38</b>	Intangible Assets	✓		
<b>PAS 39</b>	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
<b>PAS 40</b>	Investment Property			✓
<b>PAS 41</b>	Agriculture			✓

(Forward)



Philippine Interpretations		Adopted	Not adopted	Not applicable
<b>IFRIC 1</b>	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
<b>IFRIC 2</b>	Members' Share in Co-operative Entities and Similar Instruments			✓
<b>IFRIC 4</b>	<i>Determining Whether an Arrangement Contains a Lease</i>	✓		
<b>IFRIC 5</b>	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
<b>IFRIC 6</b>	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>			✓
<b>IFRIC 7</b>	<i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>			✓
<b>IFRIC 9</b>	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
<b>IFRIC 10</b>	<i>Interim Financial Reporting and Impairment</i>			✓
<b>IFRIC 11</b>	PFRS 2- Group and Treasury Share Transactions			✓
<b>IFRIC 12</b>	Service Concession Arrangements			✓
<b>IFRIC 13</b>	Customer Loyalty Programmes			✓
<b>IFRIC 14</b>	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	✓		
<b>IFRIC 16</b>	Hedges of a Net Investment in a Foreign Operation			✓
<b>IFRIC 17</b>	Distributions of Non-cash Assets to Owners			✓
<b>IFRIC 18</b>	Transfers of Assets from Customers			✓
<b>IFRIC 19</b>	Extinguishing Financial Liabilities with Equity Instruments			✓
<b>IFRIC 20</b>	Stripping Costs in the Production Phase of a Surface Mine			✓

(Forward)

Philippine Financial Reporting Standards and Interpretations Effective as of December 2014		Adopted	Not adopted	Not applicable
<b>SIC-7</b>	Introduction of the Euro			✓
<b>SIC-10</b>	Government Assistance - No Specific Relation to Operating Activities			✓
<b>SIC-12</b>	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
<b>SIC-13</b>	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
<b>SIC-15</b>	Operating Leases - Incentives			✓
<b>SIC-25</b>	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
<b>SIC-27</b>	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
<b>SIC-29</b>	Service Concession Arrangements: Disclosures			✓
<b>SIC-31</b>	Revenue - Barter Transactions Involving Advertising Services			✓
<b>SIC-32</b>	Intangible Assets - Web Site Costs			✓

The Group has not early adopted any PFRSs, PAS and Philippine Interpretations effective January 1, 2014 onwards.

**SCHEDULE III**

**AGRINURTURE, INC. AND SUBSIDIARIES**

**Schedule A. Financial Assets**

**December 31, 2013**

Name of Issuing Entity and Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statement of Financial Position	Value Based on		Income Received and Accrued
			Market Quotations at End of Reporting Date		
<i>In Thousands</i>					
<b>Loans and receivables:</b>					
Cash on hand	N/A	P5,084,379	P5,084,379		P-
Cash with banks	N/A	334,226,450	334,336,450		2,366,896
<b>Cash on hand and with banks</b>	<b>N/A</b>	<b>339,310,829</b>	<b>339,420,829</b>		<b>2,366,896</b>
Trade	N/A	631,150,226	631,150,226		-
Advances to related parties	N/A	996,048,861	996,048,861		-
<b>Trade and other receivables</b>	<b>N/A</b>	<b>P1,627,199,087</b>	<b>P1,627,199,087</b>		<b>P-</b>

# **AGRINURTURE, INC. AND SUBSIDIARIES**

**Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates)**  
**For the Year Ended December 31, 2013**

Name and Designation of Debtor	Beginning Balance	Additions	Deductions			Ending Balance
			Amount Collected	Amount Written- Off	Current	Noncurrent
Stockholder	P304,831,975	P593,689,536	P-	P-	P898,521,511	P-
Officers and employees	388	91,235,567	-	-	91,235,955	-
Others	-	6,291,395	-	-	6,291,395	-
	P304,832,363	P691,216,498	P-	P-	P996,048,861	P-

# **AGRINURTURE, INC. AND SUBSIDIARIES**

## **Schedule C. Amounts Receivable from Related Parties which are Eliminated in the Consolidated Financial Statements** **For the Year Ended December 31, 2013**

Name of Subsidiary	Balance At January 1, 2013	Additions	Amounts collected	Reclassification	Amounts Written Off	Current	Noncurrent	Amount Eliminated
First Class Agriculture Corporation	P60,576,878	P17,537,236	P-	P-	P-	P78,114,114	P-	P-
Best Choice Harvest Agricultural Corporation	407,923,853	-	372,963,986	-	-	-	-	-
Fruitilicious Company, Inc.	-	10,962,557	7,439,267	-	-	3,523,290	-	-
Ocean Biochemistry Research Technology, Inc.	181,626	-	11,159	-	-	170,467	-	-
Fresh and Green Palawan Agriventure, Inc.	36,516	116,352	-	-	-	152,868	-	-
The Big Chill, Inc.	98,911,328	-	98,750,207	-	-	161,121	-	-
Goods and Nutrition for All, Inc.	-	1,627,702	-	-	-	1,627,702	-	-
Greenergy Holdings, Inc.	58,824	1,135,585	-	-	-	1,194,409	-	-
M2000 IMEX Company, Inc.	280,677,488	228,005,856	-	-	-	52,671,632	-	-
Xiamen Waintaixing Trading Corp.	151,980	-	-	-	-	151,980	-	-
Fresh and Green Harvest Agricultural Company, Inc.	-	15,452,427	-	-	-	15,452,427	-	-
Qualis Logistics and Transport Services, Inc.	2,296,843	-	312,556	-	-	2,609,399	-	-
Agrinurture HK Holdings Ltd.	-	103,042,193	-	-	-	103,042,193	-	-
	P850,815,336	P377,879,908	P479,477,175	P-	P-	P258,871,782	P-	P-

**AGRINURTURE, INC. AND SUBSIDIARIES**  
**Schedule D. Intangible Assets - Other Assets**  
**For the Year Ended December 31, 2013**

Description	Beginning Balance	Deductions		Additions At Cost	Charged to Other Accounts		Other Changes - Additions (Deductions)	Ending Balance
		Charged to Costs and Expenses	Charged to Other Accounts					
In Thousands								
Trademark	₱200,227,710		(₱43,171)	₱68,000,000		₱-	(₱47,309,822)	₱220,874,717
Computer software	1,899,244		(921,332)	2,376,997		-	3,060	3,357,969
Franchise	9,049,750		-	-		-	-	9,049,750
Goodwill	29,989,414		-	-		-	389,366,568	419,355,982
	₱241,166,118		(₱964,503)	₱70,376,997		₱-	₱342,059,806	₱652,638,418

\* Disclosed in Note 11 to the Consolidated Financial Statements

# AGRINURTURE, INC. AND SUBSIDIARIES

## Schedule E. Long-term Debt

December 31, 2013

Name of Issuer and Type of Obligation	Amount Authorized by Indenture	Amount		Remarks
		Shown as Current	Shown as Long-term	
<i>In Thousands</i>				
<i>Long-term Debt</i>				
LandBank of the Philippines	P-	P-	P126,528,894	A
Total	P-	P-	P126,528,894	

### Remarks:

A Loan is with interest of 6.00% per annum with a term of sixty (60) months, payable semi-annual.

**AGRINURTURE, INC. AND SUBSIDIARIES****Schedule F. Indebtedness to Affiliates and Related Parties (Long-term Loans from  
Related Companies)  
December 31, 2013**

Name of Affiliate	Beginning Balance	Ending Balance
<i>In Thousands</i>		

There are no existing long-term debts that the Group owes to its affiliates and related parties as at  
December 31, 2013.



**AGRINURTURE, INC. AND SUBSIDIARIES**  
**Schedule G. Guarantees of Securities of Other Issuers**  
**For the Year Ended December 31, 2013**

Name of Issuing Entity of Securities Guaranteed by the Company for which Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by the Company for which Statement is Filed	Nature of Guarantee
--	--	---	---	------------------------

- Not applicable-

**AGRINURTURE, INC. AND SUBSIDIARIES**

**Schedule H . Capital Stock**

**December 31, 2013**

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares			Number of Shares Held By		
			Options, Warrants, Conversions and Other Rights	Reserved for		Affiliates	Directors, Officers and Employees	Others
Common Stock	1,000,000,000	535,693,037	-			1,593,176,887	328,613,882	597,368,576

## AGRINURTURE, INC. AND SUBSIDIARIES

List of Top 20 Stockholders

Name	No. of Shares	Percentage
1. PCD Nominee Corporation (Filipino)	297,428,361	55.522163%
2. PCD Nominee Corporation (Foreign)	170,863,979	31.895875%
3. Tiu, Antonio Lee	53,873,932	10.056866%
4. Southern Field Limited	8,429,757	1.573617%
5. Duca, Mark Kenrich O.	3,000,000	0.560022%
6. Duca, Kathy Joy O.	600,000	0.112004%
7. Duca, Queenie Jane O.	600,000	0.112004%
8. Ngo, Debbie Christie D.	600,000	0.112004%
9. Quality Investment & Securities Corporation	120,000	0.022401%
10. Crisostomo, Jose Mariano	96,000	0.017921%
11. Dean, Gerardo L.	62,700	0.011704%
12. Jose A. Ferriols &/or Eduardo A. Ferriols	5,000	0.000933%
13. Busmeon, Charlie Y.	4,800	0.000896%
14. Lim, Nieves Q., &/or Alexander D. Lim	2,640	0.000493%
15. Chung, Ming Yang	1,200	0.000224%
16. Sayre, James David	1,200	0.000224%
17. Lin, Tai-Chuan	1,199	0.000224%
18. Sanvictores, Julius Victor Emmanuel De Jesus	1,000	0.000187%
19. Young, Bartolomew Dy Buncio	1,000	0.000187%
20. Gili Jr., Guillermo F.	120	0.000022%
20. M.J. Soriano Trading, Inc.	120	0.000022%

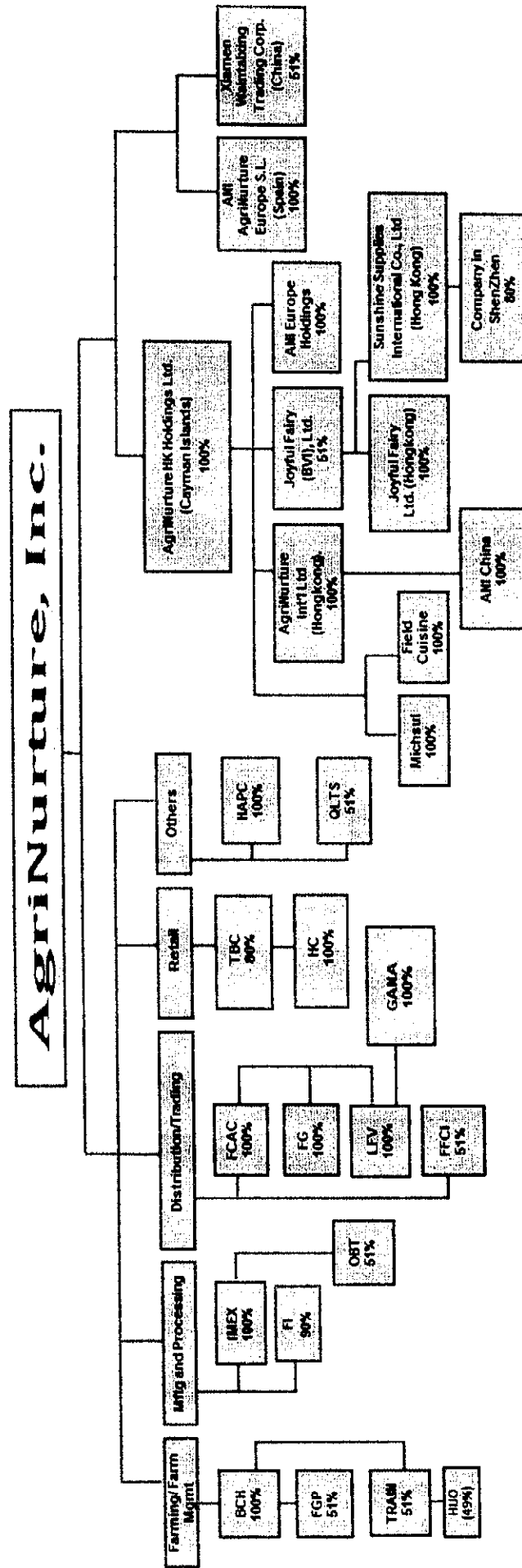
# SCHEDULE IV

## AGRINURTURE, INC. AND SUBSIDIARIES

A MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANY AND ITS  
ULTIMATE PARENT COMPANY, MIDDLE PARENT, SUBSIDIARIES, CO-SUBSIDIARIES AND ASSOCIATES

PURSUANT TO SRC RULE 68, AS AMENDED

DECEMBER 31, 2013



**SCHEDULE V**  
**AGRINURTURE, INC. AND SUBSIDIARIES**  
**SCHEDULE SHOWING FINANCIAL SOUNDNESS**  
**PURSUANT TO SRC RULE 68, AS AMENDED**  
**DECEMBER 31, 2013**

	2013	2012
A. Current/liquidity ratios		
Current ratio	1.26	1.95
Quick ratio	0.40	1.07
Cash ratio	0.16	0.22
Cash conversion cycle	208.82	168.32
B. Solvency ratio/Debt-to-equity ratio		
Solvency ratio	0.01	(0.59)
Debt-to-equity ratio	1.10	0.54
C. Asset-to-equity ratios		
Interest rate coverage ratio	1.8	(23.1)
E. Profitability ratios		
Net profit margin analysis	20%	17%
Return on assets	0%	(22%)
Return on equity	0.1%	(35%)
Return on capital employed	15%	(61%)

# COVER SHEET

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SEC Registration Number

[illegible]

(Company's Full Name)

[illegible]

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

**Mr. Romeo Bato**  
(Contact Person)

(Contact Person)

**551-0773**  
(Company Telephone Number)

(Company Telephone Number)

0	3	3	1
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Month Day  
(Calendar Year)

1	7	-	Q	
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(Form Type)

0	5	27
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Month Day  
(Annual Meeting)

Not Applicable
----------------

(Secondary License Type, If Applicable)

CRM
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Dept. Requiring this Doc.

Not Applicable
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Amended Articles Number/Section

38

Total No. of Stockholders

₹ 1.361 billion

Domestic

**₹2.4 million**

Foreign

To be accomplished by SEC Personnel concerned

[illegible]

File Number

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SECURITIES AND EXCHANGE COMMISSION

AMENDED SEC FORM 17 - Q

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

1. For the quarterly period ended March 31, 2014
2. SEC Identification Number 0199701848
3. BIR Tax Identification Code 200-302-092-000
4. Name of Issuer as specified in its charter AGRINURTURE, INC.
5. METRO MANILA, PHILIPPINES (NCR)  
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code: \_\_\_\_\_ (SEC Use Only)
7. NO. 54 NATIONAL ROAD, DAMPOL II-A, PULILAN, BULACAN PHILIPPINES 3005  
Address of issuer's principal office \_\_\_\_\_ Postal Code \_\_\_\_\_
8. Issuer's telephone number, area code (02) 551-0772 to 74
9. Former name, former address and former fiscal year, if changed since last report N. A.
10. Securities registered pursuant to Section 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common Shares,	<u>535,693,037</u> shares (Authorized 1,000,000,000 shares P 1.00 Par value)

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

Yes ☒ [ X ]      No      ☐ [ ]

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

12. Indicate by check mark whether the registrant:

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

Yes ☒ [ X ]      No      ☐ [ ]


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

Yes ☒ [ X ]      No      ☐ [ ]


### SIGNATURES

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

Issuer: AGRINURTURE, INC.

Signature and title:   
PABLO CAPATI, JR.  
Chief Executive Officer

Date: May 27, 2014

Signature and title:   
ROMEO L. BATO  
Chief Financial Officer

Date: May 27, 2014



Part I - FINANCIAL INFORMATION

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**Item 1. Financial Statements**

The unaudited consolidated financial statements of AgriNurture, Inc. and subsidiaries (collectively referred to as the “Group”) as of and for the period ended March 31, 2014 (with comparative figures as of December 31, 2013 and for the period ended March 31, 2013) are filed as part of this Form 17-Q as Exhibit A.

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

The following Management Discussion and Analysis should be read in conjunction with the attached unaudited consolidated financial statements of AgriNurture, Inc. and subsidiaries as of and for the three months ended March 31, 2014.

**Business Overview**

AgriNurture, Inc. (the “Company” or ANI), formerly known as Mabuhay 2000 Enterprises, Inc., was founded in 1997 as an importer, trader and fabricator of post-harvest agricultural machineries. The Company eventually diversified into various agro-commercial businesses specifically focusing on the export trading of fresh Philippine carabao mangoes. At present, ANI also supplies other home-grown fruits such as bananas and pineapple to customers in Hong Kong, mainland China, the Middle East and to different European regions.

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

## **Results of Operations**

### **Net Sales**

The Company generates its net sales primarily from the sale, to both the domestic, foreign and export markets, of fresh fruits and vegetables. The Company's net sales are net of VAT and discounts.

The following table presents the Company's net sales for the three month period ending March 31 for the years 2012, 2013, and 2014:

### **Net Sales**

	2014	2013	2012
	Php '000	Php '000	Php '000
Philippine operations			
Local	162,528	252,340	468,316
Exports	86,139	47,577	80,659
Foreign Trading operation	740,183	454,079	-
Total	988,850	753,996	548,975

Net Sales of the Group increased in by 31% for the first quarter of 2014 versus the same period in 2013. First quarter Revenues for the first quarter of 2013 versus the same period in 2012 also resulted to a 37% increase. Foreign Trading Operations serve as the main driver.

### **Cost of Sales**

Cost of sales consists of:

- Cost of purchasing fruits and vegetables and raw material from growers and other traders and suppliers;
- Depreciation and amortization costs, which relate primarily to the depreciation of production equipment, vehicles, facilities and buildings;
- Personnel expenses, which include salary and wages, employee benefits and retirement costs for employees involved in the production process;
- Repairs and maintenance costs relating to production equipment, facilities, vehicles and buildings;
- Fuel and oil costs relating to the production and distribution process;
- Communications, light and water expenses relating to the Company's distribution and production processes and facilities; and
- Other costs of sales, which include miscellaneous expenses such as supplies, rental, insurance and freight expenses.

For the first quarter of 2013 and 2014, the Company's Cost of Sales was ₱ 644.9 million and ₱ 778.5 million, respectively. Increase in Cost of Sales of 21% is parallel to the increase in Revenues.

The following table provides an illustration on the changes in COS including percentages.

	Cost of Sales and Services		Increase / (Decrease)		Percent to Revenues	
			Change in Amount	Change in Percentage		
	2014	2013	2013-2014	2013-2014	2014	2013
Inventories at January 1	121,137,973	134,863,797	(13,725,824)	-10%	12%	18%
Harvested Agricultural Produce	34,621,416	65,391,982	(30,770,566)	-47%	4%	9%
Purchases	767,508,762	636,363,189	131,145,573	21%	78%	84%
Cost of Goods Available for Sale	923,268,151	836,618,968	86,649,183	10%	93%	111%
Inventories at March 31	(146,321,655)	(193,784,992)	47,463,337	-24%	-15%	-26%
Cost of Sales	776,946,496	642,833,976	134,112,520	21%	79%	85%
Cost of Services	1,505,637	2,088,072	(582,435)	-28%	0%	0%
Cost of Sales and Services	778,452,133	644,922,048	133,530,085	21%	79%	86%

Though the Cost of Sales and Services increased, it has improved as compared to its percentage to Revenues from 86% in 2013 to 79% in 2014.

The increase in Purchases at 21% is due to the increase in the trading operations of the group. Decrease in Harvested Agricultural Produce is due to the shift of farming operations into Banana Plantation which is under a Joint Venture Agreement therefore captured under Purchases.

Inventory Levels have likewise declined as a result of improved management.

### Gross Profit

Consolidated Gross Profit of ANI as of March 31, 2013 and 2014 are ₱ 109 million, and ₱ 210 million, respectively. The company focused on growing its business with the main revenue and margin drivers, and resulted to an increase of 93% compared to the same period in 2013.

### Operating Expenses

The Company's operating expenses consist of selling expenses and administrative expenses. In, 2013 and 2014 the Company's operating expenses were ₱97.7 million, and ₱ 234.6 million, respectively.

The Company's operating expenses include the following major items:

- Salaries, wages and other employee benefits
- Freight and handling cost
- Depreciation and amortization
- Rental
- Contracted services
- Other operating and administrative expenses.

Based on the table below, Salaries, wages, and other employee benefits increased significantly by 239% due the foreign trading operations as minimum wages in the countries where ANI now

operates is significantly higher than that of the Philippines. Also, the group has employed a professional management team and improved its overall employee benefits. Percent to Revenues increased from 3% to 7% in 2013 and 2014 respectively.

Freight and handling costs increased by 371% as a result of the increase in volume of trading operations, both foreign and local. Also, percent to Revenues increased to 5% in 2014 versus 1% in 2013.

Depreciation and amortization increased by 27%, however maintained its percent to Revenues at 2%.

Rental increased by 157% as the group increased due to foreign operations. As a percent of Revenues, it only increased to 2% from the previous 1%.

	General and Admin Expenses		Increase / (Decrease)			
			Change in	Change in	Percent to	
	2,014	2,013	Amount 2013-2014	Percentage 2013-2014	2014	2013
Salaries, wages and other employee benefits	69,030,791	20,341,730	48,689,061	239%	7%	3%
Freight and handling cost	52,550,397	11,148,160	41,402,237	371%	5%	1%
Depreciation and amortization	22,940,472	18,098,324	4,842,148	27%	2%	2%
Rental	21,121,960	8,214,869	12,907,091	157%	2%	1%
Contracted Services	16,642,262	12,120,225	4,522,037	37%	2%	2%
Supplies	7,734,663	2,837,877	4,896,786	173%	1%	0%
Communication, light, and water	7,195,138	3,322,517	3,872,621	117%	1%	0%
Repairs and maintenance	7,186,253	1,484,880	5,701,373	384%	1%	0%
Professional fees	6,020,869	1,101,371	4,919,498	447%	1%	0%
Commissions	5,030,552	5,342,020	(311,468)	-6%	1%	1%
Taxes and licenses	4,100,051	3,249,663	850,388	26%	0%	0%
Transportation and travel	2,644,651	2,412,416	232,235	10%	0%	0%
Advertising	207,397	3,165,842	(2,958,445)	-93%	0%	0%
Others	12,161,090	4,892,609	7,268,481	149%	1%	1%
<b>Total G&amp;A</b>	<b>234,566,546</b>	<b>97,732,503</b>	<b>136,834,043</b>	<b>140%</b>	<b>24%</b>	<b>13%</b>

Contracted services increased in absolute amount at 37%. Meanwhile, it maintained its percent to Revenues ratio at 2%.

Significant increases in other expense items such as Supplies, Communication, light and water, Repairs and maintenance, and Professional fees are mostly due to expansion of foreign trading operations. On the other hand, percent to Revenues for 2014 are only at 1% or less for these line items.

## **Finance Costs**

Finance Costs for first quarter ended 2013 and 2014 are ₱ 11.8 million and ₱ 19.1 million, respectively. The increase of 62% is the result of increase in loans and borrowings. Draw downs increased if we compare the quarters, as there were short term loans temporarily paid off during this period as part of cash management. These loans were then re-availed of, for its intended use of proceeds which includes Capital expenditures and Mergers and acquisitions.

## **Financial Condition**

### **Assets**

ANI Group's consolidated total assets as of March 31, 2014 amounted to ₱ 5.2 billion an increase of 9% from ₱ 4.8 billion at December 31, 2013. The following explain the significant movements in the asset accounts:

- The Group's cash balance decreased by ₱ 248 million primarily due to the investment in banana plantation thru its joint venture subsidiary, Tagum Resources Industries, Inc. (TRAIN), which was used in connection with the lease of 2,943,254 sqm, including all improvements and biological assets.
- Receivables only increased by 6% despite the significant increase in Revenues.
- Consolidated Advances to projects and related parties has a net increase of ₱ 31.2 million, equivalent to 2%. Movements in these accounts are due to projects and mergers and acquisitions pending full liquidation.
- Inventory balance increased from a year end 2013 balance of ₱ 121.1 million to ₱ 146.3 million, which is an expected trend due to the increase in trading volume for the group in 2014.
- Biological assets have a minimal increase of 3% due to changes in fair value for the first three quarters of 2014.

### **Liabilities**

Consolidated liabilities amounted to ₱ 2.9 billion .

Total current liabilities is ₱ 1.85 billion and ₱ 2.35 billion as of December 31, 2013 and March 31, 2014 respectively. The 10% increase is mainly due to increase in loans and borrowings.

Total non-current liabilities is ₱ 647 million and ₱ 887 million as of December 31, 2013 and March 31, 2014 respectively. The 37% increase in non-current liabilities is in relation to the joint venture agreement under TRAIN.

### **Equity**

Consolidated stockholders' equity as of March 31, 2014 amount to ₱ 2.28 billion with insignificant movements.

## **Liquidity and Capital Resources**

Net cash used by operating activities for the first 3 months of 2014 was ₱ 52.16 million, which improved by 42%.

Net cash used in investing activities is ₱ 569 million mainly in relation to the investment in the banana plantation joint venture through TRAIN.

Net cash flows from financing activities is ₱ 372 million, which is mainly from the liability arising from the joint venture.

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

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

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

### **The Company's Key Performance Indicators**

		March 31, 2014	December 31, 2013
Liquidity:			
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	1.17	1.38
Solvency			
Debt-to-equity ratio	$\frac{\text{Total Liabilities (Current + Non-current)}}{\text{Stockholder's Equity}}$	1.29	1.10
		March 31, 2014	March 31, 2013
Profitability:			
Return on average equity	$\frac{\text{Net Income}}{\text{Average Stockholder's Equity on the company}}$	0.00	0.01
Interest Coverage Ratio	$\frac{\text{Earnings before Interest and Taxes}}{\text{Interest Expense}}$	0.70	3.026
Operating Efficiency			
Revenue growth	$\frac{\text{Current period Net Sales}}{\text{Prior period Net Sales}}$	0.31	0.37
Operating Margin	$\frac{\text{Net Operating Income}}{\text{Net Sales}}$	0.014	0.05

**AgriNurture, Inc. and Subsidiaries**

**Consolidated Financial Statements  
March 31, 2014 and December 31, 2013  
and for the Three Months Ended  
March 31, 2014 and 2013**



AGRINURTURE, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
March 31, 2014 and December 31, 2013

	March 31, 2014 (Unaudited)	December 31, 2013 (Audited as Restated)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash (Note 4)	91,009,736	339,310,829
Trade and other receivables (Note 5)	757,509,933	715,241,065
Advances to related parties (Note 19)	840,702,830	809,504,125
Inventories (Note 6)	146,321,655	121,137,973
Biological assets (Note 7)	258,232,407	249,571,640
Advances to projects (Note 8)	160,479,951	160,479,951
Prepayments and other current assets (Note 9)	132,859,285	126,279,586
<b>Total Current Assets</b>	<b>2,387,115,797</b>	<b>2,521,525,169</b>
<b>Noncurrent Assets</b>		
Advances to projects (Note 8)	490,673,604	490,673,604
Property, plant and equipment (Note 10)	1,572,059,483	1,039,743,836
Intangibles (Note 11)	652,508,382	652,638,418
Deferred income tax assets	61,679,118	59,836,178
Other noncurrent assets	38,313,614	24,402,861
<b>Total Noncurrent Assets</b>	<b>2,815,234,201</b>	<b>2,267,294,897</b>
<b>TOTAL ASSETS</b>	<b>5,202,349,999</b>	<b>4,788,820,066</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables (Note 12)	687,791,462	672,296,439
Loans and borrowings (Note 13)	1,112,332,602	1,034,055,089
Lease payable	81,078,511	50,026,752
Advances from related parties (Note 19)	87,481,250	87,481,250
Income tax payable	6,122,131	8,262,200
Other current liabilities	63,783,092	5,006,107
<b>Total Current Liabilities</b>	<b>2,038,589,047</b>	<b>1,857,127,837</b>
<b>Noncurrent Liabilities</b>		
Loans and borrowings - net of current portion	90,000,000	126,528,894
Convertible Bonds	335,000,000	335,000,000
Lease payable	78,252,835	126,619,230
Pension liability (Note 20)	6,977,199	6,977,199
Deferred income tax liabilities	60,667,711	51,751,206
Other noncurrent liabilities	316,400,000	-
<b>Total Noncurrent Liabilities</b>	<b>887,297,746</b>	<b>646,876,529</b>
<b>Total Liabilities</b>	<b>2,925,886,792</b>	<b>2,504,004,366</b>
<b>Equity Attributable to Equity Holders of the Parent</b>		
Capital stock (Note 14)	535,693,037	535,693,037
Additional paid-in capital (Note 14)	2,158,742,461	2,158,742,461
Foreign currency translation reserve	266,592	(6,068,727)
Retained earnings	(490,183,499)	(463,909,194)
	2,204,518,591	2,224,457,577
<b>Non-controlling Interests</b>	<b>71,944,616</b>	<b>60,358,123</b>
<b>Total Equity</b>	<b>2,276,463,207</b>	<b>2,284,815,700</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>5,202,349,999</b>	<b>4,788,820,066</b>

**AGRINURTURE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2014**

	March 31, 2014 (Unaudited)	March 31, 2013 As restated
Revenues (Note 15)	988,850,050	753,995,503
Cost of sales and services (Note 16)	(778,452,133)	(644,922,049)
<b>GROSS PROFIT</b>	<b>210,397,916</b>	<b>109,073,455</b>
Other operating income (Note 17)	37,547,268	24,370,376
General and administrative (Note 18)	(234,566,548)	(97,732,502)
Other operating expenses	-	
<b>OPERATING PROFIT</b>	<b>13,378,636</b>	<b>35,711,329</b>
Losses on biological asset		
Finance income	7,036	32,522
Finance costs	(19,143,581)	(11,799,947)
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>(5,757,909)</b>	<b>23,943,903</b>
<b>PROVISION FOR INCOME TAX</b> (Note 21)		
Current	(13,398)	(3,796,910)
Deferred	(8,916,505)	
	<b>(8,929,903)</b>	<b>(3,796,910)</b>
<b>NET INCOME (LOSS)</b>	<b>(14,687,812)</b>	<b>20,146,993</b>
Net income attributable to:		
Equity holders of the parent	(26,274,305)	5,938,811
Non-controlling interests	11,586,494	14,208,182
	<b>(14,687,811)</b>	<b>20,146,993</b>
<b>Basic and diluted earnings (loss) per share (Note 19)</b>		<b>0.011</b>
<b>STATEMENT OF COMPREHENSIVE INCOME</b>		
<b>NET INCOME (LOSS)</b>	<b>(14,687,812)</b>	<b>20,146,993</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
Exchange differences on translation of foreign operations	-	-
Income tax effect	-	-
	-	-
Remeasurement on retirement benefits	-	-
Income tax effect	-	-
	-	-
<b>TOTAL OTHER COMPREHENSIVE INCOME (LOSS)</b>	<b>-</b>	<b>-</b>
<b>NET OF TAX</b>	<b>-</b>	<b>-</b>
Total comprehensive income attributable to:		
Equity holders of the parent	(26,274,305)	5,938,811
Non-controlling interests	11,586,494	14,208,182
	<b>(14,687,811)</b>	<b>20,146,993</b>

**AGRINURTURE, INC. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
For the three (3) months ended March 31, 2013 and 2014  
For the nine (9) months ended December 31, 2013

	Share capital	Share premium	Translation reserve	Retained Unappropriated	Total equity attributable to equity holders of the Parent	Non-controlling interest	Total
<b>At January 1, 2013</b>	P535,693,037	P2,158,742,461	(P2,203,676)	(P517,152,787)	P2,175,079,035	P134,211,800	P2,309,290,835
Non-controlling interest arising on business combination and increase and share of subsidiary				(34,639,612)	(34,639,612)	(8,000,008)	(42,639,620)
Net Income (loss) January to March 2013				5,938,811	P5,938,811	14,208,181	P20,146,992
<b>At March 31, 2013</b>	535,693,037	2,158,742,461	(2,203,676)	(545,853,588)	2,146,378,234	140,419,373	2,286,798,207
Net Income (loss) April to December 2013	-	-		(49,595,333)	(49,595,333)	51,894,522	P2,299,189
Other comprehensive income (loss)			(3,865,051)	7,744	(3,857,307)	(3,453,368)	(7,310,675)
Total comprehensive income	-	-	(3,865,051)	(49,587,589)	(53,452,640)	48,441,154	(5,011,486)
Non-controlling interest arising on business combination and increase and share of subsidiary				131,531,983	131,531,983	(128,503,004)	3,028,979
<b>Balances at December 31, 2013</b>	535,693,037	2,158,742,461	(6,068,727)	(463,909,194)	2,224,457,577	60,358,123	2,284,815,700
<b>At January 1, 2014</b>	535,693,037	2,158,742,461	(6,068,727)	(463,909,194)	2,224,457,577	60,358,123	2,284,815,700
Issuance of common shares							
Foreign currency translation reserve			6,335,319		6,335,319		6,335,319
Total Comprehensive Income				(26,274,305)	(26,274,305)	11,586,434	(14,687,871)
<b>At March 31, 2014</b>	<b>535,693,037</b>	<b>2,158,742,461</b>	<b>266,592</b>	<b>(490,183,499)</b>	<b>2,204,518,591</b>	<b>71,944,617</b>	<b>2,276,463,208</b>

**AGRINURTURE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE PERIOD ENDED MARCH 31, 2014 and 2013**

	March 31, 2014 (Unaudited)	March 31, 2013 (Unaudited as Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (loss) before income tax	(5,757,909)	23,943,903
Adjustments for:		
Depreciation and amortization	22,940,472	18,098,324
Movements in pension liability		382,248
Gain on changes on fair value of biological assets	(29,721,683)	7,413,198
Gain on sale of property, plant and equipment		(318,333)
Interest income	(7,036)	(32,522)
Interest expense	19,143,581	11,799,947
Operating income before working capital changes	6,597,425	61,286,765
Decrease (increase) in:		
Trade and other receivables	(42,268,868)	(23,026,202)
Advances to related parties	(31,198,705)	108,227,980
Inventories	(33,844,449)	(73,329,270)
Prepayments and other current assets	(6,579,699)	10,353,475
Increase (decrease) in:		
Trade and other payables	15,495,023	(89,705,964)
Advances from related parties		(615,052)
Other current liabilities	58,776,985	26,550,798
Net cash generated from operations	(33,022,289)	19,742,530
Income taxes paid	-	-
Interest received	7,036	32,522
Interest paid	(19,143,581)	(11,799,947)
Net cash flows from operating activities	(52,158,834)	7,975,105
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to:		
Property, plant and equipment	(555,106,934)	(25,684,465)
Intangible assets	(19,148)	(11,249)
Proceeds from sale of property, plant and equipment	-	740,000
Other noncurrent assets	(13,910,753)	(8,570,458)
Net cash flows used in investing activities	(569,036,835)	(33,526,172)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net proceeds from availment of loan	73,809,212	42,120,000
Lease payable	(17,314,636)	
Other noncurrent liabilities	316,400,000	
Net cash flows from (used in) financing activities	372,894,576	42,120,000
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(248,301,093)</b>	<b>16,568,933</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>339,310,829</b>	<b>218,038,556</b>
<b>CASH AT END OF YEAR(</b> Note 4) <b>)</b>	<b>91,009,736</b>	<b>234,607,489</b>

## **AGRINURTURE, INC. AND SUBSIDIARIES**

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### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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#### **1. Corporate Information**

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

On March 30, 2009, the SEC approved the change in the Parent Company's primary purpose to engage in corporate farming, in all its branches for the planting, growing, cultivating and producing of crops, plants and fruit bearing trees, of all kinds and in connection to engage in agri-tourism and other pleasurable pursuits for the enjoyments and appreciation of mother nature and ecology and to engage in the establishment, operation and maintenance of equipment, structures and facilities for the preservation, conservation and storage of foods, grains and supplies, like cold storage and refrigeration plants.

On April 15, 2009, the Company was listed on the Philippine Stock Exchange (PSE) with an initial listing by way of introduction of 178,536,602 common shares, with a par value of ₱1.00 per share in the Second Board of the PSE.

The Parent Company's registered principal office address is No. 54 National Road, Dampol II-A, Pulilan, Bulacan. The Parent Company's business address is 11th Floor, Salcedo Tower, 169 H.V. dela Costa Street, Salcedo Village, Makati City.

The consolidated financial statements as at and for the period ended March 31, 2014 were authorized for issuance by the Parent Company's BOD on May 15, 2014.

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#### **2. Basis of Preparation and Consolidation, Statement of Compliance and Summary of Significant Accounting Policies**

##### Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for biological assets that have been measured at fair value less estimated point of sale costs and trademark measured at fair value. The consolidated financial statements and these notes are presented in Philippine Peso, the Parent Company's functional and presentation currency. All amounts are rounded to the nearest peso, unless otherwise indicated.

## Statement of Compliance

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

## Basis of Consolidation from January 1, 2010

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

	Country of Incorporation	Nature of Business	Effective Ownership	
			2014	2013
Best Choice Harvest Agricultural Corp. (BCHAC)	Philippines	Farm management	100%	100%
First Class Agriculture Corporation (FCAC)	Philippines	Trading (Agricultural goods)	100%	100%
M2000 IMEX Company, Inc. (IMEX)	Philippines	Manufacturing and export	100%	100%
Hansung Agro Products Corporation (HAPC)	Philippines	Processing (Agricultural goods)	100%	100%
*Fresh and Green Harvest Agricultural Company, Inc. (FG)	Philippines	Trading (Agricultural goods)	100%	100%
*Lucky Fruit & Vegetable Products, Inc. (LFVPI)	Philippines	Trading (Agricultural goods)	100%	100%
*Goods and Nutrition for All, Inc. (GANA)	Philippines	Retail and wholesale	100%	100%
Fruitilicious Company, Inc. (FI)	Philippines	Manufacturing/processing/trading frozen agricultural products	90%	90%
*Tagum Resources Agri Industries, Inc.	Philippines	Farming (Agricultural produce)	51%	51%
Xiamen Waitaixing Trading Corp. (XWT)	China	Trading (Agricultural goods)	51%	51%
*Sunshine Supplies International Co., Ltd. (SSIC)	Hong Kong	Trading (Agricultural goods)	51%	51%
Qualis Logistics and Transport Services, Inc. (QLTS)	Philippines	Logistics	51%	51%
Farmville Farming Co., Inc. (FFCI)	Philippines	Trading (Agricultural goods)	51%	51%
*Ocean Biochemistry Technology Research, Inc. (OBT)	Philippines	Farm management	51%	51%
*Fresh and Green Palawan Agriventures, Inc. (FGP)	Philippines	Farm management	51%	51%
The Big Chill (TBC)	Philippines	Food and beverage retailing and franchising	80%	51%
Heppy Corporation (HC)	Philippines	Food and beverage retailing and franchising	100%	51%
Agrinurture HK Holdings Ltd. (Cayman Islands) (ANI HK)	Hong Kong	Holding Company	100%	100%
*Agrinurture Int'l Ltd. (ANI IL)	Hong Kong	Trading and retail	100%	100%
*Freshness First Pty. Ltd. (FFPL)	Australia	Processing and trading	100%	100%
*BSK Pty. Ltd. (BSK)	Australia	Wholesale	100%	100%
*Michsul Pty. Ltd. (MPL)	Australia	Wholesale	100%	100%
*ANI AgriNurture Europe S.L. (ANI ESL)	Spain	Trading (Agricultural goods)	100%	100%
*ANI China	China	Trading (Agricultural goods)	100%	100%
*Joyful Fairy (Fruits) Limited (JF BVI)	British Virgin Islands	Trading (Agricultural goods)	51%	51%
*Joyful Fairy HK7 (JF HK)	Hong Kong	Trading (Agricultural goods)	51%	51%

\*Direct and indirect ownership

### *Subsidiaries*

Subsidiaries are entities over which the Parent Company has control.

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

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

### *Non-controlling Interest*

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

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

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the cumulative translation differences, recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the parent company's share of components previously recognized in other comprehensive income to profit or loss.

### Basis of Consolidation Prior to January 1, 2010

The above mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Non-controlling interests represented the portion of profit or loss and net assets in the subsidiaries not held by the Group and are presented separately in the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position separately from the parent's equity.
- Acquisition of non-controlling interest is accounted for using the entity concept method, whereby the difference between the consideration and the book value of the share of the net assets acquired is recognized as an equity transaction.

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost.

#### Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following amended PFRS and PAS which were adopted as at January 1, 2013.

The Group applied, for the first time, certain standards and amendments that require restatement of previous financial statements. These include PAS 19, *Employee Benefits* (Revised 2011), PFRS 13, *Fair Value Measurement* and amendments to PAS 1, *Presentation of Financial Statements*. In addition, the application of PFRS 12, *Disclosure of Interests in Other Entities*, resulted in additional disclosures in the consolidated financial statements.

Several other amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Group.

The nature and the impact of each new standard and amendment are described below:

- PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments)  
These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format, unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:
  - a) The gross amounts of those recognized financial assets and recognized financial liabilities;
  - b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
  - c) The net amounts presented in the statement of financial position;
  - d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
    - i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
    - ii. Amounts related to financial collateral (including cash collateral); and
  - e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

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



- PFRS 10, *Consolidated Financial Statements*

The Group adopted PFRS 10 in the current year. PFRS 10 replaced the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addressed the accounting for consolidated financial statements. It also included the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 established a single control model that applied to all entities including special purpose entities. The changes introduced by PFRS 10 require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The Group has assessed that the application of PFRS 10 has no material impact on the Group's financial position or performance.

- PFRS 11, *Joint Arrangements*

PFRS 11 replaced PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removed the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The Group has assessed that the application of PFRS 11 has no impact on the Group's financial position or performance.

- PFRS 12, *Disclosure of Interests in Other Entities*

PFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights). While the Group has subsidiaries with material noncontrolling interests, there are no unconsolidated structured entities. PFRS 12 disclosures are provided in Note 2.

- PFRS 13, *Fair Value Measurement*

PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS. PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures.

As a result of the guidance in PFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. The Group has assessed that the application of PFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI*(Amendments)

The amendments to PAS 1 introduced a grouping of items presented in OCI. Items that will be reclassified (or “recycled”) to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Group’s financial position or performance.

- PAS 19, *Employee Benefits* (Revised)

On 1 January 2013, the Group adopted the Revised IAS 19 Employee Benefits. For defined benefit plans, the Revised IAS 19 requires all actuarial gains and losses to be recognized in other comprehensive income and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred. Prior to adoption of the Revised IAS 19, the Group recognized actuarial gains and losses as income or expense when the net cumulative unrecognized gains and losses for each individual plan at the end of the previous period exceeded 10% of the higher of the defined benefit obligation and the fair value of the plan assets and recognized unvested past service costs as an expense on a straight-line basis over the average vesting period until the benefits become vested. Upon adoption of the revised IAS 19, the Group changed its accounting policy to recognize all actuarial gains and losses in other comprehensive income and all past service costs in profit or loss in the period they occur.

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

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

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

The changes in accounting policies have been applied retrospectively. The effects of adoption on the financial statements are as follows:

As at December 31, 2013			
	Old PAS 19	Increase (decrease)	Revised PAS 19R
Statements of financial position:			
Retirement liability	8,620,051	1,642,852	P6,977,199
Deferred income tax asset	59,143,806	692,372	59,836,178
Retained earnings	1,836,021	(2,327,480)	4,163,501
Remeasurement gain on retirement benefits liability (net of deferred income tax asset)	-	(7,744)	(7,744)

#### *Change of presentation*

Upon adoption of the Revised IAS 19, the presentation of the income statement was updated to reflect these changes. Net interest is now shown under the finance income/expense line item (previously under personnel expenses under general and administrative expenses). This presentation better reflects the nature of net interest since it corresponds to the compounding effect of the long-term net defined benefit liability (net defined benefit asset). In the past, the expected return on plan assets reflected the individual performance of the plan assets, which were regarded as part of the operating activities.

- PAS 27, *Separate Financial Statements* (as revised in 2011)

As a consequence of the issuance of the new PFRS 10, *Consolidated Financial Statements*, and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The adoption of the amended PAS 27 did not have a significant impact on the separate financial statements of the entities in the Group.

- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)

As a consequence of the issuance of the new PFRS 11, *Joint Arrangements*, and PFRS 12, *Disclosure of Interests in Other Entities*, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendments affect disclosures only and have no material impact on the Group's financial position or performance.

### *Annual Improvements to PFRSs (2009-2011 cycle)*

The annual improvements to PFRSs (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The Group adopted these amendments for the current year.

- *PFRS 1, First-time Adoption of PFRS - Borrowing Costs*

The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Group as it is not a first-time adopter of PFRS.

- *PAS 1, Presentation of Financial Statements - Clarification of the Requirements for Comparative Information*

These amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. As a result, the Group has not included complete comparative information in respect of the opening consolidated statement of financial position as at January 1, 2012. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- *PAS 16, Property, Plant and Equipment - Classification of Servicing Equipment*

The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment has no significant impact on the Group's financial position or performance.

- *PAS 32, Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments*

The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The amendment does not have any significant impact on the Group's financial position or performance.

- PAS 34, *Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities*

The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

#### New Accounting Standards, Interpretations and Amendments Effective Subsequent to December 31, 2013

The Group will adopt the following standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards and interpretations to have a significant impact on its consolidated financial statements.

#### *Effective in 2014:*

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)

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

- Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)

These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group since none of the entities in the Group would qualify to be an investment entity under PFRS 10.

- Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21)

IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Group does not expect that IFRIC 21 will have material financial impact in future financial statements.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Group.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)

The amendments clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Group’s financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

#### *Effective in 2015:*

- PFRS 9, *Financial Instruments*

PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability’s credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group’s financial assets, but will potentially have no impact on the classification and measurement of financial liabilities. PFRS 9 is effective for annual periods beginning on or after January 1, 2015.

#### *To be Determined:*

- Philippine Interpretation IFRIC 15, Agreements for the Construction of Real Estate  
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

The revised, amended and additional disclosure or accounting changes provided by the standards and interpretations will be included in the consolidated financial statements in the year of adoption, if applicable.

#### Summary of Significant Accounting Policies

##### Foreign Currency Translation

The consolidated financial statements are presented in Philippine Peso (₱), which is the Parent Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The functional and presentation currency of the entities in the Group (except for XWT, SSIC, ANI HK, ANI IL, JF HK, FFPL, ANI ESL and JF BVI) is also the Philippine peso.

Transactions in foreign currencies are initially recorded by entities under the Group at the respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at functional currency closing rate of exchange at the end of reporting period. All differences arising on settlement or translation of monetary items are recognized in the consolidated statement of income except for foreign exchange differences that qualify as capitalizable borrowing cost for qualifying assets. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transaction. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

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

## Presentation of Financial Statements

The Company has elected to present separately the items of recognized income and expense and other comprehensive income in consolidated statement of income and consolidated statement comprehensive income, respectively.

### Cash

Cash includes cash on hand and in banks, which earns interest at their respective bank deposit rates.

## Financial Instruments

### *Date of recognition*

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

Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date (i.e., the date that the Group commits to purchase or sell the asset).

### *Initial Recognition and Measurement of Financial Instruments*

The Group determines the classification of financial instruments at initial recognition and, where allowed and appropriate, re-evaluates this designation at every end of the reporting period.

All financial instruments are recognized initially at fair value. Directly attributable transaction costs are included in the initial measurement of all financial instruments, except for financial instruments measured at FVPL.

### *Financial Assets*

Financial assets within the scope of PAS 39 are classified in the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market.

The Group's financial assets are in the nature of loans and receivables. The Group has no financial assets classified as AFS, FVPL and HTM investments as at December 31, 2013 and 2012.

### *Financial Liabilities*

Also under PAS 39, financial liabilities are classified into financial liabilities at FVPL, loans and borrowings or as derivatives designated as hedging instruments in an effective hedge, as appropriate.



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

The Group's financial liabilities are in the nature of loans and borrowings. The Group has no financial liabilities classified as at FVPL as at December 31, 2013 and 2012.

#### *Subsequent Measurement*

The subsequent measurement of financial instruments depends on their classification as follows:

#### *Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate short-term resale and are not classified or designated as AFS financial assets or financial assets at FVPL. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The amortization is included under "Finance costs" in the consolidated statement of income. The losses arising from impairment are recognized in the consolidated statement of income as "Finance costs".

Loans and receivables are included in current assets if maturity is within twelve (12) months from the end of reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2013 and 2012, the Group's loans and receivables include cash, trade and other receivables, note receivable and advances to related parties in the consolidated statement of financial position (see Notes 4, 5 and 21).

#### *Loans and Borrowings*

Financial liabilities are classified in this category if these are not held for trading or not designated as at FVPL upon inception of the liability. These include liabilities arising from operations or borrowings. Loans and borrowings are classified as current liabilities if maturity is within twelve (12) months from financial reporting period. Otherwise, these are classified as noncurrent liabilities.

Loans and borrowings are initially recognized at fair value of the consideration received, less directly attributable transaction costs. After initial recognition, such loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the consolidated statements of income when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any issue cost, and any discount or premium on settlement. The EIR amortization is included under "Finance costs" in the consolidated statement of income.

This accounting policy applies primarily to the Group's trade and other payables, loans and borrowings and advances from related parties that meet the above definition (other than liabilities that are covered by other accounting standards, such as income tax payable and pension)(see Notes 11 and 12 and 21).

#### Offsetting of Financial Instruments

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognized amounts and the Group intends to either settle on a net basis, or to realize the asset and the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented at gross amounts in the consolidated statement of financial position.

#### Impairment of Financial Assets

The Group assesses at each financial reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### Loans and Receivables

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

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets' original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

Interest income continues to be recognized based on the original EIR of the asset. The interest income is recorded as part of "Finance income" in the consolidated statements of income. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of income. Loans, together with the associated allowance, are written off when there is no realistic

prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

#### Derecognition of Financial Instruments

##### *Financial Assets*

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

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

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay. In such case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

##### Financial Liabilities

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

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of income.

#### Business Combinations and Goodwill starting January 1, 2010

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling

interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through the consolidated statement of income. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PAS 39 either in consolidated statement of income or as change to other income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the consideration transferred over the Group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

#### Business Combination Prior to January 1, 2010

In comparison to the above mentioned requirements, the following differences applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets. Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognized goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognized if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration affected goodwill.

#### Business Combination Accounted for Using the Pooling of Interest Method

Business combinations involving entities or entities under common control with no consideration transferred are accounted for using the pooling of interest method which is scoped out of PFRS 3, *Business Combination*. The pooling of interests method generally involve the following:

- The assets and liabilities of the combining entities are reflected at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, that would otherwise be done under the purchase method. The only adjustments that are made are to harmonize accounting policies;
- No new goodwill is recognized as a result of the combination; the only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid/transferred and the equity acquired is reflected within equity;
- The consolidated statements of income reflects the results of the combining entities for the full year, irrespective of when the combination took place; and
- Comparatives are presented as if the entities had always been combined.

#### Inventories

Inventories, excluding the long-term stock pile inventory, are valued at the lower of cost or net realizable value (NRV). NRV of finished goods inventories is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. For materials and supplies, cost is composed of purchase price, transport, handling and other costs directly attributable to its acquisition. NRV of materials and supplies is the current replacement cost.

#### Property, Plant and Equipment

Except for land, property, plant and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment loss. Such cost includes the cost of replacing part of such property, plant and equipment when that cost is incurred if the recognition criteria are met. Land is stated at cost less any impairment in value.

Subsequent expenditures relating to an item of property, plant and equipment such as additions, major improvements and renewals are added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. Expenditures for repairs and maintenance are charged to operating expenses in the Group's consolidated financial statements of income (loss) during the period in which these are incurred.

Depreciation is computed on the straight-line basis over the following estimated useful lives of the assets:

Category	Number of Years
Building	15
Store and warehouse equipment	3 - 5
Delivery and transportation equipment	3 - 12
Machinery and equipment	3 - 12
Office furniture and fixtures	3 - 12
Other equipment	3 - 12
Leasehold improvement	5

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

Construction in progress represents leasehold improvements under construction and is stated at cost. This includes cost of construction, renovation, and other direct costs. Borrowing costs that are directly attributable to the construction of property, plant and equipment are capitalized during the construction period. Construction in-progress is not depreciated until the relevant asset is completed and ready for intended use.

An amount is written-down to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

The useful lives, residual value and depreciation method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from items of property, plant and equipment. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits that are expected to arise from its continued use.

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

#### Borrowing Cost

Borrowing costs are generally expensed as incurred. Interest on borrowed funds used to finance the construction of the asset to the extent incurred during the period of construction is capitalized as part of the cost of the asset. The capitalization of the borrowing cost as part of the cost of the asset: (a) commences when the expenditures and borrowing costs are being incurred during the construction and related activities necessary to prepare the asset for its intended use are in progress; and (b) ceases when substantially all the activities necessary to prepare the asset for its intended use are complete.

#### Intangible Assets

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

finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss as the expense category that is consistent with the function of the intangible assets. Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.

#### Impairment of Nonfinancial Assets

##### *Property, Plant and Equipment and Other Current and Noncurrent Assets*

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or CGU is written down to its recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators. Impairment losses are recognized in the consolidated statement of income.

Recovery of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The recovery is recorded in profit or loss. However, the increased carrying amount of an asset due to a recovery of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depletion, depreciation and amortization) had no impairment loss been recognized for that asset in prior years.

#### Determination of Fair Values

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

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

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

- Level 1 - Quoted prices in active markets for identical asset or liability
- Level 2 - Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
- Level 3 - Those with inputs for asset or liability that are not based on observable market data (unobservable inputs)

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

External valuers are involved for valuation of significant assets, such as trademark. Involvement of external valuers is decided upon annually by the management after discussion with and approval by the Company's audit committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated every three years. Management, after discussions with the Group's external valuers, decide on which valuation techniques and inputs to use for each case.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The valuation committee, in conjunction with the Group's external valuers, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.



On an interim basis, management and the Group's external valuers present the valuation results to the audit committee and the Group's independent auditors. This includes a discussion of the major assumptions used in the valuations.

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

## Provisions

### *General*

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

## Other Comprehensive Income

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

## Capital Stock

Common shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from proceeds. The excess of proceeds from issuance of shares over the par value of shares are credited to additional paid-in capital.

Where the Parent Company or any of its subsidiaries purchases the Parent Company's shares (treasury shares), the consideration paid including any directly attributable incremental costs is deducted from equity attributable to the Parent Company's equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects is included in equity attributable to the Parent Company's stockholders.

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

### Retained Earnings

Retained earnings represent the cumulative balance of periodic net income or loss, dividend contributions, prior period adjustments, effect of changes in accounting policy and other capital adjustments.

### *Sale of goods*

Revenue from the sale of goods in the course of ordinary course of activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue from sale of goods is recognized when all the following conditions are satisfied:

- a. the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b. the Group retains the continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c. the amount of revenue can be measured reliably;
- d. it is probable that the economic benefits associated with the transaction will flow to the Group; and
- e. the costs incurred or to be incurred in respect of the transaction can be measured reliably.

### *Rendering of Services*

Revenue from services is recognized in the period in which they are rendered, provided the amount of revenue can be measured reliably and it is probable that the Group will receive consideration.

### *Interest*

Revenue is recognized as interest accrues (using the EIR method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

### *Dividend*

Dividend income is recognized when the Group's right to receive payment is established.

### *Rental*

Revenue is recognized based on a straight-line basis over the term of the lease agreement.

### Cost and Expenses Recognition

Cost and expenses are decreases in economic benefits during the financial reporting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Cost and expense, interest expense and other finance costs are recognized in the consolidated statement of income in the period these are incurred.

## Leases

### *Determination of Whether an Arrangement Contains a Lease*

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

A reassessment is made after inception of the lease only if one of the following applies:

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

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

### *Group as a Lessee*

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are amortized as an expense in consolidated statement of income on a straight-line basis over the lease term.

### *Group as a Lessor*

Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

## Pension Benefits

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

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

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

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

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

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

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

#### Basic/Diluted Earnings Per Share

##### *Basic Earnings Per Share (EPS)*

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

##### *Diluted EPS*

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

## Income Taxes

### *Current Income Tax*

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

Current income tax relating to items recognized directly in the consolidated statement of changes in equity is recognized in equity and not in the consolidated statement of income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

### *Deferred Income Tax*

Deferred income tax is provided using the liability method on temporary differences at the end of reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in foreign subsidiaries and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in foreign subsidiaries and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at the end of

each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred income tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries, associates and interest in joint ventures. With respect to investments in other subsidiaries, associates and interests in joint ventures, deferred income tax liabilities are recognized except when the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax relating to items recognized outside consolidated statement of income is recognized outside consolidated statement of income. Deferred income tax items are recognized in correlation to the underlying transaction either in other income or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

#### Business Segments

For management purposes, the Group is organized into operating segments according to the nature of the sales and the services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

#### Contingencies

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

#### Events after the Reporting Period

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

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### **3. Significant Accounting Judgments, Estimates and Assumptions**

The consolidated financial statements prepared in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes. Future events

may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments, estimates and assumptions 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. However, actual outcome can differ from these estimates.

### Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognized in the consolidated financial statements:

#### *Determining Functional Currency*

Based on the economic substance of the underlying circumstances relevant to the Parent Company, the functional currency of the Parent Company has been determined to be the Philippine peso. Each subsidiary in the Group also determines its own functional currency. The functional currency of the subsidiaries in the Group is also the Philippine peso. The functional currency is the currency of the primary economic environment in which the Parent Company and its subsidiaries operates. It is the currency that mainly influences the costs and expenses, in which funds from financing activities are generated, and in which receipts from operating activities are generally retained

#### *Classification of Financial Instruments*

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

#### *Determining Operating Lease Commitments- Group as a Lessee*

The Group has entered into equipment leases. The Group has determined that it does not retain all the significant risks and rewards of ownership of these equipment which are leased on operating leases.

#### *Determining Operating Lease Commitments - Group as a Lessor*

The Group has entered into commercial property leases on its investment properties portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

### Estimates and Assumptions

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty as at the end of the reporting period, that have the most

significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year are as follows:

#### *Estimating Allowance for Impairment Losses on Trade and Other Receivables*

The Group evaluates specific accounts where the Group has information that certain customers are unable to meet their financial obligations. The Group assesses individually the receivables based on factors that affect its collectibility. Factors such as the Group's length of relationship with the customers and the customer's current credit status are considered to ascertain the amount of allowances that will be recorded in the receivables account. These allowances are re-evaluated and adjusted as additional information is received.

In addition to specific allowance against individually significant loans and receivables, the Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on any deterioration in the Group's assessment of the accounts since their inception. The Group's assessments take into consideration factors such as any deterioration in country risk and industry, as well as identified structural weaknesses or deterioration in cash flows.

The carrying value of trade and other receivables amounted to P757,509,933 as at March 31, 2014 (December 31, 2013: P715,241,065). Allowance for impairment losses on trade and other receivables amounted to P14,856,558 as at March 31, 2014 (December 31, 2013: P14,856,558), respectively (see Note 5).

#### *Estimating Allowance for Impairment Losses on Inventory*

The Group maintains allowance for inventory losses at a level considered adequate to reflect the excess of cost of inventories over their NRV. NRV tests are performed at least annually and represent the estimated future sales price of the product based on prevailing prices at the reporting period, less estimated costs to complete production and bring the product to sale.

As at March 31, 2014, inventories carried at lower of cost or NRV amounted to P146,321,655 (December 2013: P121,137,973). There are no provision for impairment losses recognized in 2014 and 2013 (see Note 6).

#### *Estimating Useful Lives of Property, Plant and Equipment*

The Group estimates the useful lives of property, plant and equipment and investment property based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment and investment property are reviewed periodically and are 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 assets. In addition, estimation of the useful lives of property, plant and equipment and investment property is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. There is no change in the



estimated useful lives of the property, plant and equipment and investment properties as at March 31, 2014 and December 31, 2013.

The net book values of property, plant and equipment as at March 31, 2014 amounted to P1,572,059,483 (December 31, 2013: P1,039,985,043) (see Note 10).

#### *Estimating Impairment Losses on Property, Plant and Equipment*

The Group assesses impairment on property, plant and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The factors that the Group considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that can materially affect the consolidated financial statements.

These assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss would be recognized whenever evidence exists that the carrying value is not recoverable. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

An impairment loss is recognized and charged to earnings if the discounted expected future cash flows are less than the carrying amount. Fair value is estimated by discounting the expected future cash flows using a discount factor that reflects the market rate for a term consistent with the period of expected cash flows. No impairment loss was recognized in 2014 and 2013.

#### *Determining Pension Benefits*

The determination of the Group's obligation and cost for pension benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions, as described in Note 32, include among others, discount rates, expected rates of return and future salary increase rates. In accordance with PAS 19, actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligations in such future periods. While management believes that its assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the Group's pension and other retirement obligations.

Pension liability amounted to P6,977,199 as at March 31, 2014 (December 31, 2013: P6,977,199).

#### *Assessing Recoverability of Deferred Income Tax Assets*

The Group reviews the carrying amounts of deferred income tax assets at each end of the reporting period and reduces the amounts to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized.

The Group has net deferred income tax assets amounting to P61,679,118 as at March 31, 2014 (December 31, 2013: P59,836,178).

#### *Determining Fair Values of Financial Instruments*

Where the fair values of financial assets and liabilities recorded in the consolidated statements of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility and correlation.

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#### **4. Cash**

	<b>March 31, 2014</b>	<b>December 31, 2013</b>
Cash on hand	<b>2,361,092</b>	5,084,379
Cash in banks	<b>88,648,644</b>	334,226,450
	<b>91,009,736</b>	339,310,829

Cash with banks earn interest at the respective bank deposit rates. Interest income earned from cash with banks amounted to P7,036 and P32,522 in 2014 and 2013 respectively.

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## 5. Trade and Other Receivables

	March 31, 2014	December 31, 2013
Trade Receivables	651,125,574	646,006,784
Deposit to suppliers	110,755,663	69,792,135
Others	10,485,254	14,298,704
	<u>772,366,491</u>	<u>730,097,623</u>
Allowance for bad debts	(14,856,558)	(14,856,558)
	<u>757,509,933</u>	<u>715,241,065</u>

Trade receivables are noninterest-bearing and are generally on fifteen (15)-day to thirty (30)-day terms.

Deposit to suppliers represents advance payments that will be settled by delivery of inventories to the Group.

Others represent cash advances given to consultants that will be used in the site inspection and development of TBC stores and will be reclassified to proper accounts liquidated.

The Group's allowance for impairment losses pertains to trade receivables and is based on specific impairment assessments performed by the Group.

Movements in allowance for impairment losses follow:

	March 31, 2014	December 31, 2013
Beginning balance	14,856,558	14,775,382
Provision		81,176
Ending balance	<u>14,856,558</u>	<u>14,856,558</u>

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## 6. Inventories

	March 31, 2014	December 31, 2013
Vegetables and fruits	112,041,751	95,222,822
Packaging materials and other supplies	29,329,958	19,035,548
Finished goods	4,949,946	6,879,603
	<u>146,321,655</u>	<u>121,137,973</u>

Management believes that the Group's inventories are not impaired as at March 31, 2014 and 2013. Accordingly, there were no provisions for impairment losses that were recognized in 2014 and 2013.

There were no unusual purchase commitments and accrued net losses on such commitments.

## 7. Biological Assets

	March 31, 2014		
	Consumable	Bearer	Total
Beginning balance	246,691,648	2,879,992	249,571,640
Additions	13,560,500		13,560,500
Harvested and transferred to inventory	(34,621,416)		(34,621,416)
Gain on changes in fair value of biological assets	29,721,683		29,721,683
	<b>255,352,415</b>	<b>2,879,992</b>	<b>258,232,406</b>

	December 31, 2013		
	Consumable	Bearer	Total
Beginning balance	98,775,350	87,298,936	186,074,287
Additions	11,500,000	5,000,000	16,500,000
Contribution from Joint venture	86,802,875	-	86,802,875
Harvested and transferred to inventory	(98,775,350)	(87,298,936)	(186,074,286)
Gain on changes in fair value of biological assets	148,388,773	(2,120,008)	146,268,765
	<b>246,691,648</b>	<b>2,879,992</b>	<b>249,571,640</b>

An analysis of the gain (loss) from changes in fair value of biological assets is as follows:

	March 31, 2014		
	Consumable	Bearer	Total
Fair value of biological assets	328,390,517	3,599,990	331,990,507
Estimated point-of-sale costs	(63,838,103)	(719,998)	(64,558,101)
Fair value less estimated point-of-sale costs of biological assets	264,552,414	2,879,992	267,432,406
Remaining initial costs/transfers from advances to projects in prior year	-	-	-
Initial costs during the year (Note 10)	(13,560,500)	-	(13,560,500)
Gain on changes in fair value of biological assets	250,991,914	2,879,992	253,871,906
Remaining gain (loss) on changes in fair value recognized in prior period	-	-	-
Gain on changes in fair value recognized during the year (Note 18)	29,721,683	-	29,721,683

	December 31, 2013		
	Consumable	Bearer	Total
Fair value of biological assets	308,364,560	3,599,990	311,964,550
Estimated point-of-sale costs	(61,672,912)	(719,998)	(62,392,910)
Fair value less estimated point-of-sale costs of biological assets	246,691,648	2,879,992	249,571,640
Initial costs/transfers from advances to projects during the year (Note 10)	(98,302,875)	(5,000,000)	(103,302,875)
Gain on changes in fair value of biological assets	148,388,773	(2,120,008)	146,268,765
Gain on changes in fair value recognized during the year (Note 18)	148,388,773	(2,120,008)	146,268,765

*The Group's financial condition and results of operations may be adversely affected by any disruptions in the supply of, or the price fluctuations, for its major products.*

The group procures its vegetables and fruits from various sources, ranging from small farmers to cooperatives and big producers. Currently, part of the Group's internal supply requirement is provided for by its farming subsidiary, BCHAC. As a policy, volume, and quality is the main consideration in the sourcing of all the products handled by the Parent Company. However, the risks of supply shortages poses significant threat to the continuity of business operations and ultimately, to the results of operations of the Group. To mitigate supply risks, the Group maintains relationships with various counterparties to maintain its position in the supply chain.

There are no biological assets that are pledged as security for liabilities and whose title is restricted as at March 31, 2014 and December 31, 2013.

## 8. Advances to Projects

	March 31, 2014	December 31, 2013
Farm projects	333,575,819	333,575,819
Other Projects	317,577,736	317,577,736
	651,153,555	651,153,555

Advances to projects represent cash advances provided for farm projects and other projects related to brand building and management, business, property and plant/commissary development. Other advances include cash advances made for identified business prospects in Europe, Macedonia and Kosovo, that are expected to materialize in the next twelve (12) months.

An agreement was entered between the Group and Tetra Pak regarding future acquisition of equipment necessary for pre-processing, sterilization, aseptic storage and CIP station for coconut water. The Group paid 25% of the price (Lump sum price of US 2,624,100) in advances, 15 days following the signing the agreement, while the remaining be paid on the next period.

Advances to projects will be reclassified as "Biological Assets", "Property, Plant and Equipment" or "Investment" once the project or business prospect materializes

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**9. Prepayments and Other Current Assets**

	<b>March 31, 2014</b>	<b>December 31, 2013</b>
Input value added taxes (VAT)	44,059,094	39,754,481
Prepaid rent	32,178,819	38,973,184
Deposits	20,607,948	24,769,567
Prepaid Insurance	18,075,155	19,431,265
Creditable withholding tax	3,130,373	2,679,666
Others	14,807,896	671,423
	<b>132,859,285</b>	<b>126,279,586</b>

Input tax represents the Value-Added Tax (VAT) paid on purchases of applicable goods and services, net of output tax, which can be recovered as tax credit against future tax liability of the Group upon approval by the Philippine Bureau of Internal Revenue (BIR) and/or the Philippine Bureau of Customs.

Rental deposits consist of payments made by the Company in advance in order to secure a rent.

## 10. Property, Plant and Equipment

March 31, 2014:	Land and Landrights	Buildings	Store and warehouse equipment	Delivery and transportation equipment	Machinery and equipment	Office furniture and fixtures	Leasehold improvement	Total
<b>Cost</b>								
Balances at January 1	P 149,152,330	P 149,341,637	P 156,095,163	P 57,088,985	P 600,596,102	P 33,552,837	P 139,197,560	P 1,285,024,614
Additions	553,205,000	-	1,284,896	-	-	77,009	-	554,566,905
Disposal	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	358,050	-	181,979	540,029
<b>Balances at March 31</b>	<b>702,357,330</b>	<b>149,341,637</b>	<b>157,380,059</b>	<b>57,088,985</b>	<b>600,954,152</b>	<b>33,629,846</b>	<b>139,379,539</b>	<b>1,840,131,547</b>
<b>Accumulated depreciation</b>								
Balances at January 1	P -	P 21,094,069	P 34,299,517	P 24,377,687	P 89,275,829	P 13,493,758	P 62,739,918	P 245,280,778
Depreciation Expense	-	1,387,457	2,448,580	977,807	11,979,749	1,242,878	4,754,816	22,791,286
Disposal	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-
<b>Balances at March 31</b>	<b>-</b>	<b>22,481,526</b>	<b>36,748,097</b>	<b>25,355,494</b>	<b>101,255,578</b>	<b>14,736,636</b>	<b>67,494,734</b>	<b>268,072,064</b>
<b>Book Values at March 31, 2014</b>	<b>P 702,357,330</b>	<b>P 126,860,111</b>	<b>P 120,631,962</b>	<b>P 31,733,491</b>	<b>P 499,698,574</b>	<b>P 18,893,210</b>	<b>P 71,884,805</b>	<b>P 1,572,059,483</b>

December 31, 2013:	Land and Landrights	Building	Store warehouse equipment	Delivery transportation equipment	Machinery and equipment	Office furniture and fixtures	Leasehold improvement	Total
<b>Cost:</b>								
Balances at January 1	P 82,442,830	P 116,159,745	P 99,073,894	P 62,674,604	P 339,930,026	P 27,600,144	P 133,328,674	P 861,209,917
Additions	66,709,500	33,181,892	57,021,269	6,601,531	74,121,340	5,952,693	5,868,886	249,457,111
Disposals	-	-	-	(12,187,150)	-	-	-	(12,187,150)
Reclassification	-	-	-	-	186,544,736	-	-	186,544,736
<b>Balances at December 31</b>	<b>149,152,330</b>	<b>149,341,637</b>	<b>156,095,163</b>	<b>57,088,985</b>	<b>600,596,102</b>	<b>33,552,837</b>	<b>139,197,560</b>	<b>1,285,024,614</b>
<b>Accumulated depreciation</b>								
Balances at January 1	P -	P 14,593,110	P 27,407,629	P 16,053,063	P 65,567,931	P 10,267,819	P 40,384,574	P 174,274,126
Depreciation expense	-	6,500,959	6,891,888	8,324,624	23,707,898	3,225,939	22,355,344	71,006,652
<b>Balances at December 31</b>	<b>-</b>	<b>21,094,069</b>	<b>34,299,517</b>	<b>24,377,687</b>	<b>89,275,829</b>	<b>13,493,758</b>	<b>62,739,918</b>	<b>245,280,778</b>
<b>Book Values at Dec. 31, 2013</b>	<b>P 149,152,330</b>	<b>P 128,247,568</b>	<b>P 121,795,646</b>	<b>P 32,711,298</b>	<b>P 511,320,273</b>	<b>P 20,059,079</b>	<b>P 76,457,642</b>	<b>P 1,039,743,836</b>

## 11. Intangible Assets

March 31, 2014:	Trademark	Computer Software	Franchise	Goodwill	Total
<b>Valuation</b>					
At January 1, 2014	250,911,720	4,274,883	9,049,750	389,366,568	653,602,921
Additional	-	19,148	-	-	19,148
Reversal of revaluation surplus	-	-	-	-	-
Restatement addition	-	-	-	-	-
<b>At March 31, 2014</b>	<b>250,911,720</b>	<b>4,294,031</b>	<b>9,049,750</b>	<b>389,366,568</b>	<b>653,622,070</b>
<b>Accumulated amortization/impairment loss</b>	-	-	-	-	-
At January 1, 2014	43,170	921,333	-	-	964,503
Amortization/impairment loss	-	149,185	-	-	149,185
<b>At March 31, 2014</b>	<b>43,170</b>	<b>1,070,518</b>	-	-	<b>1,113,688</b>
<b>Net Balance</b>	<b>250,868,550</b>	<b>3,223,513</b>	<b>9,049,750</b>	<b>389,366,568</b>	<b>652,508,382</b>

December 31, 2013:	Trademark	Computer Software	Franchise	Goodwill	Total
<b>Valuation</b>					
At January 1, 2013	200,227,710	1,899,244	9,049,750	29,989,414	241,166,118
Additional	50,684,011	2,375,639	-	359,377,154	412,436,804
<b>At December 31, 2013</b>	<b>250,911,720</b>	<b>4,274,883</b>	<b>9,049,750</b>	<b>389,366,568</b>	<b>653,602,921</b>
<b>Accumulated amortization/impairment loss</b>	-	-	-	-	-
At January 1, 2013	43,170	508,278	-	-	551,448
Amortization/impairment loss	-	413,055	-	-	413,055
<b>At December 31, 2013</b>	<b>43,170</b>	<b>921,333</b>	-	-	<b>964,503</b>
<b>Net Balance</b>	<b>250,868,550</b>	<b>3,353,550</b>	<b>9,049,750</b>	<b>389,366,568</b>	<b>652,638,418</b>

## 12. Trade and Other Payables

	2014	2013
Trade payables	617,322,205	607,546,671
Customers' deposits	18,987,856	23,270,383
Accrued expenses	16,497,578	21,067,878
Accrued interest payable	2,221,875	220,000
Withholding tax payable	1,970,905	922,267
Others	30,791,043	19,269,240
	<b>687,791,462</b>	<b>672,296,439</b>

The average credit period on purchases of certain goods from suppliers is 30 days from date of invoice.



Trade payables relate to payables to suppliers and relate to transactions in the ordinary course of business. Accrued expenses consist of accrued salaries and rental which are usual in the business operations of the Group. This account also includes accrual for professional fees that were already incurred but unpaid. Accrued interest payable pertains to interest in loans and borrowings that is usually payable on demand.

Customers' deposit represents deposit for freight and will be paid to the freight forwarders. Withholding tax payable includes taxes withheld from salaries of employees which will be remitted in the next month. Others represent other operating expenses that are payable to various suppliers and contractors.

### 13. Loans and Borrowings

	March 31, 2014	December 31, 2013
Landbank of the Philippines	270,000,000	279,300,000
Banco de Oro Universal Bank	399,050,000	318,325,000
Mega International Commercial Bank	73,963,633	99,122,130
Rizal Commercial Banking Corporation	101,925,413	86,700,690
Malayan Bank	50,000,000	50,000,000
The Hongkong and Shanghai Banking Corporation (HSBC)	160,473,187	156,409,197
CTBC Bank	114,000,000	139,000,000
Others	32,920,369	31,726,966
Total Loans	1,202,332,602	1,160,583,983
Less current portion	(1,112,332,602)	(1,034,055,089)
Interest-bearing loans - net of current portion	90,000,000	126,528,894
	Interest Per Annum	
Philippine Peso	4% - 8.5%	
Foreign Currency	2% - 3.5%	

Loans were obtained for working capital requirements and other operating requirements and are generally payable in one (1) year except for loan from LBP and the convertible and redeemable note payable.

The Group obtained the long-term loan from LBP amounting to P300.0 million with interest of 6.75% per annum with a term of sixty (60) months, payable semi-annual. Carrying values of the loan as at March 31, 2014 and 2013 amounted to P150 million and P210 million, respectively. The currently maturing portion of the long-term loan amounted to P60 million as at March 31, 2014 and 2013, respectively.

The Group obtained convertible and redeemable loan from Black River Capital Partners Food Fund Holdings (Singapore) Pte. Ltd. as follows:

	Amount	Rate per Annum
Convertible Bonds	335,000,000	3%

Interest expense incurred on the above loans for the first quarter ending March 31 amounted to P19,143,581 and 11,799,947 in 2014 and 2013, respectively.

#### 14. Capital Stock

	2013		2012	
	Number of Shares	Amount	Number of shares	Amount
Authorized - P1 par value per share	1,000,000,000	P1,000,000,000	1,000,000,000	P1,000,000,000
Issued and outstanding	535,693,037	P535,693,037	535,693,037	P535,693,037

On September 11, 2009, the Board of Directors approved the proposed increase of authorized capital stock shares from 300,000,000 shares with P1 par value to 1,000,000,000 shares with par value and by the vote of the stockholders owning or representing at least 2/3 of the outstanding capital shares at a meeting held on December 16, 2009. On April 12, 2012, the SEC approved the application for the increase in authorized capital stock.

The 25% of the increased capital shares was subscribed and fully paid by Earthright Holdings, Inc. and Black River Capital Partners Food Fund Holdings (Singapore) Pte. Ltd.

Subscriber	Nationality	Number of shares	Subscribed Amount	Amount paid-in capital	Premium
Earthright Holdings, Inc.	Filipino	125,807,500	P125,807,500	P125,807,500	P812,200,425
Black River Capital Partners Food Fund Holdings (Singapore) Pte. Ltd.	Singaporean	49,192,500	49,192,500	P49,192,500	317,581,647
		175,000,000	P175,000,000	P175,000,000	1,129,782,072

#### 15. Revenues

	2014	2013
Sale of goods	984,834,959	747,401,594
Service income	4,015,091	6,593,909
	988,850,050	753,995,503

Sale of goods pertains to agricultural produce and other related products.

Service income pertains to logistic services.

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**16. Cost of Sales and Services**

	2014	2013
Inventories at January 1	121,137,973	134,863,797
Harvested agricultural produce	34,621,416	65,391,983
Purchases	767,508,762	636,363,189
Cost of goods available for sale	923,268,151	836,618,969
Inventories at December 31	(146,321,655)	(193,784,992)
Cost of sales	776,946,496	642,833,977
Cost of services	1,505,637	2,088,072
	<u>778,452,133</u>	<u>644,922,049</u>

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**17. Other Operating Income**

	2014	2013
Gain on changes in fair value of biological assets	29,721,683	
Interest income from farmers	35,160	
Realized foreign exchange gain	145,223	
Rent income	192,275	
Other income	7,452,927	24,370,376
	<u>37,547,268</u>	<u>24,370,376</u>

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**18. General and Administrative Expenses**

	2014	2013
Salaries, wages and other employee benefits	69,030,791	20,341,730
Freight and handling cost	52,550,397	11,148,160
Depreciation and amortization	22,940,472	18,098,324
Rental	21,121,960	8,214,869
Contracted services	16,642,262	12,120,225
Supplies	7,734,663	2,837,877
Communication, light and water	7,195,138	3,322,517
Repairs and maintenance	7,186,253	1,484,880
Professional fees	6,020,869	1,101,371
Commissions	5,030,552	5,342,020
Taxes and licenses	4,100,051	3,249,663
Transportation and travel	2,644,651	2,412,416
Advertising	207,397	3,165,842
Others	12,161,090	4,892,609
	<u>234,566,548</u>	<u>97,732,502</u>

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**19. Related Party Transactions**

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common

control with the reporting enterprise, or between and/or among the reporting enterprise and their key management personnel, directors, or its stockholders.

In the normal course of business, the Company transacts with entities which are considered related parties under PAS 24, *Related Party Disclosures*. Advances from a related party represent noninterest-bearing cash advances from related party for working capital requirements that are payable on demand.

#### Compensation of Key Management Personnel

The Company considers its management up to the President as key management personnel. Total remuneration of key management personnel, composed mainly of short-term employee benefits and provision for retirement benefits that are included under "Personnel costs" in the consolidated statement of income amounted to P69,030,791 and 20,341,730 as of March 31, 2014 and 2013 respectively.

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#### **20. Pension Liability**

The Group has unfunded, noncontributory defined benefit retirement plans covering substantially all of its employees.

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

Changes in the unfunded pension liability for 2013 are as follows:

	2013
Beginning balance	<b>P5,249,535</b>
Current service cost	<b>1,119,264</b>
Net interest	<b>231,336</b>
Net actuarial gain	<b>14,576</b>
Adjustment due to curtailment/settlement	<b>370,234</b>
Pension cost charged to consolidated statement of income	<b>1,735,410</b>
Actuarial loss on obligation	<b>1,152,952</b>
Contributions	<b>(1,160,697)</b>
	<b>P6,977,200</b>

The table below demonstrates the sensitivity analysis to a reasonable possible change in defined benefit obligation, with all other variables held constant, of the various assumptions used in actuarial valuation as at December 31, 2013:

Assumptions	Change in assumption - increase (decrease)	Sensitivity to defined benefit obligation
Discount rates	<b>0.50%</b> <b>(0.50%)</b>	<b>(P39,860)</b> <b>39,860</b>
Future salary increase	<b>0.50%</b>	<b>17,714</b>

(0.50%)

(17,714)

The Company's latest actuarial valuation report is as at and for the year ended December 31, 2013.

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## 21. Income Taxes

a. Details of provision for income tax for the year are as follows:

	2014	2013
Current	13,398	1,572,951
Deferred	8,916,505	2,223,959
	8,929,903	3,796,910

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

### Financial Risk Management Objectives and Policies

The Company's principal financial instruments consist of cash, restricted cash and advances from a related party. The main purpose of these financial instruments is to finance the Company's normal course of its operating activities. The Company has various other financial assets and financial liabilities such as receivables, refundable deposits under "Other current assets" and accounts payable and other liabilities which arise directly from its operations.

The Company is exposed to interest rate risk, liquidity risk, credit risk and foreign currency risk. The main objective of the Company's financial risk management is to identify and monitor said risks in an ongoing basis and to minimize and mitigate such risks.

### Interest Rate Risk

The Company's exposure to the risk that the value of its financial assets will fluctuate because of changes in market interest rates pertains to placements of restricted cash with fixed rates of interest ranging from 1.13% to 1.25% in 2013 and 0.75% in 2012 for US dollar placements and 0.75% to 2.25% in 2013 and 0.75% to 2.88% for 2012 for PHP placements. The Company opted not to disclose the sensitivity analysis on interest rate risk since placements of restricted cash are not material in relation to the financial statements as a whole.

### Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit the risk, the Company maintains sufficient cash to meet operating capital requirements.

The Company also monitors the maturities of its financial assets and financial liabilities and ensures that it has sufficient current assets to settle the current liabilities.

### Credit Risk

Credit risk refers to the potential loss arising from any failure by counterparties to fulfill their obligations, as and when they fall due. It is inherent to the business as potential losses may arise due to the failure of its customers and counterparties to fulfill their obligations on maturity periods or due to adverse market conditions.

The Company has no significant concentration of credit risk with any single counterparty or group of counterparties having similar characteristics. Credit risk on financial assets which comprise cash, receivables, restricted cash and refundable deposits included in “Other current assets” arising from the default of the counterparty has a maximum exposure equal to the carrying amount of these financial instruments.

Cash in bank and restricted cash are assessed as high grade since this is deposited in a reputable bank, which has a low probability of insolvency.

- High grade receivables pertain to receivables from employees and program partners who consistently pay before the maturity date. Standard grade receivables are receivables that are collected on their due dates even without an effort from the Company to follow them up. Both high grade and standard grade receivables currently have no history of default.

### *Foreign currency risk*

The Company is exposed to foreign currency risk on its outstanding foreign currency denominated financial assets and financial liabilities. To address the risk associated with the volatility of the foreign exchange rate, the Company actively monitors its currency exposures.

### Capital Management Objectives and Policies

The primary objective of the Company capital management policy is to ensure that the fund balance is maintained at an adequate level. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

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## **23. Fair Value Measurement**

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

#### *Cash with banks*

The carrying amount of cash with banks approximates their fair value due to the short-term nature and maturity of these financial instruments.

#### *Trade and Other Receivables and Trade and Other Payables*

Similarly, the carrying amounts of trade and other receivables and trade and other payables approximate their fair values due to the short-term nature of these accounts.

#### *Note receivable*

The carrying amount reported in the balance sheet for notes receivable approximates its fair value because the interest rates on the portfolio of notes receivable approximate current interest rates to be received on similar current notes receivable.

#### *Loans and Borrowings*

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

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## **24. Lease Agreements**

The Group has finance leases for various items of plant and machinery. These leases have terms of renewal, but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease. Future minimum lease payments under finance leases with the present value of the net minimum lease payments.

#### *Lease Agreement Between HEARBCO-2 and TRAIN*

On February 7, 2014, HEARBCO-2 (the lessor) and TRAIN (the lessee) entered into a 60-year lease agreement until February 28, 2073, whereby a parcel of land, with an area of 2,943,254 square meters located at Madaum, Tagum City, Davao del Norte, including all improvements and biological assets therein, are to be leased to the lessee for an annual rental fee of ₱70,000 per hectare. As part of the lease consideration, TRAIN has outstanding liability to the lessee amounting to 316.4 million of March 31, 2014.

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## **25. Business Combination and Goodwill**

In 2013, the Group acquired the following subsidiaries for the purpose of global expansion and to explore counter-trading opportunities on countries where AgriNurture, Inc. operates.

#### *Acquisition of Michsul Pty. Ltd. (MPL)*

On July 1, 2013, the Group acquired one hundred percent (100%) ownership interest of MPL, a company registered in Australia, primarily engaged in food processing and distribution of fresh fruits and vegetables.

The carrying value of MPL's net assets at acquisition date are as follows:

<b>Net Assets</b>	<b>P9,075,224</b>
Percentage acquired	100%
Share on fair value of net assets acquired	9,075,224
Acquisition cost	85,826,778
<b>Provisional Goodwill</b>	<b>P76,751,554</b>

Acquisition of Joyful Fairy Fruits Ltd. (Hong Kong)

On January 1, 2013, the Group acquired fifty one percent (51%) ownership interest of Joyful Fairy Fruits Ltd. (Hong Kong), a company registered in Hong Kong, primarily engaged in distribution, importing and exporting of merchandise of all kinds.

The carrying value of Joyful Fairy Fruits Ltd. (Hong Kong)'s net liabilities at acquisition date are as follows:

<b>Net Liabilities</b>	<b>P128,050,737</b>
Percentage acquired	51%
Share on fair value of net assets acquired	65,305,876
Acquisition cost	102,625,000
<b>Provisional Goodwill</b>	<b>P167,930,876</b>

Acquisition of BSK Pty. Ltd (BPL)

On March 1, 2013, the Group acquired one hundred percent (100%) ownership of BPL, a company registered in Australia, primarily engaged in food processing and distribution of fresh fruits and vegetables.

The carrying value of BPL's net liabilities at acquisition date are as follows:

<b>Net Liabilities</b>	<b>P23,752,337</b>
Percentage acquired	100%
Share on fair value of net assets	23,752,337
Acquisition cost	75,203,642
<b>Provisional Goodwill</b>	<b>P98,955,979</b>

Based on the assumptions used, Goodwill recognized in 2013 is not impaired as at March 31, 2014.



### CERTIFICATION OF INDEPENDENT DIRECTORS

I, **TOMAS B. LOPEZ, JR.**, Filipino, of legal age and a resident of Unit 206 Chateau Verde Cond. E. Rodriguez Blvd., Pasig City. After having been duly sworn in accordance with law do hereby declare that:

1. I am an independent director of Agrinurture, Inc.
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Please see attached sheet.		

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Agrinurture, Inc., as provided for in Section 38 of the Securities and Regulations Code and its Implementing Rules and Regulations.

4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulations Code.

5. I shall inform the corporate secretary of Agrinurture, Inc. of any changes in the abovementioned information within five (5) days from its occurrence.

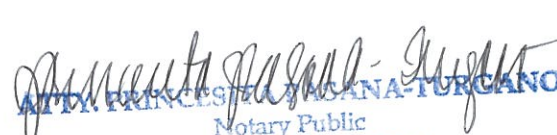
Done this 13th day of may 2014 at makati city.

  
**TOMAS B. LOPEZ, JR.**  
Affiant

SUBSCRIBED AND SWORN to before me this 13th day of may 2014, at makati city, affiant exhibiting to me his competent evidence of identity passport No. EB6752452 issued at OFA manila valid until 13 Nov 2017.

Doc. No. 117;  
Page No. 25;  
Book No. III;  
Series of 2014.



  
**PRINCESITA PASANA-TURGANO**  
Notary Public  
Until December 31, 2014  
Roll of Attorneys No. 58144  
IBP Lifetime Member No. 939243  
PTR No. 4253165/1-23-14/Makati City  
Notarial Commission No. M-555  
TIN 408-058-450  
MCLE Compliance No. IV-0018886/04-26-13

**TOMAS B. LOPEZ, JR.**

<b>Company/Organization</b>	<b>Position/Relationship</b>	<b>Period of Service</b>
University of Makati (UMAK)	President	1999 to Present
PAG-IBIG	Board Member	2010 to Present
STI	Director	2001 to Present

### CERTIFICATION OF INDEPENDENT DIRECTORS

I, **ALFONSO Y. GO**, Filipino, of legal age and a resident of #2304 AIG Gold Tower, F. Ortigas St. Ortigas Center, Pasig City. After having been duly sworn in accordance with law do hereby declare that:

1. I am an independent director of Agrinurture, Inc.
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Please see attached sheet.		

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Agrinurture, Inc., as provided for in Section 38 of the Securities and Regulations Code and its Implementing Rules and Regulations.

4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulations Code.

5. I shall inform the corporate secretary of Agrinurture, Inc. of any changes in the abovementioned information within five (5) days from its occurrence.

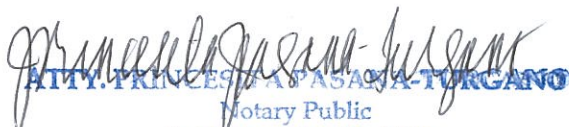
Done this 15th day of May 2014 at Makati City.

  
**ALFONSO Y. GO**  
Affiant

**SUBSCRIBED AND SWORN** to before me this 15th day of May 2014 at Makati City, affiant exhibiting to me his competent evidence of identity Senior Citizen's ID No. 333953 issued by OSCA-QC on 16 August 1999.

Doc. No. 142;  
Page No. 30;  
Book No. III;  
Series of 2014.



  
**ATTY. PRINCESSITA PASANA-TURGANO**  
Notary Public  
Until December 31, 2014  
Roll of Attorneys No. 58144  
IBP Lifetime Member No. 939243  
PTR No. 4253165/1-23-14/Makati City  
Notarial Commission No. M-555  
TIN 408-058-450  
MCLE Compliance No. IV-0018886/04-26-16

**ALFONSO Y. GO**

<b>Company/Organization</b>	<b>Position/Relationship</b>	<b>Period of Service</b>
The Everliving Company, Inc.	Corporate Secretary	2006-Present
Agricultural Bank of the Philippines, Inc. (A Rural Bank)	President/Director	2011 to present

## **CERTIFICATION OF INDEPENDENT DIRECTORS**

I, **ANTONIO PETER R. GALVEZ**, Filipino, of legal age and a resident of 1 Birmingham Street, Montgomery Place, E. Rodriguez, Quezon City, after having been duly sworn in accordance with law do hereby declare that:


1. I am nominated as an independent director of Agrinurture, Inc.
2. I am affiliated with the following companies or organizations:

**Company/Organization Position/Relationship Period of Service**  
Please see attached sheet.

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Agrinurture, Inc., as provided for in Section 38 of the Securities and Regulations Code and its Implementing Rules and Regulations.
4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulations Code.
5. I shall inform the corporate secretary of Agrinurture, Inc.

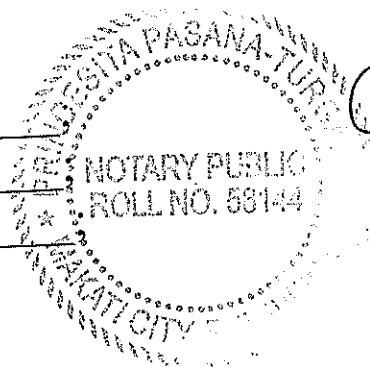
of any changes in the abovementioned information within five (5) days from its occurrence.

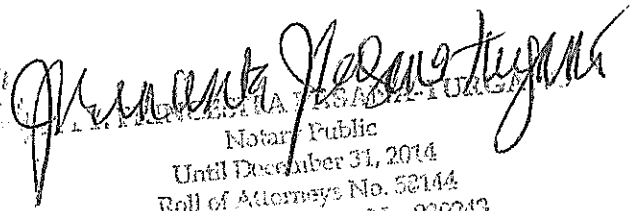
Done this 28th day of May 2014 at  
MAKATI CITY.

  
**ANTONIO PETER  
R. GALVEZ** Affiant

**SUBSCRIBED AND SWORN** to before me this 28th  
day of May 2014 at makati city,  
affiant exhibiting to me his competent evidence of identity  
DRIVER'S License No. NOT-78-014288 issued at  
cto gc. on \_\_\_\_\_.

Doc. No. 199  
Page No. 41  
Book No. III  
Series of 2014.



  
Notary Public  
Until December 31, 2014  
Roll of Attorneys No. 52144  
IBP Lifetime Member No. 939213  
PTR No. 4253165/1-23-13/Makati City  
Notarial Commission No. M-555  
TTN 408-050-450  
MCLE Compliance No. IV-0012326/01-26-13

**ANTONIO PETER R. GALVEZ**

<b>Company/Organization</b>	<b>Position/Relationship</b>	<b>Period of Service</b>
University of Asia and the Pacific	Business Coach	July 2011- Present
Pastra.Net	Director	(please provide date)
Securities Transfer Services, Inc.	Consultant	July 2011- July 2013
	General Manager	July 2006-July 2011