AgriNurture, Inc.
54 National Road, Dampol II- A, Pulilan, Bulacan 3005, Philippines
Telefax: (632)299.8305 • www.ani.com.ph
Manila Office: (632) 879.3256 / (632) 879.3135 • Fax (632) 879.3215

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO ALL STOCKHOLDERS:

NOTICE is hereby given that the Annual Meeting of Stockholders of Agrinurture, Inc. (the "Corporation") will be held on 24 June 2016 at 2 PM 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. Approval and Ratification of the Divestment of Freshness First Ltd. (Australia)
7. Issuance and Listing of up to 30 Million Stock Warrants in favor of Solveigh Philippines Agri Investments 2 BV
8. Issuance and Listing of up to 30 Million Stock Warrants in favor of qualified ANI Employees
9. Approval and Ratification of the divestments of Sunshine Supplies International Co. Ltd., Qualis Logistics and Transport Services, Inc. and Hansung Agro Products Corporation
10. Approval, Confirmation and Ratification of the Annual Report and Financial Statements for the year ended 31 December 2015
11. Election of Directors
12. Appointment of Independent Auditor
13. Consideration of such other business as may properly come before the meeting
14. 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 10 June 2016 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 Corporation, at its principal office at No. 54 National Road, Dampol II-A, Pulilan, Bulacan. The proxy need not be a shareholder. A stockholder 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 20 June 2016. Proxies received after the said deadline will not be recorded. Corporate stockholders are requested to attach to the proxy instrument the secretary's certificate containing the Board Resolution vis-à-vis the authority of the proxy(ies). Validation of proxy (ies) shall be held on 21 June 2016 at 2 PM at the Company's principal office. Management is not asking you to 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 1:00 in the afternoon.

Very truly yours,

LISETTE M. ARBOLEDA
Corporate Secretary/Compliance
Officer/Corporate Information Officer

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 24 June 2015 at 2:00 PM 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.

PROXY

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 24 June 2016 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:
   Philippines

4. SEC Identification Number: **A199701848**

5. BIR Tax Identification Code: **200-302-092**

6. Address of principal office: Postal Code:
   No. 54 National Road, Dampol II-A, Pulilan, Bulacan, Philippines **3005**

7. Registrant's telephone number, including area code: **+044-8156340**

8. Date, time and place of the meeting of security holders:

   Date: **24 June 2016**
   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:
   3 June 2016

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 Outstanding or Amount of Debt Outstanding
Common Shares	**621,683,570**

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 621,683,570 issued and outstanding common shares have been approved for listing on the Second Board of the PSE.

WE ARE NOT ASKING YOU FOR A PROXY
AND YOU ARE REQUESTED NOT TO SEND US A PROXY

INFORMATION STATEMENT

GENERAL INFORMATION

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: 24 June 2016
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 3 June 2016.

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 621,683,570 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 15 June 2016, at the close of business hours.

(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 31 March 2016, the following are the record owners and beneficial owners of more than five percent (5%) of the Company's total issued common shares of 621,683,570 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	**PCD Nominee Corp. (Foreign)** G/F Makati Stock Exchange Bldg., 6767 Ayala Avenue, Makati City Stockholder	PCD Nominee Corp. (Foreign) is the record owner	Singaporean	160,000,000	25.74%
Common	**PCD Nominee Corp. (Flipino)** G/F Makati Stock Exchange Bldg., 6767 Ayala Avenue, Makati City Stockholder	PCD Nominee Corp. (Foreign) is the record owner	Filipino	102,134,846	16.43%
Common	**PCD Nominee Corp. (Filipino)** G/F Makati Stock Exchange Bldg., 6767 Ayala Avenue, Makati City Stockholder	PCD Nominee Corp. is the record owner	Filipino	92,675,850	14.91%
Common	**Greenergy Holdings Inc.**	Greenergy Holdings Inc. is the record	Filipino	85,990,533	13.83%

	54 National Road, Dampol II-A, Pulilan, Bulacan Stockholder	Owner			
Common	**ANTONIO L. TIU** 24 Green Street, Capitol Hills Golf Subd., Old Balara, Quezon City Stockholder	Antonio L. Tiu is the record owner	Filipino	55,032,388	8.85%

d.2 Security Ownership of Management

As of 31 March 2016, 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	**Antonio L. Tiu** Chairman and President	55,032,388 (Direct)	Filipino	8.85%
		280,801,229[1] (Indirect)		45.17%
Common	**Chung Ming Yang** Director	1,567,400 (Direct)	Chinese ROC	0.25%
Common	**Kenneth S. Tan** Director, Chief Financial Officer and Treasurer	1,000 (Direct)	Filipino	Less than 0.01%
Common	**Lisette M. Arboleda** Director, Corporate Secretary, Compliance Officer and Corporate Information Officer	1,000 (Direct)	Filipino	Less than 0.01%
Common	**Martin C. Subido** Director	342,202 (Direct)	Filipino	0.06%
Common	**Antonio Peter R. Galvez** Independent Director	1 (Direct)	Filipino	Less than 0.01%
Common	**Tomas B. Lopez Jr.** Independent Director, Head of Nomination & Compensation Committee	1 (Direct)	Filipino	Less than 0.01%
Common	**Alfonso Go** Independent Director, Head of Audit Committee	1 (Direct)	Filipino	Less than 0.01%
Common	**Honorio Tan** Independent Director	0 (Direct)	Filipino	0.0%
Common	**Ernst Jan Kruis** Independent Director	0 (Direct)	Filipino	0.0%
Common	**Cees van der Hoeven** Independent Director	0 (Direct)	Filipino	0.0%

The total security ownership of the directors and principal officers of the Company as a group as of 31st of March 2016 is 337,745,222 common shares which is equivalent to 54.33% of the outstanding capital stock of the Company.

As of 31 March 2016, a total of 188,639,148 common shares are foreign-owned shares.

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.

[1] Mr. Antonio L. Tiu indirectly holds 92,675,850 shares through Earthright, Holdings, Inc.

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 who are also nominated herein:

The Directors of the Company as of 31 March 2016[2] are as follows:

Name	Age	Citizenship	Term of Office
Antonio L. Tiu	40	Filipino	2004 – present
Chung Ming Yang	42	Chinese ROC	1997 – present
Kenneth S. Tan	43	Filipino	2015 – present
Lisette M. Arboleda	35	Filipino	2015 – present
Martin C. Subido	39	Filipino	2013 – present
Antonio Peter R. Galvez (Independent Director)	56	Filipino	2014 – present
Tomas B. Lopez (Independent Director)	65	Filipino	2013 – present
Atty. Alfonso Go (Independent Director)	77	Filipino	2008 – present
Honorio Tan		Filipino	2015 – present
Ernst Jan Kruis	55	Dutch	2015 – present
Cees van der Hoeven		Dutch	2015 – present

ANTONIO L. TIU, 40, 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 Greenergy 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 was awarded the Ernst and Young Emerging Entrepreneur of the Year (2009), Overseas Chinese Entrepeneur 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, 42, 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.

KENNETH S. TAN, 43, Filipino, Director.
Mr. Kenneth S. Tan serves as the Chief Financial Officer of Greenergy Holdings Incorporated and has been its Treasurer since June 2013. Previously, Mr. Tan served as Alternate Corporate Information and Compliance Officer at Greenergy Holdings Incorporated since December 23, 2010. Mr. Tan served as the Vice President for Admin/Chief Information Officer and Compliance Officer of AgriNurture Inc. until 2013. He served as an Officer of Citibank and Manulife Financial and was a Part-Time Lecturer in Economics at an international school in Manila.

[2] On 29 April 2016, Mssrs Ernst Jan Kruis and Cees van Deer Hoeven resigned as Directors and Ciara Mae Ong-Lim and James L. Tiu were elected to serve the unexpired portion of the term. To date, Ciara Mae Ong-Lim and James L. Tiu are yet to acquire their qualifying shares

ATTY. LISETTE M. ARBOLEDA, 35, Filipino, Director.
Atty. Lisette M. Arboleda graduated from the University of the Philippines in 2002 with a degree in Political Science and obtained her Bachelor of Laws degree from San Beda College of Law in 2008 and was admitted to the Bar in 2009. She worked as a Political Affairs Officer in the House of Representatives from 2007-2010, worked as a Senior Legal Officer at Rapu-Rapu Processing, Inc. from 2011-2012 and was a Senior Associate of Navarro Law Offices from 2012-2014. She joined Agrinurture, Inc. in April, 2014.

ATTY. MARTIN C. SUBIDO, 39, 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.

ANTONIO PETER R. GALVEZ, 56, Filipino, Independent Director.
Mr. Galvez is a holder of an Executive Master's in Business Administration from the Asian Institute of Management. He graduated from the Ateneo de Manila University with a Bachelor's Degree in Economics. At present, he is and Executive and Leadership Coach, Business Coach with the University of Asia and Pacific. He is also a licensed facilitator of Get Clients Now, licensed instructor of GRID International and Director of Pastra.Net. His previous employments include various stints with the Securities Transfer Services, Inc., First Philippine Holdings Corporation and its subsidiaries, Department of Trade and Industry and the Board of Investments.

TOMAS B. LOPEZ, 65, 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.

***ATTY. ALFONSO Y. GO, 77, 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.

HONORIO TAN, Filipino, Director.
Mr. Honorio Tan is the Chairman, President and owner of Beam Marketing Enterprise, Inc., a health food and herbal medicine manufacturing company. Mr. Tan is also an inventor of a number of herbal and naturopathic medicines. He was with the Bank of Asia for nine years before the bank was sold and merged with the then Bank of America. He holds an MBA from the De la Salle University and a Bachelor of Arts in Economics from the University of the East.

***ERNST JAN KRUIS, 55, Dutch, Director*.**
Ernst Jan Kruis (1961) is Founder and CEO of Solveigh, an boutique private and specialised investment banking advisory and management firm that is based in Hong Kong and Rotterdam, the Netherlands. Besides his role as CEO of Solveigh, Mr. Kruis is President of Singapore based Ram Group and Diabetes Life Sciences, a Life Science Technology company that has developed disruptive human diagnostics technology for amongst others the Diabetes market. Also Mr. Kruis was for many years a board member and later vice chairman of Global M&A Partners.

CEES VAN DER HOEVEN, Dutch, Director.
Mr. Cees van der Hoeven is a Partner and co-investor at www.ramphastosinvestments.com, He previously held supervisory board membership in Louis Vuitton, ABNAMRO Bank and KPN (Dutch Telecom)

The Principal Officers of the Company as of 31 March 2016 are as follows:

ANTONIO L. TIU, 40, Filipino, President.
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 Greenergy 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 was awarded the Ernst and Young Emerging Entrepreneur of the Year (2009), Overseas Chinese Entrepeneur 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.

KENNETH S. TAN, 43, Filipino, Chief Financial Officer and Treasurer.
Mr. Kenneth S. Tan serves as the Chief Financial Officer of Greenergy Holdings Incorporated and has been its Treasurer since June 2013. Previously, Mr. Tan served as Alternate Corporate Information and Compliance Officer at Greenergy Holdings Incorporated since December 23, 2010. Mr. Tan served as the Vice President for Admin/Chief Information Officer and Compliance Officer of AgriNurture Inc. until 2013. He served as an Officer of Citibank and Manulife Financial and was a Part-Time Lecturer in Economics at an international school in Manila.

ATTY. LISETTE M. ARBOLEDA, 35, Filipino, Corporate Secretary, Compliance Officer and Corporate Information Officer
Atty. Lisette M. Arboleda graduated from the University of the Philippines in 2002 with a degree in Political Science and obtained her Bachelor of Laws degree from San Beda College of Law in 2008 and was admitted to the Bar in 2009. She worked as a Political Affairs Officer in the House of Representatives from 2007-2010, worked as a Senior Legal Officer at Rapu-Rapu Processing, Inc. from 2011-2012 and was a Senior Associate of Navarro Law Offices from 2012-2014. She joined Agrinurture, Inc. in April, 2014.

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 30 June 2015, none of the directors elected therein by the stockholders has 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. Mssrs Ernst Jan Kruis and Cees van Deer Hoeven were elected on 11 December 2015 and resigned on 29 April 2016 to pursue other professional and personal endeavors.

The nominees for election to the Board of Directors on 24 June 2016 are as follows:

1. Antonio L. Tiu
2. Kenneth S. Tan
3. Yang Chung Ming
4. Atty. Martin C. Subido
5. Atty. Lisette M. Arboleda
6. Antonio Peter R. Galvez
7. Ciara Mae Ong-Lim
8. Atty.Mendoza (Independent Director)
9. Tomas B. Lopez(Independent Director)
10. Atty. Alfonso Y. Go (Independent Director)

All the nominees are Filipino citizens with the exception of Mr. Yang Chung Ming who is of Chinese ROC citizenship.

Background of the other nominees are as follows:

ATTY. ESTEBAN Y. MENDOZA, Filipino
Atty. Esteban Y. Mendoza graduated from the University of the Philippines in 1987 with a degree in Social Sciences, obtained his Juris Doctor degree from Ateneo de Manila University in 1992 and was admitted to the Barin 1993. He earned his Master of Laws (Banking, Corporate & Finance Law) from Fordham University School of Law in 1997. He worked as a Senior Associate at Ponce Enrile Cayetano Reyes & Manalastas from 1992-1998, Middle Level Associate at Quisumbing Torres from 1998-2000, Partner at Martinez & Mendoza from 2000-2006, Partner at Gonzales, Batiller David Leabres & Reyes from 2007 to 2010 and is presently a Partner at Mendoza & Pangan from 2010 to present.

CIARA MAE ONG-LIM, 31, Filipino
Ms. Lim is a Certified Public Accountant, with a double degree in Applied Economics and Accountancy from De La Salle University. She started her career as a Corporate Auditor of Philippine Airlines and eventually ventured into corporate finance prior to joining the AgriNurture Inc. in 2011 as Finance Manager, and eventually as Assistant Vice President for Finance. In 2014, she was appointed Comptroller of Greenergy Holdings, Inc.

JAMES L. TIU, 32, Filipino
Mr. Tiu earned his Bachelor's Degree in Commerce Major in Marketing from Chiang Kai Shek College. He first worked as a Chinese Interpreter for Philippine Airlines. He previously served as Treasurer of Greenergy Holdings Inc. and General Manager of Fresh and Green Harvest Agricultural Corp.

Independent Directors – The incumbent independent directors of the Company are as follows: (i) Antonio Peter R. Galvez, (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 Antonio Peter Galvez as Chairman with Antonio L. Tiu and Kenneth S. Tan 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:

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

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. However, while not material, the pending proceedings involving the Company and/or its subsidiaries are as follows:

i. "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 (Php 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.

The Court of Tax Appeals ("CTA") en banc DENIED the Commissioner of Internal Revenue's Petition for Review. The Bureau of Internal Revenue filed its Motion for Reconsideration dated 3 February 2015 and the Company already filed its comment thereto.

The Court of Tax Appeals ("CTA") en banc denied the Commissioner of Internal Revenue's Motion for Reconsideration in a Resolution dated 24 June 2015. Hence, the Commissioner of Internal Revenue elevated the matter to the Supreme Court.

ii. "*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 Php 1,219,223.00 plus 12% interest per annum as actual damages, and the amount of $10,000.00 or Php 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.

iii. *"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.

iv. 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 Php 500,000.00.

The last mediation conference was held on 23 April 2014. There being no possibility for the parties to reach an amicable settlement, the mediation officer terminated the mediation proceedings.

Mr. Sorensen filed a formal complaint with the National Labor Relations Commission and both Parties already submitted their respective position papers and replies thereto. The case is now submitted for Resolution.
The Labor Arbiter rendered a decision finding that there was illegal dismissal, but with modification as to the amount being claimed for back pay and damages. Both Parties filed their respective Motions for Partial Reconsideration.

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 21 (Related Party Transactions) of the Notes to the 2015 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 2014, 2015 and 2016 (estimated). It also summarizes the aggregate compensation received by all the officers and directors, unnamed.

Amounts in '000	**Year**	**Salaries**	**Bonuses**	**Other Income**
CEO and the four (4) most highly compensated officers	2014	Php 15,049	-	NONE
	2015	Php 6,490	-	NONE
	2016 (estimated)	Php 7,139	-	NONE
Aggregate compensation paid to all other officers and directors as a group unnamed	2014	Php 7,525	-	NONE
	2015	Php 6,512	-	NONE
	2016 (estimated)	Php 7,163	-	NONE

For the completed fiscal year of 2015, the following are the most highly compensated officers:

1. Pablo B.Capati - Chief Executive Officer (resigned effective 1 June 2015)
2. Romeo L. Bato - Chief Finance Officer (resigned effective 1 June 2015)
3. Antonio L. Tiu – Chairman
4. Larry Lacson – Vice President (resigned effective
5. Eliza P. Guinto – Assistant Vice President, Head of Export (resigned effective 15 June 2016)
6. Atty. Lisette M. Arboleda – Assistant Vice President, Head Corporate and Legal Affairs

After the effectivity of the resignations of Mr. Capati and Mr. Bato as stated above, Mr. Antonio Tiu took over as CEO & President and Mr, Kenneth Tan as Treasurer. The other positions are currently left vacant. Thus for 2016, following are presently the most highly compensated officers:

1. Antonio L. Tiu – President, CEO & Chairman
2. Kenneth S. Tan – Treasurer
3. Atty. Lisette M. Arboleda - Assistant Vice President, Head Corporate and Legal Affairs
4. Jed Larry Tiu – Head of Manufacturing

The directors have served without compensation, nor have they received any amount or form of compensation for committee participation or special assignments. Under Section 8, Article III of the By-Laws of the Company, by resolution of the Board, each director shall receive a reasonable *per* diem allowance for their attendance at 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.

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.

On April 29, 2016, the Board of Directors of the company approved the confirmation of the appointment of Sycip Gorres Velayo & Co. as external auditor for the fiscal year 2015. The principal accountant for the year 2015 is Jose Pepito E. Zabat III.

Apart from the audit and audit-related fees in the amounts of Php 3,400,000 for 2013 and Php 3,460,000 for 2014 and Php 3,950,000 for 2015, 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.

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 Atty. Martin C. Subido as members.

8. **Compensation Plans**

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

ISSUANCE AND EXCHANGE OF SECURITIES

9. **Authorization or Issuance of Securities Other than for Exchange**

As approved by the Board on 11 December 2015 the Issuance and Listing of up to 30 Million Stock Warrants in favor of Solveigh Philippines Agri Investments 2 BV and Issuance and Listing of up to 30 Million Stock Warrants in favor of qualified ANI Employees will be submitted for ratification of the shareholders.

The Issuance and Listing of up to 30 Million Stock Warrants in favor of Solveigh Philippines Agri Investments 2 BV shall be with the exercise price of Five (Php5.00) pesos for a period of three (3) years from date of approval.

The Issuance and Listing of up to 30 Million Stock Warrants shall be with the exercise price of Five (Php5.00) pesos for a period of three (3) years from date of approval in favor of qualified ANI employees as determined by the Management, with the guidelines to be approved by the Board.

10. **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.

11. **Financial and Other information**

a. Audited Financial Statements

A copy of the Company's Audited Financial Statements for the year ended 31 December 2015 is attached hereto as **Annex "A"** and Interim Financial Statement for the 1st Quarter of 2016 as **Annex "B".**

MANAGEMENT REPORT

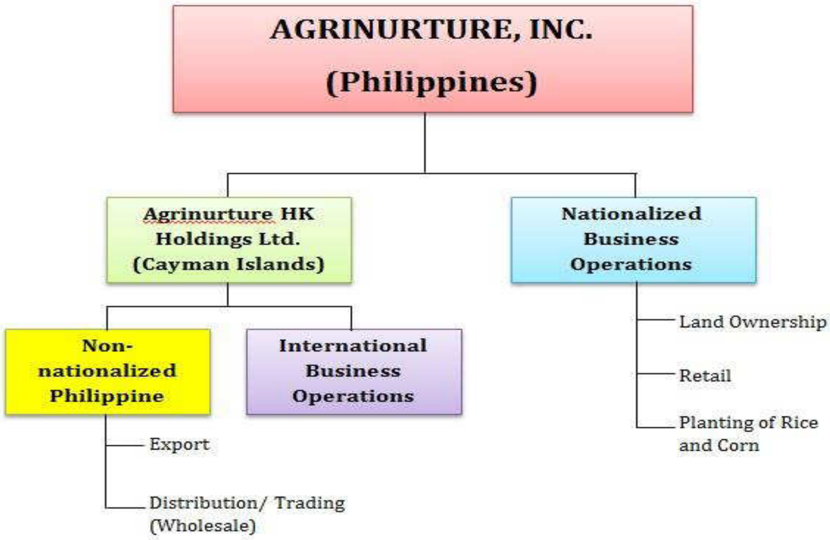
a. History and Overview

Incorporated on 04 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 papaya to customers in Hong Kong, Mainland China, the Middle East and to the different European regions.

b. 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. The Company is currently in the process of implementing the previously approved global re-organization in accordance with the following plan and goal:



c. Nature and Scope of the Business of ANI and its Subsidiaries

Incorporated on 04 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., AgriNurture, Inc. (the "Company" or "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 and pineapple to customers in Hong Kong, Mainland China, the Middle East and to the different European regions.

ANI ventured into the importation and trading of rice in the first quarter of 2015.

Currently, the Company conducts its business through operating divisions and wholly-owned or majority-owned subsidiaries that are organized into two (2) groups, namely: (i) Philippine Operations and (ii) Foreign Operations.

The Philippine Operations Group is organized into three business units: (1) Export, (2) Local Distribution, and (3) Retail & Franchising. Meanwhile, Foreign Operations is principally fruits and vegetable trading Hong Kong/China, Australia and Europe.

1. Philippine Operations
   a) Export
   b) Local Distribution
   c) Retail & Franchising

2. Foreign Operations
   a) Hong Kong/China
   b) Australia[3]
   c) Europe

[3] ANI divested its interest through ANI HK as disclosed to the PSE on 11 December 2015

Philippine Operations
Export

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. 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 coconut water.

a. Banana – the main banana export variety is Cavendish and its main production area is in Mindanao. The Export Group sources its supply from independent growers and from established corporate plantations to satisfy its clients in China, Korea, Middle East and Russia.

b. 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, ANI's mango exports can be accepted by any stringent market abroad.

c. Coconut water - Coconut water is one of the most exciting ANI products in the market today for 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 coconut water export is owned by M2000 IMEX Co., Inc.

a. M2000 IMEX Company, Inc. (IMEX)

IMEX is a wholly-owned subsidiary of the Company and is engaged in the manufacturing and processing of its own brand of canned fruit products such as coconut juice. IMEX 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. IMEX'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%).

IMEX's canning facility has a production capacity of 12,000 cans per hour.

IMEX 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, IMEX entered into a Shareholders' Agreement and Subscription Agreement with Tolman Manufacturing, Inc. (TMI) for the management and operation of a Tetra Pak Line for, among others, coconut water to be located in the export processing zone in Carmelray, Laguna.

Local Distribution Group

The Local Distribution Group is composed of several companies. ANI Parent, First Class Agriculture Corp. (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 "FCA" (Fresh Choice Always) brand.

ANI 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, ANI, FCA, FG and LF cater to around twenty five supermarkets. In addition, they supply fresh vegetables to in-house brands of various supermarkets.

In the local front, fruits and vegetables are sourced on a nationwide scale from the following suppliers: ANI subsidiaries, farmers with supply contracts, and buying stations.

Meanwhile, the Distribution Group in the intention to boost revenues started exploring 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. ANI is still working on taking its distribution to a global level with the Australian, European and US markets on the target list.

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.

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

a. First Class Agriculture Corporation
b. Fresh and Green Harvest Agricultural Corporation[4]
c. Lucky Fruit and Vegetable Products, Inc.
d. Best Choice Harvest Agricultural Corporation
e. Fresh & Green Palawan Agriventures, Inc.
f. Ocean Biochemistry Technology Research, Inc.
g. Fruitilicious, Inc.
h. Farmville Farming Co., Inc.
i. Hansung Agro Products Corp.
j. Qualis Logistics and Transport Services, Inc.

a. First Class Agriculture Corporation

First Class Agriculture Corporation (FCA), a wholly-owned subsidiary of the Company, 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 ANI. 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.

d. 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 the Company, which is currently engaged in the management of the Company'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 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 has since divested its share in TRAIN to focus on its export trading operations.

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[4] Slowed down in operations for 2013

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

e. Fresh and Green Palawan Agriventures, Inc. (FG Palawan)

FG Palawan was incorporated on September 9, 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.

f. Ocean Biochemistry Research Technology, Inc. (Ocean Biotech)

Ocean Biotech was incorporated on March 23, 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 IMEX.

g. 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 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. Fruitilicious is HACCP certified, which is proof that it supplies excellent and safe food products. Fruitilicious is 90% owned by ANI.

h. Farmville Farming Co., Inc (Farmville)

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

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

i. Hansung Agro Products Corp. (Hansung)[5]

Hansung was incorporated on February 21, 2007 and became a wholly-owned subsidiary of ANI in 2010. It is primarily engaged in trading, wholesaling, importing and exporting goods including agricultural products. Hansung exports mangoes to Korea.

j. Qualis Logistics and Transport Services, Inc. (Qualis)[6]

Qualis was incorporated on February 1, 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 the company. Currently, ANI owns 51% of the outstanding capital stock of Qualis.

Retail & Franchising Group

On 8 August, 2011, the SEC approved the amendment of the Articles of Incorporation of the Company to, among others, include the business of retail in the primary purpose. In line with this, ANI established its Retail & Franchising Group in August of 2011.

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

a. The Big Chill, Inc.

[5] Divested on 28 May 2015

[6] Divested on 29 December 2015

b. Heppy Corp
c. Goods and Nutrition for All Inc. (GANA)

a. The Big Chill, Inc.

80% of the outstanding capital stock of The Big Chill, Inc., (TBC) is owned by the Company. TBC is engaged in the business of selling, on retail, beverages and other food products, and currently operates over forty five (45) 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 the Company that allows and enhances the synergy of all the Company'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 45 Big Chill locations within Metro Manila, and three (3) Tully's Coffee shops, both company owned and franchised. 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.

b. Heppy Corp (Heppy)

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

c. Goods and Nutrition for All Inc. (GANA)

Goods and Nutrition for All, Inc. was incorporated on January 6, 2012. Its primary purpose is to engage in, operate, conduct and maintain the business of manufacturing, importing, bartering, distributing, selling on wholesale or retail, and otherwise dealing in all kinds of goods, commodities, merchandise and wares. GANA is a wholly owned subsidiary of Lucky Fruit.

Foreign Operations

As for international distribution, ANI has operation in Hong Kong/China, Australia and Europe.

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

a) Hong Kong/China
   i. Joyful Fairy (Fruits) Ltd.
   ii. Sunshine Supplies International Co., Limited[7]
   iii. Agrinurture International Ltd

b) Australia[8]
   i. Freshness First Ltd. (Australia)
   ii. Michsul
   iii. Field Cuisine

c) Europe
   i. ANI Agrinurture Europe S.L.

a. Hong Kong/China

[7] Divested in 2015
[8] Divested on 11 December 2015

ANI's Hong Kong/China operations are carried out through several companies, namely:

Agrinurture International Ltd (HK) is engaged in the retail sales of fruit juices. The company opened an outlet in the Hong Kong Airport to expand its retail reach outside the Philippines. It is a subsidiary of Agrinurture HK Holdings Ltd., a holding company.

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

Sunshine Supplies International Co. is engaged in the business of trading agricultural products like mangoes, onions, garlics, potatoes, etc. in Hong Kong, Macau, China, and Europe. The company has divested its interest in 2015.

b. Australia

Three companies make up ANI's Australian operations namely, Freshness First Ltd. (Australia), BSK Pty. Ltd. and Michsul Pty. Ltd.

The main activity of the Australian operations is primarily processing fruits and vegetables for distribution to food processors, schools, restaurants, mining sites and airlines.

c. Europe

ANI's European operation is carried out by ANI Agrinurture Europe S.L. It is primarily engaged in fruit trading.

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 (₱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.

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 2015 and Annex "B" The Interim Financial Statement as of 31 March 2016).

Summary Financial Information

Financial Statement Accounts (in Php '000 except per share figures)	AUDITED			UNAUDITED
	As of 31 Dec. 2013	As of 31 Dec. 2014	As of 31 Dec. 2015	As of 31 March 2016
Net Sales	*2,403,059*	2,367,179	2,337,616	200,656
Gross Profit	431,237	295,156	152,656	52,645
Operating Income	*(221,100)*	(1,185,410)	(436,495)	12,971
Net Income after Income Tax	(78,494)	(1,194,033)	(485,783)	4,826
Balance Sheet Accounts				
Total Current Assets	*2,606,534*	2,345,061	1,073,092	1,065,047
Total Current Liabilities	*2,093,066*	2,430,393	1,847,501	1,822,665
Total Liabilities	*2,405,255*	2,645,218	2,174,435	2,149,599
Total Stockholder's Equity	*2,483,421*	1,243,899	711,704	712,651
Total Liabilities and Stockholders' Equity	*4,888,676*	3,889,117	2,886,139	2,862,249

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 the Company 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. The Company 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 the Company's net margins. Normally most of the Company'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 the Company'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 the Company's products.

Advertising and Promotions

The Company 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 the Company'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 effectivity of the Company's branding and advertising campaigns.

Competition

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

Taxes and Regulatory Environment

The Company's operations are subject to various taxes, most of the revenues which are export and agri related is VAT free but subject to income tax. In 2006, the Government increased the VAT rate from 10% to 12%. In 2009, Corporate Income Tax is reduced to 30% from 32% the previous year. In general, the Company 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 the Company makes in reaction to changes in tax rates could affect the demand for the Company's products as well as the Company's profit margins, product pricing and net income.

DESCRIPTION OF REVENUE AND COST ITEMS (FOR THE YEARS 2013, 2014, 2015 AND FIRST QUARTER OF 2016)

Net Sales

The Company generates its net sales primarily from the sale, to both the domestic 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 periods indicated:

Table 1: Net Sales

	2013	2014	2015	As of March 30, 2016
	₱	₱	₱	₱
Philippines	869,919	736,014	683,904	87,088
Exports	1,540,140	1,631,165	1,653,712	113,568
Total	2,403,059	2,367,179	2,337,616	200,656

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 2013, 2014, 2015 and 1st Quarter of 2016, the Company's cost of sales were ₱1,971,822, ₱2,072,023, ₱2,184,960 and ₱148,010,950, respectively.

Operating Expenses

The Company's operating expenses consist of selling expenses and administrative expenses. In, 2013, 2014, 2015 and 1st Quarter of 2016 the Company's operating expenses were, ₱508,525, ₱585,285, ₱458,589 and ₱50,234 respectively.

The Company'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

The preparation of the Company's audited financial statements requires the Company's management to make estimates and assumptions that affect the amounts reported in the Company's financial statements and the related notes. Actual results may differ from those estimates and assumptions. The Company 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, 2015 compared to the quarter ended March 31, 2016

The following comparison of the Company's results of operations is based on the Interim financial statements for the first three months of 2015 and 2016:

	For the quarter ended March 31 in Php ('000 except per share figures)	
	2015	**2016**
Revenues	688,176	**200,656**
Cost of Sales and Services	581,452	**148,011**
Gross Profit	106,723	**52,645**
Other Operating Income	14,385	**10,560**
Gen. & Admin and Operating Expenses	153,691	**(50,234)**
Operating Profit (Loss)	(32,583)	**12,971**
Other Income (Charges)	(17,598)	**(8,075)**
Provision (Benefit) for Income Tax	(8,469)	**71**
Net Income/ (Loss)	(41,712)	**4,826**

Net Sales

ANI Group recorded consolidated sales amounting to Php 688.18 million for the quarter ended March 31, 2015 or a decline of 30% compared to Php 988.85 million for same period last year. For the 1st quarter of 2015, Philippine operations contributed 20% (2014: 25%) while sales from Foreign operations accounted for 80% (2014: 75%) of consolidated sales. The sales contribution of the Foreign operations was boosted thanks to the significant increase in sales of Australian operations while two units under the Philippine operations group particularly farming and local distribution suffered substantial decline in sales. Sales performance of each of the key business units is discussed below:

• Export sales posted a decline of 41% quarter-to-quarter to Php 88.89 million in 2015 from Php 130.11 million in 2014, primarily due to lower supply of banana and mangoes.

• Local distribution sales posted a decline of 95% to Php 3.2 million for the three months ended March 31, 2015 from Php 64 million for 2014, mainly due to closure of certain outlets and rationalization of operations

• Farming revenues registered a decline of 100% to nil for the first quarter of 2015 from Php 12.6 million for same period of 2014, due to the closure of rice farming operations and the divestment of TRAIN in 2014.

• Retail and franchising sales registered a decline by 31% to Php 20.6 million for the first quarter 2015 from Php 29.7 million in 2014, primarily due to rationalization of operations by closing certain outlets which incurred significant losses.

• Combined Foreign operations posted a decrease of 25% to Php 551.9 million for the first quarter of 2015 from Php 740.2 million for same period in 2014, mainly due to the decrease in sales both Hong Kong/China and Australia operations.

• Others, which consists of manufacturing/processing, vegetable processing and transport logistics, registered sales of Php 23.5 million for the first quarter in 2015 up by 93% from Php 12.2 million for the same period in 2014 due to improved operations.

Cost of Sales

For the first quarter in 2015, ANI Group's cost of sales amounted to Php 581.5 million down by 25% from Php 778.5 million for the same period in 2014, due to lower amount of purchases and decline of harvested agricultural produce as the company discontinues rice farming and distribution.

Gross Profit and Gross Margin

Consolidated gross profit fell by 49% from Php 210.4 million for the first quarter in 2014 to Php 106.7 million for the same period in 2015. The decrease was due to the decrease in foreign sales as well as the closure of the local distribution, farming and other retail outlets.

Operating Expenses

The Company's operating expenses consist of selling expenses and administrative expenses which include the following major items:

- Salaries, wages and other employee benefits
- Freight out and handling cost
- Contracted services mainly for sales operations
- Rental
- Depreciation and amortization

Consolidated operating expenses for the first quarter of 2015 amounted to Php 153.7 million down from Php 234.6 million for the same period last year, due mainly to the decrease in salaries and wages, freight and handling and contracted services.

Finance Costs

Finance Cost for the first quarter of 2015 amounted to Php 17.6 million down from Php 19.1 million for the same period last year due to the payment in borrowed funds including convertible bonds.

Net Loss

Net loss for the first quarter in 2015 amounted to Php 41.71 million of which Php 35.45 million is attributable to equity holders of ANI.

For the 1st Quarter of 2016

Net Sales

ANI Group generated a consolidated sale of goods and services of Php 200.7 million for the three months ended March 31, 2016, 71% decrease over same period last year. For the first three months of 2016, Philippine operations contributed 43% while sales from Foreign operations accounted for 57% of consolidated sales. Sale of goods and services by business segment follows:

- Export sales posted a decrease of 77% quarter-to-quarter to Php 20.5 million for the first quarter of fiscal year 2016 from Php 88.9 million for the same period in 2015, primarily due to (i) reduction in supply of bananas due to decrease source of bananas (ii) low selling price of banana in the international market with high purchase price from suppliers (iii) temporary discontinued export of mangoes and pineapple.

- Local distribution sales posted an increase of 83% to Php 49.1 million for the three months ended March 31, 2016 from Php 26.8 million for the same period in 2015, mainly due to the addition of rice trading business and increase in profitability of business with supermarket outlets in the first quarter of the year.

- Retail and franchising sales registered a decline by 15% to Php 17.5 million for the first quarter 2016 from Php 20.6 million for same period in 2015, primarily due to rationalization of backroom and store operations.

- Combined Foreign trading operations posted a decrease of 79% to Php 113.6 million for the first quarter 2016 from Php 551.9 million for same period last year, due to divestment of the Australia and European operations in the last quarter of 2014 which contributed an average consolidated sales of 17% per quarter.

Cost of Sales

Cost of sales consists primarily of:

- Cost of purchasing fruits and vegetables and raw material from growers and other traders and suppliers;
- Personnel expenses, which include salary and wages, employee benefits and retirement costs for employees involved in the production process;
- Repairs/maintenance costs, relating to production equipment, vehicles, facilities and buildings;
- Fuel and oil costs relating to the production and distribution process;

For the three months ended March 31, 2016, ANI Group's cost of sales amounted to Php 148.0 million down by 75% from Php 581.5 million for the same period in 2015, due to the lower amount of inventory purchases.

Gross Profit

Consolidated gross profit fell by Php 54.1 million or 51% to Php 52.6 million for the three months ended March 31, 2016 from Php 106.7 million for same period last year. The decrease was due to the decrease in local and foreign sales as well as the closure of the farming operations and other retail outlets.

Operating Expenses

The Group's operating expenses consist of selling expenses and administrative expenses; which include the following major items:

- Salaries, wages and other employee benefits
- Freight out and handling cost
- Contracted services mainly for sales operations
- Rental

- Depreciation and amortization

Consolidated operating expenses for the first quarter of 2016 amounted to Php 50.2 million down from Php 153.7 million for the same period last year, due mainly to the reduction of manpower cost for regular employees and contracted services, decrease in freight and handling relative to the decrease in sales during the quarter, reduction of office rental expense. The non-consolidation of Freshness First, Hansung, Qualis and Sunshine due to divestment also contributed to the decrease in overall expenses during the quarter.

Finance Costs

Finance Costs for the first quarter of 2016 amounted to Php 8.1 million down from Php 17.6 million for the same period last year due to the recapitalization and reduction of debt.

Financial Condition

Assets

ANI Group's consolidated total assets as of March 31, 2016 amounted to ₱ 2.86 billion a decrease of 1% from ₱ 2.89 billion at December 31, 2015. The following explain the significant movements in the asset accounts:

- The Group's cash balance decreased by ₱ 19.1 million primarily due to day to day operations of the company and settlement of liabilities.
- Receivables increased by 1% mainly due increase of receivables from foreign subsidiaries.
- Advances to related parties/stockholder decreased from ₱723.4 million from December 2015 to ₱656.3 million in March 2016 due to payments.
- Inventory balance increased from a year end 2015 balance of ₱ 44.8 million to ₱ 101.0 million due to rice stock inventory which is available for sale in the next quarter.
- Property, plant and equipment including intangibles decreased from ₱860.2 million in December 31, 2015 to ₱843.6 million in March 31, 2016 due to amortization of depreciation.

Liabilities

Consolidated liabilities amounted to ₱ 2.15 billion.

Total current liabilities is ₱ 1.85 billion and ₱ 1.82 billion as of December 31, 2015 and March 31, 2016 respectively. The decrease is mainly due to payments of loans and borrowings and trade payables.

Total non-current liabilities is ₱ 326.9 million for December 31, 2015 and March 31, 2016.

Equity

Consolidated stockholders' equity as of March 31, 2016 amount to ₱ 712.7 million.

Liquidity and Capital Resources

Net cash used from operating activities for the first 3 months of 2016 was ₱ 65.3 million.

Net cash flow from investing activities is ₱ 65.3 million.

Net cash used in financing activities is ₱ 14.3 million, which is due to the payment of loans.

Year Ended December 31, 2015 compared to the Year Ended December 31, 2014

The following comparison of the Company's results of operations is based on the Company's audited financial statements in 2014 and 2015:

	For the Year-Ended December 31 (in Php '000)	
	2014	**2015**
Net Sales	2,367,179	**2,337,616**
Cost of Sales	(2,072,023)	**(2,184,960)**
Gross Profit and Gross Margin	295,156	**152,656**
Operating Expenses	1,403,263	**514,460**
Income from Operating Activities	(1,108,107)	**(361,805)**
Other Income (Charges)	(77,303)	**(74,690)**
Provision for Income Tax	18,785	**26,570**
Profit or Loss for the Year	(1,204,195)	**463,065)**
Other Comprehensive Income Loss	10,162	**(22,719)**
Total Comprehensive Income	(1,194,033)	**(485,783)**

Net Sales

ANI Group sustained a consolidated sale of goods and services at Php 2,337.62 million for the year ended December 31, 2015 compared to Php 2,367.18 million for same period last year. For the year ended December 31, 2015, Philippine operations contributed 29.3% while sales from foreign operations accounted for 70.7% of consolidated sales. Sale of goods and services by business segment as follows:

- Export sales posted a decrease of 24.0% year-on-year to Php 281.45 million for the calendar year 2015 from Php 370.54 million for 2014, primarily due to (i) decrease in supply of bananas due to no permanent source of bananas as compared to previous years wherein the Company's established banana plantation joint-venture under Tagum Resources Agri Industries, Inc. (TRAIN) which was divested in 2014 and (ii) unstable selling price in the international markets.

- Domestic distribution sales posted an increase of 12.28% to Php 320.21 million for the year ended December 31, 2015 from Php 285.20 million for 2014, mainly due to the addition of the rice trading business. The closure of non performing supermarket outlets contributed to improve the overall profitability.

- Retail and franchising sales registered a minimal increase by 2.08% to Php 81.95 million for fiscal year 2015 from Php 80.27 million for 2014, primarily due to rationalization of backroom and store operations. This was also affected by the closing of some sub performing outlets which improves profit and additions of franchisees during the year.

- Combined Foreign trading operations posted an increase of 1.38% to Php 1,653.71 million for 2015 from Php 1631.17 million for 2014, mainly because of the decrease in mango sales for both Hong Kong/China. The Australian operations figures were impacted by the depreciation of the Australian dollar.

Cost of Sales

Cost of sales consists of:

- Cost of purchasing fruits and vegetables and raw material from growers and other traders and suppliers;
- Personnel expenses, which include salary and wages, employee benefits and retirement costs for employees involved in the production process;
- Repairs/maintenance costs, relating to production equipment, vehicles, facilities and buildings;
- Fuel and oil costs relating to the production and distribution process;

For the year ended December 31, 2015, ANI Group's cost of sales and services amounted to Php 2,184.96 million up by 5.46% from Php 2,072.02 million for the year 2014.

Gross Profit

Consolidated gross profit fell by Php 142.50 million or 48.28% for the year ended December 31, 2015. The gross profit fell from Php 295.16 million in 2014 to Php 152.66 million in 2015.

Gross profit ratio declined to 6.53% for 2015 from 12.5% for the previous year. The decline in the margin of the Banana Plantation/Farming business from 4.2% in 2014 to -38.6% in 2015 contributed to this decrease and parallel decline in sales under both Philippines and Foreign operations.

Operating Expenses

The Company's operating expenses consist of selling expenses and administrative expenses which include the following major items:

- Salaries, wages and other employee benefits
- Freight out and handling cost
- Contracted services mainly for sales operations
- Rental
- Depreciation and amortization

Consolidated operating expenses for the 2015 amounted to Php 458.59 million down from Php 585.3 million for 2014 due mainly to the reduction of manpower cost for regular employees and contracted services, decrease in freight and handling relative to the decrease in sales during the year and reduction of office rental expense.

Other Charges

There were a total of Php 64.53 million in 2015 and Php 792.43 million write-offs in 2014.

The write-offs in 2015 and 2014 were in relation to receivables, goodwill, intangibles, investments, advances, biological assets and other assets.

Finance Costs

Finance Costs for the years 2015 and 2014 are Php 74.71 million and Php 77.60 million, respectively. The decrease is mainly due to the recapitalization and reduction of debt.

Net Income

Net income for fiscal year 2015 amounted to (Php 485.78) million of which (Php 437.82) million is attributable to equity holders of the parent while (Php 47.96) million is attributable to non-controlling interest.

Year Ended December 31, 2014 compared to the Year Ended December 31, 2013

The following comparison of the Company's results of operations is based on the Company's audited financial statements in 2013 and 2014:

	For the Year-Ended December 31 (in Php '000)	
	2013	**2014**
Net Sales	2,403,059	2,367,179
Cost of Sales	(1,971,822)	(2,072,023)
Gross Profit and Gross Margin	431,237	295,156
Operating Expenses	(598,773)	(1,403,263)
Income from Operating Activities	(167,536)	(1,108,107)
Other Income (Charges)	(53,564)	(77,303)
Provision for Income Tax	(64,494)	18,785
Net Income	(156,606)	(1,204,195)

Net Sales

ANI Group sustained a consolidated sale of goods and services at Php 2,367.20 million for the year ended December 31, 2014 compared to Php 2,948.21 million for same period last year. For the year ended December 31, 2014, Philippine operations contributed 31.1% while sales from foreign operations accounted for 28.9% of consolidated sales. Sale of goods and services by business segment follows:

- Export sales posted an increase of 25.3% year-on-year to Php 493.55 million for the fiscal year 2014 from Php 393.79 million for 2013, primarily due to strong performance of banana exports driven by (i) increased and stable supply of bananas, courtesy of the Company's newly established banana plantation joint-venture, Tagum Resources Agri Industries, Inc. (TRAIN) and (ii) strong selling price in the international markets.

- Local distribution sales posted a decline of 49.4% to Php 210.16 million for the year ended December 31, 2014 from Php 415.72 million for 2013, mainly due to closure of certain outlets and rationalization of operations particularly the closure of wet market operations by early 2014.

- Farming revenues registered a decline of 97.1% to Php 6.77 million for 2014 from Php 232.19 million in 2013, mainly due to the closure of rice farming operations by second quarter of 2014 and the divestment of the company's banana plantation joint venture (TRAIN).

- Retail and franchising sales registered a decline by 22.6% to Php 106.92 million for fiscal year 2014 from Php 138.16 million for 2013, primarily due to rationalization of operations by closing certain outlets which incurred significant losses.

- Combined Foreign trading operations posted an increase of 32.3% to Php 2,246.78 million for 2014 from Php 1,697.81 million for 2013, mainly due to 132.42% increase in sales of Australia operations, as the 2014 performance covers full twelve months of operations with the two subsidiaries while 2013 covers only three quarters of operations for BSK Pty. Ltd. (acquired in April 2013) and two quarters of operations Michsul Pty. Ltd. (acquired in July 2013). The addition of the sales of ANI Spain also contributed to the increase.

- Others, which consists of manufacturing/processing, vegetable processing and transport logistics, registered sales of Php 88.84 million for the fiscal year 2014 up by 82.2% from Php 48.75 million for FY2013 due to improved operations.

Cost of Sales

Cost of sales consists of:

- Cost of purchasing fruits and vegetables and raw material from growers and other traders and suppliers;
- Personnel expenses, which include salary and wages, employee benefits and retirement costs for employees involved in the production process;
- Repairs/maintenance costs, relating to production equipment, vehicles, facilities and buildings;
- Fuel and oil costs relating to the production and distribution process;

For the year ended December 31, 2014, ANI Group's cost of sales and services amounted to Php 2,072.02 million up by 5.08% from Php 1,971.82 million for the year 2013, due to the higher amount of purchases.

Gross Profit

Consolidated gross profit fell by Php 136.08 million or 31.6% for the year ended December 31, 2014. The gross profit fell from Php 431.24 million in 2013 to Php 295.16 million in 2014. Gross profit increases in Export and foreign trading in 2014 was negated by the bigger decrease in gross profit for Banana Plantation/Farming, Distribution and Retail.

Gross profit ratio declined to 12.47% for 2014 from 14.63% for the previous year. The decline in the margin of the Banana Plantation/Farming business from 4.2% in 2013 to -38.6% in 2014 contributed to this decrease.

Operating Expenses

The Company's operating expenses consist of selling expenses and administrative expenses which include the following major items:

- Salaries, wages and other employee benefits
- Freight out and handling cost
- Contracted services mainly for sales operations
- Rental
- Depreciation and amortization

Consolidated operating expenses for the 2014 amounted to Php 585.29 million up from Php 508.53 million for 2013.
The growth in the foreign operations, particularly Australia, contributed to the increase in the operating expense. Salaries, wages, and other employee benefits are significantly higher in Australia than in the Philippines.
Another contributing factor in the increase of the operating expense is the higher shared services cost.

Other Charges

There were a total of Php 1,233.67 million write-offs in 2014 compared to none in 2013.
The write-offs in 2014 were in relation to receivables, goodwill, intangibles, investments, advance, biological assets and other assets.

Finance Costs

Finance Costs for the years 2013 and 2014 are Php 55.80 million and Php 77.60 million, respectively. The increase is mainly due to the additional debts particularly the addition of convertible bonds and increase in interest rates of certain loans.

Net Income

Net income for fiscal year 2014 amounted to (Php 1,194.03) million of which (Php 1,175.12) million is attributable to equity holders of the parent while (Php 18.91) million is attributable to non-controlling interest.

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

The following comparison of the Company's results of operations is based on the Company's audited financial statements in 2013 and 2014:

	For the Year-Ended December 31 (in Php '000)	
	2012	**2013**
Net Sales	2,329,946,985	**2,926,429,244**
Cost of Sales	(1,944,724,778)	**(2,348,073,422)**
Gross Profit and Gross Margin	385,222,207	**578,355,822**
Operating Expenses	(740,676,710)	**(477,954,399)**
Income from Operating Activities	(355,454,503)	**100,401,423**
Other Income (Charges)	(490,065,658)	**(54187,519)**
Provision for Income Tax	47,173,868	**(23,767,723)**
Net Income	(798,346,293)	**22,446,181**

Net Sales

ANI Group registered a consolidated sale of goods and services at Php 2,926.43 million in 2013 compared to Php 2,329.95 million in 2012 or a growth of 26% primarily due to increase in sales of Foreign operations as a result with the acquisitions in Hong Kong and Australia in 2013. Such additional business has adequately covered the decline in sales of Philippine operations particularly in the distribution business following the termination of ANI's supply contract with SM Supermarkets in late 2012. Sale of goods and services by business segment follows:

- Export sales posted a decrease of 27.5% year-on-year to Php 393.79 million for the fiscal year 2013 from Php 543.06 million for 2012 mainly due to reduction in export of bananas

- Local distribution sales posted a decline of 54.9% to Php 415.72 million for the year ended December 31, 2013 from Php 921.50 million for 2012 due discontinued supply to SM Supermarkets as mentioned above.

- Farming revenues registered a decline of 59.9% to Php 232.19 million for 2013 from Php 579.11 million in 2012.

- Retail and franchising sales registered an increase by 26.2% to Php 138.16 million for fiscal year 2013 from Php 109.51 million for 2012 due to additional stores.

- Combined Foreign operations posted an increase of 2925.8% to Php 1,697.81 million for 2013 from Php 56.11 million for 2012, mainly due to the inclusion of newly acquired businesses in Hong Kong and Australia in 2013. The Australia operations are conducted by two newly acquired subsidiaries, namely BSK Pty. Ltd. (acquired in April 2013) and Michsul Pty. Ltd. (acquired in July 2013).

- Others, which consists of manufacturing/processing, vegetable processing and transport logistics, registered sales of Php 48.75 million for the fiscal year 2013 down by 59.6% from Php 120.66 million for FY2012 due to improved operations.

Cost of Sales

Cost of sales consists of:

- Cost of purchasing fruits and vegetables and raw material from growers and other traders and suppliers;
- Personnel expenses, which include salary and wages, employee benefits and retirement costs for employees involved in the production process;
- Repairs/maintenance costs, relating to production equipment, vehicles, facilities and buildings;
- Fuel and oil costs relating to the production and distribution process;

For the year ended December 31, 2013, ANI Group's cost of sales and services amounted to Php 2,348.07 million up by 20.7% from Php 1,944.72 million for the year 2012, due to the higher amount of purchases.

Gross Profit

Consolidated gross profit grew by Php 193.13 million or 50.1% for the year ended December 31, 2013. The growth from Php 385.22 million to Php 578.36 million was mainly contributed by the increase in gross profit in foreign operations Php 183.71 million in line with the increase in sales as mentioned above.

Gross profit ratio increased from 16.5% for 2012 to 19.8% for 2013.

Operating Expenses

The Company's operating expenses consist of selling expenses and administrative expenses which include the following major items:

- Salaries, wages and other employee benefits
- Freight out and handling cost
- Contracted services mainly for sales operations
- Rental
- Depreciation and amortization

Consolidated operating expenses for the 2013 amounted to Php 678.70 million up from Php 401.16 million for 2012, due mainly to the growth in the foreign operations of the company.

Finance Costs

Finance Costs for the years 2012 and 2013 are Php 35.56 million and Php 56.55 million, respectively. The increase is due to additional borrowings in 2013.

Net Loss

Net loss for fiscal year 2013 amounted to Php 78.49 million of which Php 95.14 million is attributable to equity holders of the parent while Php 16.64 million is attributable to non-controlling interest.

LIQUIDITY AND CAPITAL RESOURCES

During the years 2013, 2014 and 2015, the Company's cash flows from operations have been sufficient to provide sufficient cash for the Company's operations and capital expenditures. The Company did not pay cash dividends in each of 2013, 2014 and 2015. The following table sets out the Company's cash flows in 2013, 2014 and 2015:

	For the year ended December 31(in thousands of ₱)		
	2013	**2014**	**2015**
Net cash flows provided by/(used for) operating activities	**351,495**	**410,430**	(365,482)
Net cash flows provided by/(used for) investing activities	**(838,472)**	**(930,102)**	531,254
Net cash flows provided by/(used for) financing activities	**608,726**	**265,535**	(216,073)
Effect of Exchange Rate Changes in Cash on Hand and in Banks	**(455)**	**(1,571)**	(23)
Net increase (decrease) in cash and cash equivalents	**121,749**	**(254,137)**	(50,301)

Net Cash Flows from Operating Activities

Net cash flows from operating activities for fiscal year 2015 was (Php365,482) million compared to Php410.430 million in 2014.

Net cash used in investing activities is Php 531,254 million mainly in relation to the divestment of subsidiaries and write off of receivables.

Net cash flows from financing activities are (Php216,073) million in 2015, which is mainly from the payment of loans and borrowings, interest expense and application of convertible bonds.

Net cash flow from (used in) operating activities for fiscal year 2014 was Php 410.430 million.

Net cash used in investing activities is Php930,102 million.

Net cash flow from financing activities is Php 265,535 million mainly due to additional issuance of shares while 2013 amounted to Php 608,726 million mainly due to availment of loans from banks.

Capital Expenditures

The Company 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 the Company's capital expenditures for property and equipment in 2013, 2014 and 2015. The Company has historically sourced funding for its capital expenditures from bank loan and internally-generated funds.

Year ended December 31,	Expenditure (in '000)
2013	P1,107,647
2014	P856,125
2015	666,926

The Company's budgeted capital expenditures are based on management's estimates and have not been appraised by an independent organization. In addition, the Company'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 the Company will implement its capital expenditure plans as intended at or below estimated costs.

Off-Balance Sheet Arrangements

The Company does not have any material off-balance sheet arrangements. The Company 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 the Company uses. The Company employs analyses using comparisons and measurements based on the financial data for current periods against the same period of the previous year.

	Year ended December 31,		
	2015	**2014**	**2013**
Liquidity:			
Current ratio	**0.58**	0.96	1.26
Solvency: Debt-to-equity ratio	**3.06**	2.13	1.10
Profitability: Return on average stockholders' equity of the Company	**(0.50)**	(0.64)	0.01
Asset-to-equity ratio	**4.05**	3.13	2.10
Operating efficiency: Revenue growth	**(0.02)**	(0.02)	0.26

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	$\frac{\text{Net Income}}{\text{Average Stockholders' Equity of the Company}}$
Average Stockholders' Equity of the Company	$\frac{\text{Stockholder's Equity, Beg. + Ending}}{2}$
Volume growth	$\left[\frac{Current\ period\ Sales\ Volume}{\Pr ior\ period\ Sales\ Volume}\right]$ - 1
Revenue growth	$\left[\frac{Current\ period\ Net\ Sales}{\Pr ior\ period\ Net\ Sales}\right]$ - 1
Asset to Equity Ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$

Accounting Standard, Interpretations and Amendment Effective in 2008

The Company adopted the following relevant standard, amendment and interpretations to existing standards, which are effective for annual periods beginning on or after 01 January 2008:

Philippine Interpretation IFRIC 11, *PFRS 2 – Group and Treasury Share Transactions*

This interpretation was effective on 01 January 2008. This interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme by the entity even if (a) the entity chooses or is required to buy those equity instruments (e.g. treasury shares) from another party, or (b) the shareholders of the entity provide the equity instruments needed. It also provides guidance on how subsidiaries, in their separate financial statements, account for such schemes when their employees receive rights to the equity instrument of the parent. The Group currently does not have any stock option plan and therefore, this interpretation did not have any impact to its interim financial statements.

Philippine Interpretation IFRIC 12, *Service Concession Agreements*

This interpretation was issued in November 2006 and became effective for annual periods beginning on or after 01 January 2008. This interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession agreements. The Group does not have any service concession arrangements and hence this interpretation does not have any impact to the Group.

Philippine Interpretation IFRIC 14, PAS 19, *The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction*

This interpretation was issued in July 2007 and became effective for annual periods beginning on or after 01 January 2008. This interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized as an asset under PAS 19, *Employee Benefits*. This interpretation did not have any impact on the financial position of the Group, as it does not have any pension asset.

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

f.1. Market Information

The Company's 329,500,087[9] issued and outstanding common shares are listed and traded principally on the Second Board of the Philippine Stock Exchange (PSE).

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 2013 to 2015:

	2013				**2014**			
	Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
High	8.67	7.15	6.00	6.04	5.60	4.05	4.39	2.70
Low	6.70	5.20	5.00	5.02	3.90	3.85	2.71	2.10

	2015			
	Q1	**Q2**	**Q3**	**Q4**
High	2.11	1.74	1.76	5.15
Low	1.61	1.25	1.31	1.50
	2016			

[9] On 16 November 2012, the PSE approved the additional listing of 206,192,950 issued and outstanding common shares of the Company. As of 5 April 2013, the lodgement and actual listing of the said shares are not yet completed.

	Q1	Q2	Q3	Q4
High	5.82	-	-	-
Low	3.92	-	-	-

As of 31 May 2016, the shares of the Company are being traded at the PSE at the average trading price of 3.43 per share.

f.2. Holders

As of 31 March 2016, the Company has a total outstanding common stock of 621,683,570 common shares held by 36 individual and corporate stockholders on record.

Based on the Company's stock and transfer book, the top twenty (20) stockholders of the Company on record as of 31 March 2016 are as follows:

	NAME	NO. OF SHARES	PERCENTAGE
1	PCD NOMINEE CORPORATION (FILIPINO)	288,185,636	46.3557%
2	PCD NOMINEE CORPORATION (FOREIGN)	178,640,791.	28.7350%
3	GREENERGY HOLDINGS INC.	85,990,533	13.8319%
4	TIU, ANTONIO LEE	53,873,932	8.6658%
5	SOUTHERN FIELD LIMITED	8,429,757	1.3560%
6	DUCA, MARK KENRICH O.	3,000,000	0.4826%
7	CHUNG MING YANG	1,566,200	0.2519%
8	NGO, DEBBIE CHRISTINE D.	600,000	0.0965%
9	DUCA, QUEENIE JANE O.	600,000	0.0965%
10	DUCA, KATHY JOY O.	600,000	0.0965%
11	CRISOSTOMO, JOSE MARIANO	96,000	0.0154%
12	DEAN, GERARDO L.	62,700	0.0101%
13	QUALITY INVESTMENT & SECURITIES CORPORATION	19,600	0.0032%
14	FERRIOLS, JOSE A. &/OR EDUARDO A. FERRIOLS	5,000	0.0008%
15	BUSMEON,CHARLIE Y.	4,800	0.0008%
16	LIM, NIEVES Q. &/OR ALEXANDER D. LIM	2,640	0.0004%
17	SAYRE, JAMES DAVID	1,200	0.0002%
18	LACSON, MARICEL C.	1,200	0.0002%
19	LIN, TAI-CHUAN	1,199	0.0002%
20	YOUNG, BARTHOLOMEW DY BUNCIO	1,000	0.0002%

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

Common	**Greenergy Holdings, Inc.** 54 National Road, Dampol II-A, Pulilan, Bulacan Stockholder	PCD Nominee Corp. (Filipino) is the record owner Eagle Equities Inc. is the beneficial owner of 89,427,950 and Nieves Securities Inc. is the beneficial owner of 12,706,896. [for Greenergy Holdings, Inc.]	Filipino	102,134,846	16.43%
Common	**Earthright Holdings, Inc.**[10]	PCD Nominee Corp. (Filipino) is the record owner	Filipino	92,675,850	14.91%

[10] 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

	Unit 3C, Valuepoint Executive Building, 227 Salcedo St. Legazpi Village, Makati City Stockholder	Eagle Equities Inc. is the beneficial owner of 63,505,050 and AB Capital Securities Inc. is the beneficial owner of 29,170,800. [for Earthright Holdings, Inc.]			
Common	**PCD Nominee Corp. (Foreign)** G/F Makati Stock Exchange Bldg., 6767 Ayala Avenue, Makati City Stockholder	PCD Nominee Corp. (Foreign) is the record owner Standard Chartered Bank is the beneficial owner. [for Solveigh Philippines Agri Investments 2 BV]	Singaporean	160,000,000	25.74%

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

f.3. Dividends

The Company 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 the Company's Board of Directors. In addition to Board approval, dividends declared in the form of additional share are also subject to the approval of the Company'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 the Company 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, the Company has not declared any other dividends.

f.4. Recent Issuance of Shares Constituting Exempt Transaction

On 23 December 2013, the Company filed a Notice of Exempt Transaction with the Securities and Exchange Commission (SEC) in relation to the Promissory Note by the Company dated 19 December 2013 (the "Note") in favor of Black River 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, 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 or its assignee/s as described above, the Company will set aside,

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.

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."*

The 119,760,666 authorized but unissued shares set aside by the Company 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 the Company 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

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"), the Company 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 Company'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, the Company 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 the Company'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, the Company 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 the Company's Manual.

12. 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 the Company;

b. the acquisition by the Company or any of its security holders of securities of another person;

c. the acquisition by the Company 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 the Company; or

e. the liquidation or dissolution of the registrant,

13. 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 the Company, except for the divestments of the following subsidiaries: Freshness First Ltd. (Australia), Sunshine Supplies International Co. Ltd., Qualis Logistics and Transport Services, Inc. and Hansung Agro Products Corporation.

14. Restatement of Accounts

There are no matters or actions to be taken up in the meeting with respect to Restatement of Accounts.

OTHER MATTERS

15. 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 24 June 2016:

a. The Audited Financial Statements for the year ending 31 December 2015;
b. Annual Report for the year ending 31 December 2015; 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 2014 constitutes ratification by the stockholders of the Company's performance for 2014.

The matters approved and acted upon by the Board of Directors of the Company after the previous shareholders meeting on 30 June 2015 which are to be ratified by the stockholders on 24 June 2016 are the following:

a. Approval and Ratification of the Divestment of Freshness First Ltd. (Australia)

b. Issuance and Listing of up to 30 Million Stock Warrants in favor of Solveigh Philippines Agri Investments 2 BV

c. Issuance and Listing of up to 30 Million Stock Warrants in favor of qualified ANI Employees

d. Approval and Ratification of the divestments of Sunshine Supplies International Co. Ltd., Qualis Logistics and Transport Services, Inc. and Hansung Agro Products Corporation

d. **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 the Company 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.

16. Amendment of Charter, By-Laws or Other Documents

There are no matters or actions to be taken up in the meeting with respect to Restatement of Accounts.

17. Other Proposed Action

Not Applicable.

18. 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 the Company, 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 the Company 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.

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 Pasig on 3 June 2016.

By:

LISETTE M. ARBOLEDA
Corporate Secretary/Compliance
Officer/Corporate Information Officer

C O V E R   S H E E T

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	S	0	9	5	-	8	2	0	6	8

C O M P A N Y   N A M E

AGRINURTURE, INC. AND SUBSIDIARIES

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRM	N/A

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
www.ani.com.ph	(02) 551-0773 to 74	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
34	06/30	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Kenneth S. Tan	kenneth.tan@ani.com.ph	(02) 551-0773 to 74	N/A

CONTACT PERSON's ADDRESS

#7 St. Jose Maria Escriva Drive Unit 111-112, Cedar Mansion 2, Ortigas Center, Pasig City

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

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

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of AgriNurture, Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2015, 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 audits. We conducted our audits 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.

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Building a better working world

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, 2015 and 2014, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2015 in accordance with Philippine Financial Reporting Standards.

Jose Pepito E. Zabat

Jose Pepito E. Zabat III
Partner
CPA Certificate No. 85501
SEC Accreditation No. 0328-AR-3 (Group A),
May 1, 2015, valid until April 30, 2018
Tax Identification No. 102-100-830
BIR Accreditation No. 08-001998-60-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 5321714, January 4, 2016, Makati City

April 29, 2016

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December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
AgriNurture, Inc. and Subsidiaries
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, 2015 and 2014 and for the years then ended, included in this Form 17-A, and have issued our report thereon dated April 29, 2016. Our audits were made for the purpose of forming an opinion on the basic consolidated 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 consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly states, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jose Pepito E. Zabat

Jose Pepito E. Zabat III
Partner
CPA Certificate No. 85501
SEC Accreditation No. 0328-AR-3 (Group A),
May 1, 2015, valid until April 30, 2018
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February 27, 2015, valid until February 26, 2018
PTR No. 5321714, January 4, 2016, Makati City

April 29, 2016

AGRINURTURE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2015	2014
ASSETS		
Current Assets		
Cash (Note 4)	**₱33,278,930**	₱83,602,967
Trade and other receivables - net (Note 5)	**182,335,197**	294,035,512
Advances to related parties (Note 21)	**8,889,594**	16,261,131
Advances to a stockholder (Note 21)	**714,555,017**	1,605,282,582
Inventories (Note 6)	**44,820,529**	70,405,867
Prepayments and other current assets (Note 7)	**89,212,359**	100,473,370
	1,073,091,626	2,170,061,429
Assets classified as held for sale (Note 11)	**–**	175,000,000
Total Current Assets	**1,073,091,626**	2,345,061,429
Noncurrent Assets		
Property and equipment (Note 8)	**666,925,826**	856,125,512
Investment property (Note 10)	**–**	9,525,600
Advances to stockholders - net of current portion (Note 21)	**703,226,545**	–
Intangible assets (Note 9)	**193,266,995**	283,739,820
Deferred income tax assets (Note 23)	**7,300,732**	63,957,785
Other noncurrent assets (Note 12)	**242,327,095**	330,706,858
Total Noncurrent Assets	**1,813,047,193**	1,544,055,575
TOTAL ASSETS	**₱2,886,138,819**	₱3,889,117,004
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 13)	**₱530,710,930**	₱765,816,741
Loans and borrowings (Note 14)	**803,033,866**	1,052,429,498
Redeemable and convertible loan (Note 14)	**234,000,000**	384,000,000
Advances from related parties (Note 21)	**177,101,534**	73,005,618
Lease payable (Note 26)	**30,508,369**	66,205,905
Income tax payable	**598,915**	–
Other current liabilities	**71,547,443**	88,935,400
Total Current Liabilities	**1,847,501,057**	2,430,393,162
Noncurrent Liabilities		
Loans and borrowings - net of current portion (Note 14)	**220,797,845**	60,000,000
Pension liability (Note 22)	**8,767,447**	13,033,257
Lease payable - net of current portion (Note 26)	**75,414,093**	103,343,605
Deferred income tax liabilities (Note 23)	**–**	687,524
Other long term liability (Note 26)	**21,954,596**	37,760,308
Total Noncurrent Liabilities	**326,933,981**	214,824,694
Total Liabilities	**2,174,435,038**	2,645,217,856
Equity Attributable to Equity Holders of the Parent		
Capital stock (Note 15)	**621,683,570**	621,683,570
Additional paid-in capital	**2,330,723,527**	2,330,723,527
Foreign currency translation reserve	**(60,792,816)**	21,084,882
Deficit	**(2,114,135,261)**	(1,692,115,568)
	777,479,020	1,281,376,321
Non-controlling Interests	**(65,775,239)**	(37,477,173))
Total Equity	**711,703,781**	1,243,899,148
TOTAL LIABILITIES AND EQUITY	**₱2,886,138,819**	₱3,889,117,004

See accompanying Notes to Consolidated Financial Statements.

AGRINURTURE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2015	2014	2013
REVENUES	**₱2,337,615,990**	₱2,367,179,489	₱2,403,058,701
COST OF SALES AND SERVICES (Note 17)	**(2,184,960,349)**	(2,072,023,169)	(1,971,821,531)
GROSS PROFIT	**152,655,641**	295,156,320	431,237,170
General and administrative expenses (Note 18)	**(458,588,838)**	(585,285,443)	(508,525,036)
Other income (expense) - net (Note 20)	**(55,871,612)**	(817,977,954)	(90,248,152)
OPERATING LOSS	**(361,804,809)**	(1,108,107,077)	(167,536,018)
Finance income (Note 4)	**21,034**	295,969	2,232,831
Finance costs (Notes 14 and 21)	**(74,710,973)**	(77,599,146)	(55,796,646)
	(74,689,939)	(77,303,177)	(53,563,815)
LOSS BEFORE INCOME TAX	**(436,494,748)**	(1,185,410,254)	(221,099,833)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 23)			
Current	**2,394,988**	6,325,141	28,633,909
Deferred	**24,174,828**	12,459,893	(93,128,161)
	26,569,816	18,785,034	(64,494,252)
NET LOSS FROM CONTINUING OPERATIONS	**(463,064,564)**	(1,204,195,288)	(156,605,581)
DISCONTINUED OPERATIONS, NET OF TAX (Note 28)			
Income (loss) from discontinued operations	**(22,718,674)**	10,162,321	78,111,482
NET LOSS	**(₱485,783,238)**	(₱1,194,032,967)	(₱78,494,099)
Net loss attributable to:			
Equity holders of the parent			
Loss from continuing operations	**(₱415,710,004)**	(₱1,185,247,892)	(₱147,281,949)
Income (loss) from discontinued operations	**(22,114,207)**	10,125,194	74,313,307
	(437,824,211)	(1,175,122,698)	(72,968,642)
Non-controlling interests			
Loss from continuing operations	**(47,354,560)**	(18,947,396)	(9,323,632)
Income (loss) from discontinued operations	**(604,467)**	37,127	3,798,175
	(47,959,027)	(18,910,269)	(5,525,457)
	(₱485,783,238)	(₱1,194,032,967)	(₱78,494,099)
Basic and diluted loss per share from continuing operations (Note 16)	**(₱0.74)**	(₱2.08)	(₱0.15)
Basic and diluted loss per share (Note 16)	**(₱0.78)**	(₱2.06)	(₱0.01)

See accompanying Notes to Consolidated Financial Statements.

AGRINURTURE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2015	2014	2013
NET LOSS	**(₱485,783,238)**	(₱1,194,032,967)	(₱78,494,099)
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	**(59,936,936)**	31,113,187	(7,318,419)
Income tax effect	–	–	–
	(59,936,936)	31,113,187	(7,318,419)
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods (Note 22):			
Re-measurement on pension liability	**7,354,541**	(2,291,748)	11,063
Income tax effect	**(2,206,362)**	687,524	(3,319)
	5,148,179	(1,604,224)	7,744
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	**(54,788,757)**	29,508,963	(7,310,675)
TOTAL COMPREHENSIVE LOSS	**(540,571,995)**	(1,164,524,004)	(85,804,774)
Total comprehensive income (loss) attributable to:			
Equity holders of the parent			
Loss from continuing operations	**(470,498,761)**	(1,155,738,929)	(154,592,624)
Income (loss) from discontinued operations	**(22,114,207)**	10,125,194	74,313,307
Non-controlling interests			
Loss from continuing operations	**(47,354,560)**	(18,947,396)	(9,323,632)
Income (loss) from discontinued operations	**(604,467)**	37,127	3,798,175
	(₱540,571,995)	(₱1,164,524,004)	(₱85,804,774)

See accompanying Notes to Consolidated Financial Statements.

AGRINURTURE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 and 2013

	Equity Attributable to Equity Holders of the Parent						
	Capital Stock (Note 16)	Additional Paid-in Capital	Translation Reserve	Retained Earnings (Deficit)	Subtotal	Non-controlling Interests	Total
Balances at December 31, 2012	**₱535,693,037**	**₱2,158,742,461**	**(₱2,203,676)**	**(₱487,840,666)**	**₱2,204,391,156**	**₱205,839,960**	**₱2,410,231,116**
Net loss from continuing operations	–	–	–	(147,281,949)	(147,281,949)	(9,323,632)	(156,605,581)
Net income from discontinued operations	–	–	–	74,313,307	74,313,307	3,798,175	78,111,482
Other comprehensive loss, net of tax	–	–	(3,865,051)	7,744	(3,857,307)	(3,453,368)	(7,310,675)
Total comprehensive loss	–	–	(3,865,051)	(72,960,898)	(76,825,949)	(8,978,825)	(85,804,774)
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)	–
Effect of accounting for business combination	–	–	–	(51,479,543)	(51,479,543)	250,085,266	198,605,723
Balances at December 31, 2013	**₱535,693,037**	**₱2,158,742,461**	**(₱6,068,727)**	**(₱515,388,736)**	**₱2,172,978,035**	**₱310,443,389**	**₱2,483,421,424**
Net loss from continuing operations	–	–	–	(1,185,247,892)	(1,185,247,892)	(18,947,396)	(1,204,195,288)
Net income from discontinued operations	–	–	–	10,125,194	10,125,194	37,127	10,162,321
Other comprehensive loss, net of tax	–	–	27,153,609	(1,604,224)	25,549,385	3,959,577	29,508,962
Total comprehensive loss	–	–	27,153,609	(1,176,726,922)	(1,149,573,313)	(14,950,692)	(1,164,524,005)
Issuance of common shares (Note 15)	85,990,533	171,981,066	–	–	257,971,599	–	257,971,599
Effect of deconsolidation due to loss of control	–	–	–	–	–	(332,969,870)	(332,969,870)
Balances at December 31, 2014	**₱621,683,570**	**₱2,330,723,527**	**₱21,084,882**	**(₱1,692,115,658)**	**₱1,281,376,321**	**(₱37,477,173)**	**₱1,243,899,148**
Net loss from continuing operations	–	–	–	(415,710,004)	(415,710,003)	(47,354,560)	(463,064,563)
Net income from discontinued operations	–	–	–	(22,114,207)	(22,114,207)	(604,467)	(22,718,674)
Other comprehensive loss, net of tax	–	–	(81,877,698)	5,148,179	(76,729,519)	21,940,762	(54,788,757)
Total comprehensive loss	–	–	(81,877,698)	(432,676,032)	(514,553,729)	(26,018,265)	(540,571,994)
Effect of deconsolidation due to loss of control	–	–	–	–	–	8,376,628	8,376,628
Balances at December 31, 2015	**₱621,683,570**	**₱2,330,723,527**	**(₱60,792,816)**	**(₱2,114,135,261)**	**₱777,479,021**	**(₱65,775,239)**	**₱711,703,781**

See accompanying Notes to Consolidated Financial Statements.

AGRINURTURE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss from continuing operations before income tax	**(₱436,494,748)**	(₱1,199,612,985)	(₱97,986,496)
Income (loss) from discontinued operations before income tax (Note 28)	**(22,718,674)**	32,790,789	–
Loss before income tax	**(459,213,422)**	(1,166,822,196)	(97,986,496)
Adjustments for:			
Depreciation and amortization (Notes 9, 10 and 11)	**102,117,651**	124,541,645	72,421,550
Interest expense (Notes 14 and 21)	**74,710,973**	81,488,033	56,554,415
Provision for allowance for impairment losses on trade and other receivables (Note 5)	**64,527,983**	–	–
Losses (gains) on sale of property and equipment	**29,533,498**	272,986	(1,578,058)
Loss from discontinued operations (Note 28)	**(15,619,017)**	(22,956,932)	–
Unrealized foreign exchange losses (gains) - net	**14,399,747**	(4,385,916)	3,345
Loss as a result of loss on subsidiary (Note 28)	**(7,099,657)**	(5,435,000)	–
Movements in pension liability	**3,088,731**	5,680,313	2,899,424
Interest income (Notes 4 and 19)	**(21,034)**	(19,232,774)	(26,518,780)
Impairment on various assets (Note 12)	–	792,427,500	–
Impairment loss on trade and other receivables	–	–	812,907
Gain on changes on fair value of biological assets (Note 7)	–	–	(146,268,765)
Operating losses before working capital changes	**(193,574,547)**	(214,422,341)	(139,660,458)
Decrease (increase) in:			
Trade and other receivables	**46,915,436**	(31,978,678)	(160,483)
Biological assets	–	(112,341,006)	70,564,345
Inventories	**25,585,338**	47,404,289	199,800,110
Prepayments and other current assets	**11,261,011**	47,540,041	(89,776,659)
Increase in:			
Trade and other payables	**(237,984,925)**	625,524,926	286,323,642
Other current liabilities	**(17,387,957)**	52,482,693	3,355,943
Net cash generated from (used in) operations	**(365,185,644)**	414,209,924	330,446,080
Income taxes paid	**(317,825)**	(23,013,078)	(5,469,789)
Interest received	**21,034**	19,232,774	26,518,780
Net cash flows from (used in) operating activities	**(365,482,435)**	410,429,620	351,495,071

(*Forward*)

	Years Ended December 31		
	2015	2014	2013
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Lease payable (Note 26)	**(₱35,697,536)**	₱24,624,810	₱144,924,700
Property and equipment (Note 8)	**(762,150)**	(511,294,561)	(249,457,111)
Intangible assets (Note 9)	**(628,253)**	(2,537,382)	(53,154,292)
Changes in:			
Other noncurrent assets (Note 12)	**248,137,548**	(48,112,109)	223,864,086
Advances to a stockholder (Note 21)	**203,762,151**	–	–
Advances to related parties (Note 21)	**8,889,594**	(441,464,588)	(672,102,366)
Net cash inflow (outflow) from deconsolidation of a subsidiary (Note 28)	**103,667,854**	(21,585,591)	–
Proceeds from:			
Sale of property and equipment	**2,893,095**	18,724,082	13,765,208
Note receivable	–	–	58,000,000
Net effect of deconsolidation of subsidiaries (Note 28)	**991,813**	–	–
Effect on deferred income tax liability as a result of the deconsolidation	–	51,543,539	–
Acquisition of subsidiaries, net of cash acquired	–	–	(304,312,656)
Net cash flows used in investing activities	**531,254,116**	(930,101,800)	(838,472,431)
CASH FLOWS FROM FINANCING ACTIVITIES			
Application of convertible and redeemable loan (Note 14)	**(150,000,000)**		
Changes in:			
Advances from related parties	**104,095,916**	71,756,368	74,330,115
Other noncurrent liabilities	**(15,805,712)**	(17,518,677)	55,278,985
Payments of loans and borrowings	**(89,446,087)**	(150,154,485)	(780,132,400)
Interest paid	**(64,917,176)**	(65,519,500)	(56,334,415)
Proceeds from:			
Issuance of capital stock	–	257,971,599	–
Availment of loans	–	169,000,000	1,315,583,983
Net cash flows from financing activities	**(216,073,059)**	265,535,305	608,726,268
NET INCREASE (DECREASE) IN CASH	**(50,301,376)**	(254,136,875)	121,748,908
CASH AT BEGINNING OF YEAR	**83,602,967**	339,310,829	218,038,556
EFFECT OF EXCHANGE RATE CHANGES IN CASH	**(22,661)**	(1,570,987)	(454,509)
CASH AT END OF YEAR (Note 4)	**₱33,278,930**	₱83,602,967	₱339,310,829

See accompanying Notes to Consolidated Financial Statements

AGRINURTURE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

AgriNurture, Inc. (the 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. In 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. The Parent Company was listed on the Philippine Stock Exchange (PSE) in April 2009 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 at Unit 111 Cedar Mansions II, #7 Escriva Drive, Ortigas Center, Barangay San Antonio, Pasig City.

On May 26, 2014, the Parent Company's BOD approved the amendment of the Parent Company's Articles of Incorporation changing the number of independent directors from two (2) to three (3) out of the eleven (11) directors of the Parent Company.

The consolidated financial statements as at and for the years ended December 31, 2015 and 2014 were authorized for issuance by the Parent Company's BOD on April 29, 2016.

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. 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). PFRS includes the statements named PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Financial Reporting Standards Council (FRSC).

Basis of Consolidation

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 2015	2014
First Class Agriculture Corporation (FCAC)	Philippines	Trading (Agricultural goods)	100%	100%
M2000 IMEX Company, Inc. (IMEX)	Philippines	Manufacturing and export	100%	100%
Best Choice Harvest Agricultural Corp. (BCHAC)	Philippines	Farm management	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%
Fruitilicious Company, Inc. (FI)	Philippines	Manufacturing/processing/ trading frozen agricultural products	90%	90%
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%	80%
*Heppy Corporation (HC)	Philippines	Food and beverage retailing and franchising	80%	80%
*Goods and Nutrition for All, Inc. (GANA)	Philippines	Retail and wholesale	100%	100%
Agrinurture HK Holdings Ltd. (ANI HK)	Hong Kong	Holding Company	100%	100%
*Agrinurture Int'l Ltd. (ANI IL)	Hong Kong	Trading and retail	100%	100%
*ANI China	China	Trading (Agricultural goods)	100%	100%
*ANI AgriNurture Europe S.L. (ANI ESL)	Spain	Trading (Agricultural goods)	100%	100%
*Joyful Fairy (Fruits) Limited (JFF)	British Virgin Islands	Trading (Agricultural goods)	51%	51%
**Freshness First Pty. Ltd. (FFPL)	Australia	Processing and trading	–	100%
**BSK Pty. Ltd. (BSK)	Australia	Retail	–	100%
**Michsul Pty. Ltd. (MPL)	Australia	Wholesale	–	100%
**Sunshine Supplies International Co., Ltd. (SSIC)	Hong Kong	Trading (Agricultural goods)	–	51%
**Hansung Agro Products Corporation (HAPC)	Philippines	Processing (Agricultural goods)	–	100%
**Qualis Logistics and Transport Services, Inc. (QLTS)	Philippines	Logistics	–	51%

*Direct and indirect ownership
**Divested during 2015

Subsidiaries

Subsidiaries are entities over which the Parent Company has control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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.

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.

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.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended PFRS, Philippine Accounting Standards (PAS), Philippine Interpretations based on International Financial Reporting Interpretations Committee (IFRIC) and improvements to PFRS which were adopted as at January 1, 2015:

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
  PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service.

  It is not expected that this amendment would be relevant to the Group, since it does not have defined benefit plans with contributions from employees or third parties.

Annual Improvements to PFRSs (2010-2012 cycle)
These improvements are effective for annual periods beginning on or after July 1, 2014 and are not expected to have a significant impact to the Group. They include:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

  - A performance condition must contain a service condition.
  - A performance target must be met while the counterparty is rendering service.

  - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group.
  - A performance condition may be a market or non-market condition.
  - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

  The improvement does not have any effect to the Group as it has no share-based payment.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment is aplied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss (FVPL) whether or not it falls within the scope of PAS 39 (or PFRS 9, *Financial Instruments*, if early adopted).

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments are applied retrospectively and clarify that:

  - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
  - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

  These amendments do not have any significant financial impact to the Group and will affect only the disclosures on the financial statements.

- PAS 16, *Property, Plant and Equipment*, and PAS 38*, Intangible Assets- Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
  The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual Improvements to PFRSs (2011-2013 cycle)
These improvements are effective for annual periods beginning on or after July 1, 2014 and are not expected to have a significant effect to the Group. They include:

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Ventures*
  The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
  - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.

- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 or (PFRS 9, as applicable).

- PAS 40, *Investment Property - Clarifying the interrelationship of PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property*
The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

Standards and Interpretations Issued but not yet Effective
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 effect on its financial statements.

Effective January 1, 2016:

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidated Exception* (Amendments)
These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value and that the only subsidiary of an investment entity that is not an investment entity itself and that provide support services to the investment entity parent is consolidated. The amendments also allow that an investor (that is not an investment entity and has an investment entity associate or joint venture), when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interest in subsidiaries. These amendments are effective for annual periods beginning on or after January 1, 2016. These amendments are not applicable to the Group and will not have any effect on its financial statements.

- PAS 27, *Separate Financial Statements* - *Equity Method in Separate Financial Statements* (Amendments)
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any effect on the Group's financial position or financial performance. The Group is currently assessing the impact of PAS 27 and plans to adopt the new standard on the required effective date once adopted locally.

- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
  The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

- PAS 1, *Disclosure Initiative* (Amendments)
  The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirement of PFRS. They clarify the following:

  - That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different nature or functions
  - That specific line items in the statement(s) of comprehensive income and OCI and the statement of financial position may be disaggregated
  - That entities have flexibility as to the order in which they present the notes to financial statements; and
  - That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

  Early application is permitted and entities do not need to disclose that fact as the amendments are considered to be clarifications that do not affect an entity's accounting policies or accounting estimates.

- PFRS 14, *Regulatory Deferral Accounts*
  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of comprehensive income and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.

- PAS 16*, Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants* (Amendments)
  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition

of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any effect to the Group as it does not have any bearer plants.

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets* - *Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any effect to the Group given that it does not use a revenue-based method to depreciate its non-current assets.

Annual Improvements to PFRSs (2012-2014 cycle)
These improvements are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a significant effect to the Group. They include:

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
  The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
  PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- PFRS 7*, Applicability of the Offsetting Disclosures to Condensed Interim Financial Statements*
  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- PAS 19, *Employee Benefits - regional market issue regarding discount rate*
  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*
  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective Beginning January 1, 2018:

- PFRS 9, *Financial Instruments* (2014 or Final Version)
  In July 2014, the final version of PFRS 9 was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement* and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

  The adoption of PFRS 9 is not expected to have any significant impact on the Group's future financial statements.

- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers*
  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Group is currently assessing the effect of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

- IFRS 16, *Leases*
  IFRS 16 was issued by the IASB in January 2016 which replaces International Accounting Standards (IAS) 17, the current leases standard, and the related interpretations.

  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with IAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under IAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

The new standard is effective for annual periods beginning on or after January 1, 2019. Entities may early adopt IFRS 16 but only if they have also adopted IFRS 15. When adopting IFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact of PFRS 16 and plans to adopt the new standard on the required effective date once adopted locally.

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

Summary of Significant Accounting Policies

Foreign Currency Translation of Foreign Operations
Each subsidiary in the Group determines its own functional currency and items included in the consolidated financial statement of each subsidiary are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate on the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at consolidated statement of financial position date. All exchange differences are recognized in consolidated statements of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

For purposes of consolidation, the financial statements of ANI HK, JF HK, ANI IL and JFF which are expressed in Hong Kong dollar (HKD) amounts, financial statements of ANI China which is expressed in Chinese Yuan (CNY) amounts, financial statements of ANI ESL which is expressed in Euro amounts and the financial statements of FFPL, BSK and MPL which are expressed in Australian (AUD) dollar amounts, have been translated to Peso amounts as follows:

a. assets and liabilities for each statement of financial position presented (i.e., including comparatives) are translated at the closing rate at the date of the consolidated statement of financial position;
b. income and expenses for each statement of income (i.e., including comparatives) are translated at exchange rates at the average monthly prevailing rates for the year; and
c. all resulting exchange differences are taken in the consolidated statement of comprehensive income.

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 ANI HK, ANI IL, JF HK, ANI ESL and JFF) is 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.

<u>Presentation of Financial Statements</u>
The Group has elected to present all items of recognized income and expenses in two statements: a statement displaying components of profit or loss in the consolidated statement of income and a second statement beginning with a profit or loss and displaying components of other comprehensive income (OCI).

<u>Cash</u>
Cash includes cash on hand and with banks, which earns interest at their respective bank deposit rates.

<u>Financial Instruments</u>
Date of Recognition
The Group recognizes a financial asset or a financial liability in the 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 a 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
Financial instruments are recognized initially at fair value. Directly attributable transaction costs are included in the initial measurement of all financial assets and financial liabilities, except for financial instruments at FVPL.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual agreement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expenses or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Financial assets within the scope of PAS 39 are classified into the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets or as derivatives designated as hedging instrument in an effective hedge, as appropriate. Financial liabilities are classified as financial liabilities at FVPL, derivatives designated as hedging instruments in an effective hedge, or other financial liabilities. The Group determines the classification at initial recognition and, where allowed and appropriate, re-evaluates such designation at each end of the reporting period.

The Group's financial instruments are in the nature of loans and receivables and other financial liabilities. As at December 31, 2015 and 2014, the Group has no financial assets and liabilities classified as at FVPL, HTM and AFS financial assets and derivatives designated as hedging instruments in an effective hedge, as appropriate.

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, 2015 and 2014, the Group's loans and receivables include cash with banks, trade and other receivables, advances to a stockholder and advances to related parties in the consolidated statement of financial position (see Notes 4, 5 and 21).

Other Financial Liabilities
Loans and borrowings pertain to financial liabilities that are not held for trading nor designated as at FVPL upon the inception of the liability. These include financial liabilities arising from operations. These financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the EIR method of amortization or accretion for any related premium, discount and any directly attributable transaction cost. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized or impaired, as well as through the amortization process.

Other financial liabilities are classified as current if it is due within twelve (12) months from the end of the reporting date otherwise they are classified as noncurrent liabilities

This accounting policy applies primarily to the Group's trade and other payables, loans and borrowings, redeemable and convertible loan, advances from related parties and lease payables that meet the above definition (other than liabilities that are covered by other accounting standards, such as income tax payable and pension) (see Notes 13, 14, 21 and 26).

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.

Determination of Fair Values of Financial Instruments
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 date (unobservable inputs)

For assets and liabilities that are recognized in the consolidated 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 Groups'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.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 25.

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. When the Group determines that a specific account or group of accounts continue to be impaired or can no longer be recovered based on its regular review and assessment and after exhausting all actions and means to recover, these specifically identified accounts are written-off.

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 statement 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.

<u>Derecognition of Financial Instruments</u>
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 has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group 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

Business combinations, except for business combination between entities under common control, 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 NCI in the acquiree. For each business combination, the acquirer measures the NCI in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and financial 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 at the acquisition date and any gain or loss on remeasurement is recognized in the consolidated statement of income. It is then considered in the determination of goodwill.

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 the consolidated statement of income, or in the consolidated statement of comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for NCI over the 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 (CGUs) 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.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the CGU or group of CGUs to which the goodwill relates. Where the recoverable amount of the CGU or group of CGUs is less than the carrying amount of the CGU or group of CGUs to which goodwill has been allocated, an impairment loss is recognized in the consolidated statement of income. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs it impairment test of goodwill annually every December 31.

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

Packaging materials and other supplies	-	at purchase cost on a first-in, first-out (FIFO) method
Finished goods	-	at manufacturing or purchase cost on a FIFO method

NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell. For packaging materials and other supplies, NRV is the current replacement cost.

Prepayments and Other Current Assets
Prepayments and other current assets include input-valued added tax (VAT), deposits, prepaid insurance, creditable withholding taxes (CWTs) and other current assets in which the Group expects to realize or consume the assets within twelve (12) months after the end of the reporting period.

VAT
Input VAT represents VAT imposed on the Group by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations. Input VAT representing claims for refund from the taxation authorities after twelve (12) months from the end of the reporting period is recognized as current asset. Input VAT is stated at its estimated net realizable value.

Revenues, expenses and assets are recognized, net of the amount of VAT, except:

- when the VAT incurred on the purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- when receivables and payables that are stated with the amount of VAT are included.

Deposits
Deposits are advance payments made to suppliers that are expected to be applied within twelve (12) months after the end of the reporting period.

CWTs
CWTs which are claimed against income tax due represents excess of the tax payable and are carried over in the succeeding period for the same purpose.

Prepaid Expense
Prepaid expense includes prepayments for insurance, rent, supplies and repairs and maintenance which the Group expects to realize or consume within twelve (12) months after each reporting period and carried at 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 statement of income 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
Leasehold improvements	5

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

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 statement of income.

Investment Properties

The investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Investment properties are depreciated using the straight line method over a period of fifteen (15) years. Investment properties are derecognized when either they have been disposed of, when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of income in the year of retirement or disposal.

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

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 statements of income 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 consolidated statement of income when the asset is derecognized.

Trademarks
Trademarks acquired separately are recognized at cost. Following initial recognition, trademarks are carried at cost less accumulated amortization and any impairment losses. The Group assesses for impairment whenever there is an indication that these assets may be impaired. The Group has assessed that certain trademark acquired in a business combination in the past has indefinite useful lives, thus are not amortized, but 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. The remaining trademark at current year has finite useful life and is amortized over straight line basis over its estimated useful life of twenty years. The amortization period and the amortization method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense is recognized in the consolidated statement of income under “Depreciation and amortization” account in the expense category consistent with the function of the intangible asset.

Computer Software
Acquired computer software is capitalized on the basis of costs incurred to acquire and bring to use the specific software. Computer software is amortized on a straight-line basis over its estimated useful life of five (5) years. Costs associated with the development or maintenance of computer software programs are recognized as expense when incurred.

Goodwill
Goodwill represents the excess of the purchase consideration of an acquisition over the fair value of the Group's share of the net identifiable assets acquired at the date of acquisition. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that might be impaired, and is carried at cost less accumulated impairment losses, if any. Any impairment losses recognized for goodwill are not subsequently reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. When the recoverable amount of cash-generating units is less than the carrying amount, an impairment loss is recognized. The Group performs its impairment testing at the reporting date using a value-in-use, discounted cash flow methodology.

Franchise
The Group recognizes franchise as part of its intangible assets when the franchise produces revenue to the Group and the cost is measurable. At initial recognition, franchise is valued at cost which is the amount incurred in acquiring the franchise. Franchise whose life has been determined to be finite is amortized over the years identified. If the life of the franchise is determined to be indefinite, such franchise is not amortized but tested for impairment. Franchise is derecognized upon sale or retirement. The difference between the carrying value and the proceeds shall be recognized in the profit or loss. Franchise is amortized on a straight-line basis over its estimated useful life of ten (10) years.

Other Noncurrent Assets
Other noncurrent assets include deferred input VAT, long-term deposit and advances for land acquisition. Deferred input VAT pertains to input VAT arising from the Group's purchase of capital goods exceeding one (1) million pesos which will be claimed on a sixty (60) month term and input VAT. Long-term deposit and others are stated at cost and are classified as noncurrent assets since the Group expects to utilize these beyond twelve (12) months from the end of the reporting period.

Assets Held for Sale and Discontinued Operations
The Group classifies assets as held for sale (disposal group) when their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset and an active program to locate a buyer and complete the plan must have been initiated. Furthermore, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification. Assets held for sale are measured at the lower of their carrying amount or fair value less costs to sell. Impairment losses are recognized for any initial or subsequent write-down of the assets held for sale to the extent that these have not been previously recognized at initial recognition. Reversals of impairment losses for any subsequent increases in fair value less cost to sell of the assets held for sale are recognized as a gain, but not in excess of the cumulative impairment loss that has been previously recognized.

The related results of operations and cash flows of the disposal group that qualify as discontinued operations are separated from the results of those that would be recovered principally through continuing use, and the prior years' consolidated statements of income and consolidated statement of cash flows are re-presented. The results of operations and cash flows of the disposal group that qualify as discontinued operations are presented in the consolidated statement of income and consolidated statement of cash flows as items associated with discontinued operations.

Impairment of Nonfinancial Assets

Inventories

The Group assesses the inventories for impairment by comparing the carrying value of inventories with its NRV. If inventory is impaired, its carrying value is reduced to NRV and an impairment loss is recognized in the consolidated statement of comprehensive income.

An assessment is made at each financial reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of the asset, or in the case of inventories, NRV, since the last impairment loss was recognized. If that is the case, the carrying value of the asset is increased to its recoverable amount, or in the case of inventories, NRV. That increased amount cannot exceed the carrying value that would have been determined had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income.

Property, Plant and Equipment, Investment Property and Other Current and Noncurrent Assets

Nonfinancial 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 the consolidated statement of comprehensive income. 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.

Impairment of Goodwill and Trademark

Goodwill and trademark with indefinite useful lives are reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill and trademark by assessing the recoverable amount of the CGU or group of CGUs to which the goodwill or trademark relates. Where the recoverable amount of the CGU or group of CGUs is less than the carrying amount of the CGU or group of CGUs to which goodwill or trademark has been allocated, an impairment loss is recognized in the consolidated statement of income. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its impairment test of goodwill and trademark with indefinite useful lives annually every December 31.

Interest-bearing Loans and Borrowings
All loans and borrowings are initially recognized at fair value of the consideration received, less directly attributable transaction costs, and have not been designated as at FVPL. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Portion of interest-bearing loans and borrowings with maturity of twelve (12) months or less after the financial reporting date is classified as current and the remaining is classified as noncurrent. Gains or losses are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through the amortization process.

Other Comprehensive Income (OCI)
OCI 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 statements of income for the year in accordance with PFRS.

Capital Stock and Additional Paid-in Capital
Capital stock is 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.

Dividends
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. Dividends are recognized as a liability and deducted from equity when they are approved by the stockholders of the Group. Dividends for the year that are approved after the reporting period are dealt with as an event after the reporting period.

Cumulative Translation Adjustments
This arises from exchange differences arising on a monetary item that forms part of the Parent Company's net investment in a foreign operation. In the consolidated financial statements, such exchange differences shall be recognized initially in OCI. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in OCI and accumulated in the separate component of equity, shall be reclassified from equity to profit or loss when the gain or loss on disposal is recognized.

Retained Earnings (Deficit)
Retained earnings (deficit) include accumulated profits (losses) attributable to the Group’s equity holders, dividend distributions, prior period adjustments and effect of changes in accounting policy and capital adjustments.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to credit risks. The following specific recognition criteria must also be met before revenue is recognized:

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:

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

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

<u>Expenses</u>
Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease in assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

Costs of Sales and Services
Costs of sales are recognized when the goods are sold to the customers, cost of sales includes the cost of inventories. Cost of services are recognized when the related services have been rendered.

General, Administrative and Selling Expenses
Expenses incurred in the direction and general administration of day-to-day operations of the Group are generally recognized when the service is used or the expense arises.

<u>Discontinued Operations</u>
The related results of operations and cash flows of the disposal group that qualify as discontinued operations are separated from the results of those that would be recovered principally through continuing use, and the prior years' profit or loss in the consolidated statement of comprehensive income and consolidated statement of cash flows are re-presented. Results of operations and cash flows of the disposal group that qualify as discontinued operations are presented in profit or loss in the consolidated statement of comprehensive income and consolidated statement of cash flows as items associated with discontinued operations.

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.

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).

Finance Lease Commitments - Group as a Lessee
The Group has entered into commercial leases of transportation and warehousing equipment. The Group has determined that it acquires all the significant risks and rewards of ownership on these equipment and therefore accounts for these under finance lease.

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 and finance 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 Liability
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.

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.

<u>Basic/Diluted Earnings Per Share</u>

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.

<u>Income Taxes</u>

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 balance sheet 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.

Provisions
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. If the effect of the time value of money is material, provisions are made by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, 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 an interest expense.

Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement.

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.

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:

Going Concern

This report has been prepared on the basis that the Group is a going concern. There are reasonable grounds to believe that the going concern basis is appropriate and the Group will be able to obtain additional equity funding to support its future activities. No adjustments have been made relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Group not continue as going concerns.

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 Investment Properties

The Group follows the guidance of PAS 40 in classifying properties as investment properties. This classification requires significant judgment. In making this judgment, the Group evaluates its intention for holding the properties. The Group determines that, currently, the intention for holding the properties is to earn rentals there from and for capital appreciation rather than to use these in the production or supply of goods and services or for administrative purposes or sale in the ordinary course of business (see Note 10).

Classification of Assets Held for Sale

In December 2014, the Board of Directors approved the decision to divest BCH's interest in TRAIN, therefore, classified it as assets held for sale. On December 17, 2014, BCH entered into a Memorandum of Agreement (MOA) to sell its investment in equity share amounting to ₱294,565,000 to the Fund and to HRC (see Note 11).

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 Finance Lease Commitments - Group as a Lessee
The Group has entered into commercial leases of machineries and equipment. The Group has determined that it acquires all the significant risks and rewards of ownership on these equipment and therefore accounts for these under finance lease.

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 and Advances to Related Parties
The Group maintains an allowance for impairment losses on trade and other receivables and advances to related parties at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management based on the factors that affect the collectibility of the accounts. These factors include, but are not limited to, the Group's relationship with its customer, customer's current credit status and other known market factors. The Group reviews the age and status of receivables and identifies accounts that are to be provided with allowance either individually or collectively. When the Group determines that a specific account or group of accounts continue to be impaired or can no longer be recovered based on its regular review and assessment and after exhausting all actions and means to recover, these specifically identified accounts are written-off.

The amount and timing of recorded expenses for any period would differ if the Group made different judgment or utilized different estimates. An increase in the Group's allowance for impairment losses will increase the Group's recorded expenses and decrease trade and other receivables and advances to related parties.

Provision for impairment losses on receivables amounted to ₱64,527,983, nil and ₱812,907 in 2015, 2014 and 2013, respectively, while receivables written-off directly from the accounts, amounted to nil and ₱370,512,593, nil in 2015, 2014 and 2013, respectively. The carrying values of trade and other receivables amounted to ₱182,335,197and ₱294,035,512, net of allowance for impairment losses of ₱70,311,652 and ₱5,783,670 as at December 31, 2015 and 2014, respectively (see Note 5).

There were no provisions for impairment losses recognized in advances to related parties in 2015, 2014 and 2013. The carrying values of advances to related parties under common control amounted to ₱8,889,594 and nil as at December 31, 2015 and 2014, respectively (see Note 21).

The carrying values of current portion of advances to stockholder amounted to ₱714,555,017 and ₱1,621,543,713 as at December 31, 2015 and 2014, respectively, while the noncurrent portion amounted to ₱704,925,136 and nil as at December 31, 2015 and 2014, respectively.

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. Increase in the NRV of inventories will increase the cost of inventories but only to the extent of their original production costs.

There were no provisions for impairment losses recognized in 2015 and 2014. The carrying values of inventories amounted to ₱44,820,529 and ₱70,405,867 as at December 31, 2015 and 2014, respectively (see Note 6).

Estimating Impairment Losses on Other Current and Noncurrent Assets
The Group provides allowance for impairment losses on prepayments and other current assets and noncurrent assets when they can no longer be realized. The amounts and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease its prepayments and other current assets and other noncurrent assets.

There were no provisions for impairment losses on the Group’s prepayments and other current assets in 2015, 2014 and 2013. Prepayments and other current assets directly written off amounted to nil, ₱27,047,517 and nil in 2015, 2014 and 2013, respectively. The carrying values of its prepayments and other current assets amounted to ₱89,212,359 and ₱100,473,370 as at December 31, 2015 and 2014, respectively (see Note 7).

There were no provision for impairment losses on the Group’s other noncurrent assets in 2015, 2014 and 2013. Other noncurrent assets directly written off amounted nil, ₱13,000,000 and nil in 2015, 2014 and 2013, respectively. The carrying values of other noncurrent assets amounted to ₱242,327,095 and ₱330,706,858 as at December 31, 2015 and 2014, respectively (see Note 12).

Estimating Useful Lives of Property and Equipment and Investment Property
The Group estimates the useful lives of property 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 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 and equipment and investment properties as at December 31, 2015 and 2014.

The aggregate net book values of property and equipment amounted to ₱666,925,826 and ₱856,125,512, net of accumulated depreciation of ₱369,177,781 and ₱346,162,262 as at December 31, 2015 and 2014, respectively (see Note 8).

Estimating Impairment of Property and Equipment and Investment Property
The Group assesses impairment on property 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.

The aggregate net book values of property and equipment amounted to ₱666,925,826 and ₱856,125,512, net of accumulated depreciation of ₱369,177,781 and ₱346,162,262 as at December 31, 2015 and 2014, respectively (see Note 8).

Estimating Useful Lives of Intangible Assets
The Group estimates the useful lives of its computer software, franchise and certain trademark based on the period over which the assets are expected to be available for use. The Group reviews only when there is an indicator of change in the estimated residual values and useful lives of intangible assets based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in the Group's estimates brought about by changes in the factors mentioned. A reduction in the estimated residual values and useful lives of intangible assets would increase the recorded amortization expense and decrease intangible assets.

The carrying values of computer software amounted to ₱1,242,120 and ₱1,373,877 as at December 31, 2015 and 2014, respectively (see Note 9).

Estimation of Impairment of Goodwill and Certain Trademarks
The Group reviews the carrying values of goodwill and certain trademarks for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill and other intangible assets by assessing the recoverable amount of the CGU or group of CGUs to which the goodwill and trademarks relates. Assessments require the use the estimates and assumptions such as market evaluation and trends, discount rates, future capital requirements and operating performance. If the recoverable amount of the unit exceeds the carrying amount of the CGU, the CGU and the goodwill and trademarks allocated to that CGU shall be regarded as not impaired. Where the recoverable amount of the CGU or group of CGUs is less than the carrying amount of the CGU or group of CGUs to which goodwill and trademarks has been allocated, an impairment loss is recognized. Impairment of goodwill amounted to nil and ₱312.62 million were recognized in 2015 and 2014, respectively, while the impairment of trademarks amounted to nil and ₱50.68 million were recognized in 2015 and 2014, respectively (see Note 9).

Estimating Pension Costs
The costs of defined benefit pension plans and the present value of pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, turnover rate and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate, management considers the market yields on government bonds with terms consistent with the expected employee benefit payout as at end of the reporting period. The mortality rate is based on publicly available mortality tables and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific county.

Pension costs amounted to ₱3,088,731 and ₱5,680,313 in 2015 and 2014, respectively, while pension liability amounted to ₱8,767,447 and ₱13,033,257 as at December 31, 2015 and 2014, respectively (see Note 22).

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.

Deferred income tax assets recognized by the Group amounted to ₱7,300,732 and ₱63,270,261 as at December 31, 2015 and 2014, respectively (see Note 23).

The Group has temporary difference amounting to ₱223,371,430 and ₱374,894,856 as at December 31, 2015 and 2014, respectively, 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 23).

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 (see Note 25).

Contingencies
The Group has contingent liabilities which are either pending decision by the courts or being contested, the outcome of which is not presently determinable. In the opinion of management and its legal counsel, the eventual liability under these claims, if any, will not have material or adverse effect on the financial statements. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it can be expected to prejudice the outcome or the Group's position with respect to these matters.

4. Cash

	2015	2014
Cash on hand	**₱1,145,825**	₱8,272,959
Cash with banks	**32,133,105**	75,330,008
	₱33,278,930	₱83,602,967

Cash with banks earn interest at the respective bank deposit rates. Interest income earned from cash with banks amounted to ₱21,034, ₱295,985 and ₱2,366,896 in 2015, 2014 and 2013, respectively.

5. Trade and Other Receivables - net

	2015	2014
Trade receivables	**₱201,617,992**	₱278,085,831
Deposit to suppliers	**6,911,224**	3,811,741
Others	**44,117,634**	17,921,610
	252,646,850	299,819,182
Less allowance for impairment losses	**70,311,653**	5,783,670
	₱182,335,197	₱294,035,512

Trade receivables are noninterest-bearing and are generally collectible on fifteen (15) - day to thirty (30) - day terms. These are generally settled through cash payment or application of customer's deposit for receivables from third party, or offsetting with corresponding payable accounts for receivables from related parties.

Other receivables pertain to the fund transfer transactions made by the Group. This is normally settled through offsetting with corresponding payable account of the related parties.

Movements in allowance for impairment losses pertaining to trade receivables are as follows:

	2015	2014
Beginning balances	**₱5,783,670**	₱14,856,558
Provision	**64,527,983**	–
Write-off	–	(9,072,888)
Ending balances	**₱70,311,653**	₱5,783,670

The Company's impaired trade receivables have been specifically identified. Receivables that were written-off directly from the accounts amounted to nil, ₱370,512,593 and nil in 2015, 2014 and 2013, respectively which was recorded under "Other income (expense) - net" in the consolidated statements of income.

6. Inventories

	2015	2014
At cost:		
Vegetables and fruits	**₱26,546,825**	₱26,976,096
Packaging materials and other supplies	**18,273,704**	43,429,771
	₱44,820,529	₱70,405,867

The cost of inventories recognized and included in “Cost of sales and services” in the consolidated statements of income amounted to ₱2,061,920,920, ₱2,069,058,580 and ₱1,971,821,531 in 2015, 2014, and 2013, respectively (see Note 17).

Inventories are measured at cost since it is lower than the net realizable value.

There were no purchase commitments, accrued net losses and provisions for impairment losses on inventories as at December 31, 2015 and 2014.

7. Prepayments and Other Current Assets

	2015	2014
Input VAT	**₱61,507,195**	₱57,041,738
Prepaid insurance	**13,704,796**	24,500,224
Deposits	**9,595,121**	13,947,275
CWTs	**1,616,765**	3,519,739
Others	**2,788,482**	1,464,394
	₱89,212,359	₱100,473,370

Input tax represents the 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.

Deposits include advance payments to suppliers that represent advance payment for future delivery of goods and performance of services.

Prepaid insurance refers to insurances of vehicles and equipment which are paid in advance and which will be amortized within twelve (12) months after the end of the financial reporting date.

CWTs which are claimed against income tax due, represent amounts that were withheld from income payments and carried over in the succeeding period for the same purpose.

The Group has written-off other current assets amounting to nil, ₱27,047,517 and nil in 2015, 2014 and 2013, respectively, as management has assessed that the said prepayments and other current assets are deemed unrecoverable.

8. Property, Plant and Equipment

December 31, 2015:

	Land	Building	Store and warehouse equipment	Delivery and transportation equipment	Machinery and equipment	Office furniture and fixtures	Leasehold improvement	Leasehold rights	Total
Cost:									
Balances at January 1	₱149,152,330	₱103,504,139	₱147,914,078	₱58,309,610	₱564,944,577	₱49,255,383	₱129,207,657	₱–	₱1,202,287,774
Additions	–	–	694,733	–	–	67,417	–	–	762,150
Disposals	–	–	–	(440,000)	(52,965,000)	(888,422)	–	–	(54,293,422)
Effect of deconsolidation due to loss of control (Note 28)	–	13,637,803	(37,728,376)	(24,377,717)	(21,118,917)	(16,426,009)	(16,823,195)	–	(102,836,411)
Write-off	–	–	–	–	–	(37,990)	(9,778,494)	–	(9,816,484)
Balances at December 31	149,152,330	117,141,942	110,880,435	33,491,893	490,860,660	31,970,379	102,605,968		1,036,103,607
Accumulated depreciation:									
Balances at January 1	–	22,310,116	54,674,362	30,039,591	129,035,639	30,760,118	79,342,436	–	346,162,262
Depreciation and amortization (Notes 17 and 18)	–	4,496,288	13,190,030	2,354,854	43,581,159	5,128,224	18,370,511	–	87,121,066
Disposals	–	–	–	(94,723)	(21,401,933)	(380,921)	–	–	(21,877,577)
Effect of deconsolidation due to loss of control (Note 28)	–	3,737,498	(7,960,151)	(10,680,099)	(5,790,913)	(8,415,659)	(6,941,717)	–	(36,051,041)
Write-off	–	–	–	–	–	(6,332)	(6,170,597)	–	(6,176,929)
Balances at December 31	–	30,543,902	59,904,241	21,619,623	145,423,952	27,085,430	84,600,633	–	369,177,781
Net book values	₱149,152,330	₱86,598,040	₱50,976,194	₱11,872,270	₱345,436,708	₱4,884,949	₱18,005,335	₱–	₱666,925,826

December 31, 2014:

	Land	Building	Store and warehouse equipment	Delivery and transportation equipment	Machinery and equipment	Office furniture and fixtures	Leasehold improvement	Leasehold rights	Total
Cost:									
Balances at January 1	₱149,152,330	₱135,733,637	₱156,095,163	₱57,088,985	₱600,596,102	₱33,552,837	₱139,197,560	₱78,335,965	₱1,349,752,579
Additions	–	–	1,456,713	2,370,681	2,023,003	2,134,447	870,456	502,439,261	511,294,561
Disposals	–	–	(2,194,080)	(1,150,056)	(6,100,418)	–	(14,751,750)	–	(24,196,304)
Reclassification	–	(3,720,498)	(7,443,718)	–	(6,295,274)	13,568,099	3,891,391	–	–
Effect of deconsolidation due to loss of control (Note 28)	–	(28,509,000)	–	–	(25,278,836)	–	–	(580,775,226)	(634,563,062)
Balances at December 31	149,152,330	103,504,139	147,914,078	58,309,610	564,944,577	49,255,383	129,207,657	–	1,202,287,774
Accumulated depreciation									
Balances at January 1	–	17,918,869	34,299,517	24,377,687	89,275,829	13,493,758	62,739,918	–	242,105,578
Depreciation and amortization (Note 20)	–	5,881,754	20,550,916	5,983,974	52,674,319	7,604,785	22,801,742	–	115,497,490
Disposals	–	–	–	(322,070)	–	2,535,151	(7,412,317)	–	(5,199,236)
Reclassification	–	–	(176,071)	–	(8,163,446)	7,126,424	1,213,093	–	–
Effect of deconsolidation due to loss of control (Note 28)	–	(1,490,507)	–	–	(4,751,063)	–	–	–	(6,241,570)
Balances at December 31	–	22,310,116	54,674,362	30,039,591	129,035,639	30,760,118	79,342,436	–	346,162,262
Net book values	₱149,152,330	₱81,194,023	₱93,239,716	₱28,270,019	₱435,908,938	₱18,495,265	₱49,865,221	₱–	₱856,125,512

Depreciation of property and equipment were charged to the following:

	2015	2014
Cost of sales (Note 17)	**₱28,923,046**	₱31,585,957
General and administrative expenses (Note 18)	**58,198,020**	83,911,533
Total depreciation	**₱87,121,066**	₱115,497,490

Fully depreciated property and equipment are retained in the books until they are no longer in use. As at December 31, 2015 and 2014, the cost of fully depreciated property and equipment still being used in operations amounted to ₱97,856,059 and ₱22,192,803, respectively. Certain assets are covered by insurance such as delivery and transportation equipment and buildings. Cost of land and building located in Pulilan, Bulacan amounting to ₱23.85 million is used as a collateral for certain loans and borrowings (see Note 14).

As at December 31, 2015 and 2014, property and equipment held under finance lease amounted to ₱30,231,610 and ₱35,385,129, respectively.

9. Intangible Assets

Computer Software
The compositions of computer software are as follows:

	2015	2014
Cost:		
Beginning balances	**₱6,906,907**	₱4,369,525
Additions	**628,253**	2,537,382
Ending balances	**7,535,160**	6,906,907
Accumulated depreciation:		
Beginning balances	**5,533,030**	1,015,975
Amortization (Note 18)	**760,010**	4,517,055
Ending balances	**6,293,040**	5,533,030
Net book values	**₱1,242,120**	₱1,373,877

Franchise
On January 17, 2011, the Group entered into a Master Licensing Agreement with Tully’s Coffee International Pte. Ltd. for the operation of coffee shops and sale of coffee products under the brand “Tully’s”. The term of the license is for a period of ten (10) years but maybe extended for another 10 years. Under the agreement, the Group paid $200,000 equivalent to ₱9,049,750 as a sign-up fee. This amount is presented under intangible assets as franchise for each store to be opened by the Group, a store-opening fee shall be paid to Tully’s in the amount of $2,500-$15,000.

The net book values of the franchise account amounted to ₱4,524,875 and ₱5,429,850 as of December 31, 2015 and 2014, respectively, net of accumulated amortization of ₱4,524,875 and ₱3,619,900, in 2015 and 2014, respectively.

Goodwill
The goodwill of the Group is attributable mainly to the business acquisitions made in prior years to expand the Group's operations (see Note 27). The net carrying values of the goodwill as of December 31, 2015 and 2014 amounted to nil and ₱76,751,554 respectively. These balances are net of goodwill derecognized from the consolidated accounts amounting to ₱76,751,554 and nil in 2015 and 2014 as a result of disposal of the entities where the goodwill relate to. Provision for impairment losses on goodwill amounted to nil, ₱312,615,014 and nil in 2015, 2014 and 2013, respectively.

Trademark
The trademark includes that related to the acquisition of TBC, Inc. in 2011. During the acquisition of TBC, net assets acquired includes trademark for the use of "The Big Chill" brand, amounting to ₱200 million which was included in the purchase price. The net carrying value of the Group's trademark account amounted to ₱187,500,000 and ₱200,184,539 as of December 31, 2015 and 2014 respectively, net of amortization and impairment amounting to ₱12,864,539 in 2015 and ₱50,684,011 in 2014, respectively.

10. **Investment Property**

	2015	2014
Cost at beginning and end of year	**₱13,608,000**	₱13,608,000
Accumulated depreciation:		
Beginning balances	**4,082,400**	3,175,200
Depreciation (Note 18)	**831,600**	907,200
Ending balances	**4,914,000**	4,082,400
Reclassification	**(8,694,000)**	–
Net book values	**₱–**	₱9,525,600

Investment property represents commercial condominium units being rented out to third parties subject to one (1) year lease term, renewable under the terms and conditions mutually agreed upon by the contracting parties.

The Parent Company applies the cost model in recognizing the investment property. The fair value of the investment property amounted ₱21,520,000 as at December 31, 2014. The fair valuation was estimated through the direct market comparison approach, which is a comparative approach, that considers the sales of similar or substitute assets and related market data.

The rental income generated from the investment property amounted to ₱312,000 and ₱4,718,052 in 2015 and 2014, respectively (see Note 20). Direct operating expenses related to the investment property are as follows:

	2015	2014	2013
Real property tax	**₱42,055**	₱44,124	₱42,314
Utilities	**1,706**	12,209	8,850
Association dues	**160,717**	–	166,592
	₱204,478	₱56,333	₱217,756

The Group has no restriction on the realizability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

In December 2015, the management decided to use its investment property as owner-occupied property for general and administrative use. The investment property was then reclassified to property and equipment during the year amounting to ₱8,694,000, net of accumulated depreciation of ₱4,914,000.

11. Assets Classified as Held For Sale

On December 17, 2014, BCH entered into a memorandum of agreement (MOA) to sell its investment in equity share amounting to ₱294,565,000 to the Fund and to HRC.

Under the MOA, Fund and HRC intend to buy the 51% shares of BCH in TRAIN in proportionate share of 29.75% and 21.25% amounting to ₱175,000,000 and ₱125,000,000, respectively. The HRC transaction was completed in December 2014 while the sale to Fund is completed in February 2015. Because the Group loses control over its subsidiary, TRAIN, it derecognized the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while the resulting gain or loss is recognized in the profit or loss. Any investments retained is recognized at fair value (see Note 28). As such, the 29.75% equity investment intended for sale to the Fund is valued at ₱175,000,000. This is subsequently classified as asset held for sale in the 2014 consolidated financial statements. The gain from loss of control of TRAIN amounted to ₱5,435,000 (see Note 28). In February 2015, the sale of 29.75% shares of BCH was already completed. Assets held for sale amounted to nil and ₱175,000,000 as at December 31, 2015 and 2014, respectively.

12. Other Noncurrent Assets

	2015	2014
Rental deposits and others	**₱14,952,354**	₱30,032,488
Advances and deposits	**132,041,113**	173,572,669
Advances for land acquisition	**95,333,628**	120,097,785
Deferred input VAT	–	7,003,916
	₱242,327,095	₱330,706,858

Other noncurrent assets are noninterest bearing and will be realized twelve months after the reporting period. Advances and deposits were made for future delivery of an equipment and future subscription of shares of stocks. Advances for land acquisitions are payments for future delivery of a land acquisition. Rental deposits and others include rental deposits made by the Group on the leased properties amounting to about ₱8 million which can be applied as rental payments at the end of the leased term. Deferred input VAT represents taxes paid on purchases of capital asset which are amortized over the life of the asset or five (5) years, whichever is shorter.

The Group has written off other noncurrent assets amounting ₱13 million in 2014.

13. Trade and Other Payables

	2015	2014
Trade payables	**₱349,107,929**	₱630,254,840
Current portion of the other long term liability	**95,125,087**	79,319,375
Accrued expenses	**50,219,049**	16,449,361
Customers' deposits	**12,094,869**	13,690,332
Withholding tax payable	**3,553,479**	4,169,036
Others	**20,610,517**	21,933,797
	₱530,710,930	₱765,816,741

The Company's trade and other payables to related and third parties are generally on a 30 and 60 days' term, respectively.

Accrued expenses consist of accrued salaries, rentals, utilities, interests and other expenses which are usual in the business operations of the Group. This account also includes accrual for professional fees that were already incurred but unpaid. These payables are generally settled within twelve (12) months from end of the reporting period.

Customers' deposit pertains to advanced payments of customers for goods to be purchased.

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.

14. Loans and Borrowings and Redeemable Convertible Loan

	2015	2014
Foreign Currency		
Bank 1	**₱110,366,108**	₱110,776,393
Bank 2	**101,547,445**	106,634,630
Others	–	23,382,654
Peso Currency		
Bank 3	**349,800,000**	349,950,266
Bank 4	**213,408,158**	218,793,000
Bank 5	**90,000,000**	100,000,000
Bank 6	**63,350,000**	75,450,000
Bank 7	**44,000,000**	50,000,000
ACEF Loan	**11,560,000**	12,554,976
Others	**39,800,000**	64,887,579
	1,023,831,711	1,112,429,498
Less long-term portion	**220,797,845**	60,000,000
Current portion	**₱803,033,866**	₱1,052,429,498

Foreign Currency Loans
Bank 1
The Parent Company has a current loan facility from Bank 1 in which it availed a USD loan, bearing an interest rate of 3.50% per annum, with the interest payable on a monthly basis. The loan is secured with a surety agreement in the amount of ₱150,000,000 by a major stockholder in case of default by the Parent Company.

Bank 2
The Parent Company acquired unsecured USD loans from Bank 2, bearing an interest rate of 2.3% to 4.0% per annum, with the interest payable on a monthly basis. In 2015, an agreement was entered by the Parent Company with the bank renegotiating the terms of the loan. Principal payments of US$55,000 plus interests are due monthly for thirty five (35) months starting August 1, 2015 with the remaining balance payable by the end of the 35th payment.

Peso Currency Loans
Bank 3
The Parent Company has a loan availed from Bank 3, bearing an interest rate of 4.50% per annum, with the interest payable on a monthly basis. The loan is by a cross surety ship executed among the Parent Company and its subsidiaries, FCA, LFVPI and TBC as well as a continuing suretyship executed by BCH and a major stockholder. The loans are renewable upon mutual agreement of the contracting parties.

Bank 4
The Parent Company has various short-term loans from Bank 4 which pertains to its Short-term Loan Line (STLL), Export Packing Credit Line (EPCL), Trust Receipt Lines (TR Lines) and other bank loans that are currently maturing as at the end of the reporting period. The loans bear interest rates ranging from 5.00% to 6.8% per annum, with the interest payable on a monthly basis. The loans are used to partially finance the Parent Company's working capital requirements and to facilitate its trade transactions for fruit export and vegetable trading.

The loans are secured by an existing real estate mortgage over its land and building located in Pulilan, Bulacan. The aggregate amount of net book values of the land and building mortgage amounted to ₱23.85 million.

Bank 5
The Parent Company has an existing credit facility from Bank 5 composed of STLL, ECPL, and TR Lines, bearing interest rate of 5.0% per annum, with interest payable on a monthly basis. The loans has terms ranging from ninety (90) to one hundred eight (180) days and are used to finance the Parent Company's working capital requirements. The noncurrent portion of the loan amounted to ₱90.00 million.

In July 2015, an agreement was entered into by the Parent Company with the bank to renegotiate the terms of its outstanding loans. The renegotiation called for an interest rate of 5% per annum, subject to monthly repricing based on the prevailing lending rate as determined by the lender. Interest on all amounts not paid shall be added to the principal and, as part of the principal, shall likewise bear interest based on the applicable rate. In addition, terms of the loans are extended up to December 2017. The loans are secured by a continuing surety from a major stockholder.

Bank 6
The Parent Company has a current loan facility from Bank 6 with loans bearing interest rate of 5.5% per annum, with interest payable on a monthly basis. The loans have terms ranging from thirty (30) to ninety (90) days and are used to finance the Parent Company’s working capital requirements. The loan is under a Joint Surety Security (JSS) under a major stockholder and a Corporate Guaranty from the Parent Company.

Bank 7
The Parent Company has a current loan facility from Bank 7 with loans bearing interest rate of 8.5% per annum, with interest payable on a monthly basis. The loan has a term of thirty-two (32) months, inclusive of a grace period of eight (8) months on the payment of the principal from May 2015 to December 2015. The loan is secured by pledge of shares of stock of the Parent Company with an aggregate market value covering 200% of the loan principal as well as a continuing suretyship by a major stockholder and post-dated checks covering payments for the principal and interest.

The schedules of future principal payments for loans mentioned above are as follows:

	2015	2014
2015	**₱–**	₱–
2016	**838,966,090**	1,052,429,498
2017	**251,857,445**	60,000,000
	₱1,090,823,535	₱1,112,429,498

Interest expense incurred on the above loans amounted to ₱63,161,027, ₱70,093,033 and ₱35,564,234 in 2015 and 2014, respectively.

Redeemable and Convertible Loan
The Parent Company has entered into a note subscription agreement, dated December 19, 2013 by and between Black River Capital Partners Food Fund Holdings (Singapore) Pte. Ltd. The Parent Company issued a promissory note attached to the agreement amounting to ₱335,000,000.

Under the same agreement, Black River has the option which may be exercised at any time, and from time to time, after December 19, 2015, to convert the note in part or in full, into either:

a. Common shares of the Parent Company at the applicable conversion price depending on the net income of the Group.
b. Equity shares in New Holding Company equivalent to the Shares, by issuing to the Parent Company a notice of conversion.

In addition, the Fund shall have the option to require the Parent Company to redeem the note, in part or in full for the redemption price (sum of the principal plus the interest accrued on the note form the issue date until and including the date of the exercise of the Redemption Option), by issuing to the Parent Company a notice of exercise of the Redemption Option ninety (90) days prior to the proposed date of redemption.

On March 1, 2014, the Parent Company issued additional note subscription agreement amounting to 49,000,000 with the same party, terms and conditions.

On February 3, 2015, part of the redeemable and convertible note amounting to ₱150,000,000 was used to settle the sale of interest over Tagum Resources Agri-Industries, Inc. to the Fund.

On August 7, 2015, a Deed of Assignment between the Fund and a major stockholder of the Parent Company was executed covering the remaining ₱234,000,000 of the loan. The purchase was then secured by a pledge agreement with the loan being pledged to secure the obligation. Under the pledge agreement, the stockholder, pledges, assigns, hypothecates transfers, delivers, sets over and grants to the Fund, a continuing security interest of first priority over the instrument, of all its right, title and interest.

As at December 31, 2015 and 2014, the amount of redeemable and convertible loan amounted to ₱384,000,000 and ₱234,000,000, respectively. Interest expense incurred on the above loan amounted to ₱11,549,946 and ₱11,275,000 in 2015 and 2014, respectively.

15. Capital Stock

	2015		2014	
	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	**621,683,570**	**621,683,570**	621,683,570	621,683,570

In July 3, 2014, the Group executed a subscription agreement with Greenergy Holdings, Inc. (GHI) for 85,990,533 primary common shares of the Parent Company at the issue price of ₱3 per share or a total subscription price of ₱257,971,599 resulting to a premium amounting to ₱171,981,066, payable in full upon execution. The subscription was approved by the Board on May 26, 2014.

The 13.8% of the increased capital shares was subscribed and fully paid by GHI in 2014.

As at December 31, 2015 and 2014, the Parent Company's total stockholders is 34 and 32, respectively. There was no additional subscription and issuance of shares in 2015.

16. Basic/Diluted Loss Per Share

Basic earnings (loss) per share is calculated by dividing the net loss attributable to stockholders of the Group by the weighted average number of ordinary shares in issue during the year.

	2015	2014	2013
Net loss shown in the statements of comprehensive income under continuing operations	**(₱463,064,563)**	(₱1,204,195,288)	(₱156,605,581)
Net loss shown in the statements of comprehensive income	**(₱485,783,237)**	(₱1,194,032,967)	(₱78,494,099)
Weighted average number of common shares	**621,683,570**	578,688,304	535,693,037
Basic and diluted loss per share from continuing operations	**(₱0.74)**	(₱2.08)	(₱0.15)
Basic and diluted loss per share	**(₱0.78)**	(₱2.06)	(₱0.01)

As at December 31, 2015 and 2014, the Group's total stockholders is 34 and 32, respectively. There was no additional subscription and issuance of shares during the year.

17. **Cost of Sales and Services**

	2015	2014	2013
Inventories at January 1	**₱70,405,867**	₱121,137,973	₱134,863,797
Harvested agricultural produce	**–**	–	186,074,286
Purchases and conversion cost	**2,134,182,813**	2,018,326,474	1,772,021,421
Cost of goods available for sale	**2,204,588,680**	2,139,464,447	2,092,959,504
Inventories at December 31 (Note 6)	**(44,820,529)**	(70,405,867)	(121,137,973)
Cost of sales	**2,159,768,151**	2,069,058,580	1,971,821,531
Cost of services	**25,192,198**	2,964,589	–
	₱2,184,960,349	₱2,072,023,169	₱1,971,821,531

Depreciation included as part of cost of sales amounted to ₱28,923,046, ₱31,585,957 and ₱34,296,320 in 2015, 2014 and 2013, respectively.

18. **General and Administrative Expenses**

	2015	2014	2013
Personnel Costs (Note 19)	**₱221,955,052**	₱152,747,479	₱134,550,611
Depreciation and amortization (Notes 8, 9 and 10)	**73,194,605**	107,743,300	64,461,953
Rentals (Note 26)	**50,073,550**	74,895,636	52,031,642
Taxes and licenses	**21,693,565**	11,821,736	16,654,486
Transportation and travel	**24,299,371**	27,751,961	8,026,159
Supplies	**19,555,219**	28,536,118	29,288,391
Freight and handling cost	**9,644,890**	92,307,909	90,428,134
Communication, light and water	**8,847,745**	16,948,375	20,371,754
Professional fees	**6,198,084**	13,864,599	11,069,087
Bank charges	**3,266,853**	2,805,449	1,099,433
Contracted services	**3,063,933**	5,653,518	37,176,474
Repairs and maintenance	**2,331,010**	6,611,234	7,051,364
Representation and entertainment	**2,035,641**	2,865,987	2,472,751
Advertising	**1,537,680**	11,612,883	9,571,134
Dues and subscription	**1,379,756**	2,585,662	2,370,589
Commissions	**949,803**	15,779,364	14,379,610
Insurance	**940,457**	3,600,355	2,268,198
Others	**7,621,624**	7,153,878	5,253,266
	₱458,588,838	₱585,285,443	₱508,525,036

19. **Personnel costs**

	2015	2014	2013
Salaries and wages	**₱156,919,077**	₱105,542,397	₱91,197,461
Other employee benefits	**62,383,405**	43,256,705	41,055,296
Retirement benefits costs (Note 22)	**2,652,570**	3,948,377	2,297,854
	₱221,955,052	₱152,747,479	₱134,550,611

20. **Other Income (Expense) - net**

	2015	2014	2013
Other operating expense			
Impairment and write-off (Notes 5, 7, 9 and 12)	**₱64,527,983**	₱792,427,500	₱–
Net foreign exchange losses	**2,203,241**	7,860,386	–
Other expenses	**–**	41,740,894	–
	66,731,224	842,028,780	4,030,886
Other operating income			
Rental income (Note 11)	**312,000**	4,718,052	2,989,841
Interest income (Note 4)	**21,034**	19,332,774	24,151,884
Foreign currency gains	**–**	–	10,019,437
Gain in change in fair value of biological assets	**–**	–	(142,132,035)
Gain on sale of property and equipment	**–**	–	5,043,898
Other income	**10,526,579**	–	9,678,823
	10,859,613	24,050,826	(86,217,266)
Other income (expenses) - net	**(₱55,871,611)**	(₱817,977,954)	(₱90,248,152)

21. **Related Party Transactions**

Parties are considered to be related if one party has the ability to directly, indirectly, control, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant stakeholders and/or their close family members) or other entities and include entities that are under the significant influence of related parties of the Group where those parties are individuals or any entities that is a related party of the Group.

The Group's significant transactions and outstanding balances with its related parties as at December 31, 2015 and 2014 are as follows:

Category	Amount/ Volume	Outstanding Balances	Terms	Conditions
Stockholder				
Advances to a stockholder: Current				
2015	**₱–**	**₱714,555,017**	Refer to note "c" below.	Refer to note "c" below.
2014	₱551,936,577	₱1,605,282,582		
Non-current				
2015	**–**	**703,226,545**		
2014	–	–		

(Forward)

Category	Amount/ Volume	Outstanding Balances	Terms	Conditions
Officers and employees				
Advances to officers and employees			Collectible in cash and on demand, noninterest-bearing	Unsecured, not guaranteed, no impairment
2015	**₱–**	**₱8,889,594**		
2014	7,946,826	7,946,826		
Earthright Holdings, Phils Inc.			Collectible in cash and on demand, noninterest-bearing	Unsecured, not guaranteed no impairment
2015	**–**	**–**		
2014	4,420,000	4,220,000		
Agricultural Bank of the Philippines, Inc.			Collectible in cash and on demand, noninterest-bearing	Unsecured, not guaranteed no impairment
2015	**–**	**–**		
2014	4,094,305	4,094,305		
Total	**₱–**	**₱1,426,671,156**		
Total	₱568,397,708	₱1,621,543,713		
Advances from related party				
Greenergy Holdings, Inc.			Payable in cash and on demand noninterest-bearing	Unsecured, not guaranteed
2015	**₱–**	**₱18,542,107**		
2014	₱41,756,368	₱43,005,618		
Earthright Holdings, Phils Inc.			Payable in cash and on demand noninterest-bearing	Unsecured, not guaranteed
2015	**–**	**8,223,875**		
2014	–	–		
Agricultural Bank of the Philippines, Inc			Payable in cash and on demand noninterest-bearing	Unsecured, not guaranteed
2015	**–**	**12,000,000**		
2014	–	–		

(Forward)

Category	Amount/ Volume	Outstanding Balances	Terms	Conditions
Officers and Employees			Payable in cash and on demand	
2015	**₱–**	**₱138,335,552**	noninterest-	Unsecured,
2014	–	–	bearing	not guaranteed
Stockholder			Payable in cash and on demand	
2015	–	–	noninterest-	Unsecured,
2014	30,000,000	30,000,000	bearing	not guaranteed
Total	**₱–**	**₱177,101,534**		
Total	₱71,756,368	₱73,005,618		

Category	Amount/ Volume	Outstanding Balances	Terms	Conditions
Loans from stockholders			Payable in cash and on demand	
2015	**₱–**	**₱–**	noninterest-	Unsecured,
2014	₱15,000,000	₱15,000,000	bearing	not guaranteed
Loans from stockholders			Payable in cash,	
2015	–	–	3% interest	Unsecured,
2014	4,000,000	4,000,000	bearing	not guaranteed
Total	**₱–**	**₱–**		
Total	₱19,000,000	₱19,000,000		

a. Advances from Related Parties
In the normal course of business, the Group obtains additional advances from stockholders for working capital requirements. There were no impairment on advances to related parties.

b. Loan Payable to a Stockholder
The Group obtained a short term, non-interest bearing, loan from an officer for working capital requirements, amounting to ₱15,000,000, payable on demand. Also, the Group obtained loans amounting to ₱4,000,000 from a related party subject to 3% interest per month payable every month. This was recognized as part of "Others" in loans and borrowings (see Note 14)

Interest expense related to this loan amounted to nil, ₱120,000 and nil in 2015, 2014 and 2013, respectively.

c. Advances to a Stockholder
The advances to stockholder are collectible in cash and noninterest-bearing advances. The advances are unsecured, not guaranteed and no impairment. In 2015, there were modifications of terms entered into by the Group and stockholder, changing the terms from collectible on demand to settlement within two (2) year period. The balance beyond 12 months under the new terms amounted to ₱705 million.

The advances for the discount recognized in the noncurrent portion of the advances amounted to ₱39,345,303 and nil in 2015 and 2014, respectively.

Compensation of Key Management Personnel
The Group considers its President, Executive Vice President and Chief Finance Officer as key management personnel. Total remuneration of key management personnel, composed mainly of short-term employee benefits and provision for retirement benefits for executive officers, were included under "Personnel costs" in the statement of comprehensive income amounted to ₱6,675,228 and ₱15,049,162 in 2015 and 2014, respectively. There were no other benefits aside from the salaries and other short- term benefits.

22. Pension Liability

The Group has unfunded, noncontributory defined benefit pension plans covering substantially all of its employees.

The following table summarizes the components of pension costs recognized in the Group's statements of comprehensive income:

	2015	2014
Charged to profit and loss:		
Current service cost	**₱2,652,570**	₱3,948,377
Net interest cost	**436,161**	478,318
Adjustment due to curtailment	–	1,253,618
	3,088,731	5,680,313
Charged (credited) to other comprehensive income:		
Net actuarial loss (gain) - defined benefit obligation	**(7,354,541)**	2,291,748
	(₱4,265,810)	₱7,972,061

Reconciliation of pension liability recognized in the statements of financial position are as follows:

	2015	2014
Balances at beginning of year	**₱13,033,257**	₱6,977,199
Pension costs	**3,088,731**	5,680,313
Benefits paid	–	(1,916,003)
Amount recognized in other comprehensive income	**(7,354,541)**	2,291,748
Pension liability	**₱8,767,447**	₱13,033,257

The reconciliation of other comprehensive loss as at December 31, 2015 and 2014 follows:

	2015	2014
Balances at beginning of year	**₱1,744,663**	₱1,789,393
Actuarial gains	**(7,354,541)**	(44,732)
	(5,609,878)	1,744,661
Tax effect (Note 23)	**1,682,963**	(523,398)
Balances at end of year	**(₱3,926,915)**	₱1,221,264

The cost of defined benefit pension plans and other post-employment medical benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension and post-employment benefit obligations for the defined benefit plans are shown below:

	2015	2014
Discount rate	**5.00%**	4.60%
Projected salary increase rate	**5.00%**	5.00%

The sensitivities regarding the principal assumptions used to measure the defined benefit liability is as follows:

Assumptions	Change in assumption - increase (decrease)	Effect on defined benefit liability
Discount rates	+0.50%	(₱438,372)
	-0.50%	438,372
Rate of salary increase	+0.50%	(78,459)
	-0.50%	78,459

The Group's latest actuarial valuation report is as at and for the year ended December 31, 2015.

23. **Income Taxes**

a. Details of provision for (benefit from) income tax from continuing operations are as follows:

	2015	2014	2013
Current	**₱2,394,988**	₱6,325,141	₱28,633,909
Deferred	**24,174,828**	12,459,893	(93,128,161)
	₱26,569,816	₱18,785,034	(64,494,252)

b. The reconciliation of provision for (benefit from) income tax for 2015 and 2014 applicable to income before income tax computed at the statutory income tax rates to provision for deferred income tax follows:

	2015	2014	2013
Provision for income tax computed at the statutory tax rate	**(₱130,948,424)**	(₱359,883,896)	(₱29,395,949)
Tax effects of:			
Changes in unrecognized deferred income tax assets	**138,862,070**	57,439,232	31,396,696
Nondeductible expenses	**19,358,395**	335,762,281	9,187,410
Nontaxable income	**(694,337)**	(14,443,787)	(74,810,733)
Interest income subject to final tax	**(7,888)**	(88,796)	(710,069)
Royalty income subject to final tax	–	–	(161,607)
	₱26,569,816	₱18,785,034	(₱64,494,252)

c. The composition of the Group's recognized net deferred income tax assets (liabilities) are as follows:

	2015	2014
Deferred income tax assets:		
Unrealized foreign exchange loss	**₱4,670,498**	₱–
Pension cost	**947,271**	5,461,686
Excess MCIT over RCIT	–	46,159,842
Impairment of assets	–	12,836,281
Unrealized franchise fee	–	187,500
	5,617,769	64,645,309
Deferred income tax assets (liabilities):		
Remeasurement of pension liability	**1,682,963**	(687,524)
Net deferred income tax assets	**₱7,300,732**	₱63,957,785

d. As at December 31, 2015 and 2014, no deferred income tax assets were recognized on deductible temporary differences amounting to ₱223,371,430 and ₱374,894,856, respectively.

e. As at December 31, 2015, significant respective NOLCO and MCIT of the Parent Company's and its subsidiaries for which no deferred income tax assets were recognized are as follows:

ANI
As at December 31, 2015, ANI 's NOLCO that can be claimed as deduction from future taxable income and excess MCIT that can be deducted against income tax due are as follows:

Year Incurred	Expiration	NOLCO	Excess MCIT
2015	2018	₱90,394,656	₱1,980,650
2014	2017	77,912,893	4,586,208
2013	2016	–	5,222,095
		₱168,307,549	₱11,788,953

The movements in NOLCO are as follows:

	2015	2014
Beginning balances	**₱77,912,893**	₱–
Additions	**90,394,656**	77,912,893
Ending balances	**₱168,307,549**	₱77,912,893

The movements in excess MCIT are as follows:

	2015	2014
Beginning balances	**₱9,808,303**	₱5,222,095
Additions	**1,980,650**	4,586,208
Ending balances	**₱11,788,953**	₱9,808,303

IMEX
As at December 31, 2015, IMEX's NOLCO that can be claimed as deduction from future taxable income are as follows:

Year Incurred	Expiration	NOLCO
2015	2018	₱17,888,846
2014	2017	18,298,461
2013	2016	25,600,161
		₱61,787,468

The movements in NOLCO are as follows:

	2015	2014
Beginning balances	**₱43,898,622**	₱25,600,161
Additions	**17,888,846**	18,298,461
Ending balances	**₱61,787,468**	₱43,898,622

TBC
As at December 31, 2015, TBC 's NOLCO that can be claimed as deduction from future taxable income and excess MCIT that can be deducted against income tax due are as follows:

Year Incurred	Expiration	NOLCO	Excess MCIT
2015	2018	**₱18,879,420**	₱291,196
2014	2017	**70,099,224**	767,909
2013	2016	**55,846,003**	1,199,445
		₱144,824,647	₱2,258,550

The movements in NOLCO are as follows:

	2015	2014
Beginning balances	**₱125,945,227**	₱55,846,003
Additions	**18,879,420**	70,099,224
Ending balances	**₱144,824,647**	₱125,945,227

The movements in excess MCIT are as follows:

	2015	2014
Beginning balances	**₱1,967,354**	₱1,199,445
Additions	**291,196**	767,909
Expired	–	–
Ending balances	**₱2,258,550**	₱1,967,354

f. The Group did not avail of the optional standard deduction in 2015 and 2014.

24. Financial Risk Management and Capital Management Objectives and Policies

Financial Risk Management Objectives and Policies
The Group'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 Group's normal course of its operating activities. The Group 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 Group is exposed to liquidity risk, credit risk and foreign currency risk. The main objective of the Group's financial risk management is to identify and monitor said risks in an ongoing basis and to minimize and mitigate such risks.

Liquidity Risk
Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit the risk, the Group maintains sufficient cash to meet operating capital requirements. The Group 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 Group's financial liabilities as at December 31, 2015 and 2014 based on undiscounted payments:

2015	On demand	Three to twelve months	One to five years	Total
Other financial liabilities				
Trade and other payables:				
Trade	**₱341,806,639**	**₱8,909,000**	**₱–**	**₱350,715,639**
Other	**18,005,057**	**125,378,505**	**–**	**143,383,562**
Advances from related parties	**177,101,534**	**–**	**–**	**177,101,534**
Loans payable				
Principal	**803,033,866**	**–**	**220,797,845**	**1,023,831,711**
Interest	**–**	**205,420**	**765,510**	**970,930**
Redeemable and convertible note	**234,000,000**	**–**	**–**	**234,000,000**
Lease payable	**–**	**30,508,369**	**75,414,093**	**105,922,462**
	₱1,573,947,096	**₱165,001,294**	**₱296,977,448**	**₱2,035,925,838**

2014	Less than three months	Three to twelve months	One to five years	Total
Other financial liabilities				
Trade and other payables	₱523,393,049	₱224,564,324	₱–	₱747,957,373
Advances from related parties	73,005,618	–	–	73,005,618
Loans payable	651,648,908	400,780,590	60,000,000	1,112,429,498
Redeemable and convertible note	384,000,000	–	–	384,000,000
Other current liabilities	88,935,399	–	–	88,935,399
Lease payable	–	66,205,905	103,343,605	169,549,510
	₱1,720,982,974	₱691,550,819	₱163,343,605	₱2,575,877,398

The interest portion of loans payable and redeemable and convertible note which amounted to ₱205,420 and ₱4,913,533 as at December 31, 2015 and 2014, respectively is accounted for under "Trade and other payables" (see Note 14)

The table below summarizes the maturity profile of the Group's financial assets used to manage liquidity risk of the Group as at December 31, 2015 and 2014:

2015	**On demand**	**Three to twelve months**	**One to five years**	**Total**
Cash	**₱33,278,930**	**₱–**	**₱–**	**₱33,278,930**
Trade and other receivables:				
Trade	**82,222,877**	**44,083,462**	**–**	**126,306,339**
Other	**40,549,744**	**3,567,889**	**–**	**44,117,633**
Advances to related parties	**723,444,611**	**–**	**703,226,545**	**1,426,671,156**
	₱879,496,162	**₱47,651,351**	**₱703,226,545**	**₱1,630,374,058**

2014	On demand	Three to twelve months	One to five years	Total
Cash	₱83,602,967	₱–	₱–	₱83,602,967
Trade and other receivables	257,758,710	15,246,566	–	273,005,276
Advances to related parties	1,621,543,713	–	–	1,621,543,713
	₱1,962,905,390	₱15,246,566	₱–	₱1,978,151,956

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 Group 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 Group's financial assets, without taking into account any collateral and other credit enhancements as at December 31, 2015 and 2014:

	2015	2014
Cash with banks	**₱32,133,105**	₱75,330,008
Trade and other receivables	**170,423,972**	273,005,276
Advances to related parties	**1,426,671,156**	1,621,543,713
	₱1,629,228,233	₱1,969,878,997

The table below summarizes the credit quality of the Group's financial assets based on its historical experience with the corresponding parties as at December 31, 2015 and 2014:

	Neither past due nor impaired		**Past due**	
2015	**High Grade**	**Standard Grade**	**or impaired**	**Total**
Cash with banks	**₱32,133,105**	**₱–**	**₱–**	**₱32,133,105**
Trade and other receivables:				
Trade	**78,066,098**	**41,004,205**	**7,236,036**	**126,306,339**
Other	**30,805,305**	**13,312,328**	**–**	**44,117,633**
Advances to related parties	**485,068,193**	**941,602,963**	**–**	**1,426,671,156**
Total	**₱626,072,701**	**₱995,919,496**	**₱7,236,036**	**₱1,629,228,233**

	Neither past due nor impaired		Past due	
2014	High Grade	Standard Grade	or impaired	Total
Cash with banks	₱75,330,008	₱–	₱–	₱75,330,008
Trade and other receivables	263,671,606	3,550,000	5,783,670	273,005,276
Advances to related parties	1,621,543,713	–	–	1,621,543,713
Total	₱1,960,545,327	₱3,550,000	₱5,783,670	₱1,969,878,997

- Cash with banks 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 Group to follow them up. Both high grade and standard grade receivable es currently have no history of default.

- Advances to related parties are assessed as standard grade since the Group practices offsetting of receivables and payables.

- Refundable security deposits were assessed as standard grade as these are refunded upon termination or fulfilment of agreement.

Foreign currency risk
The Group 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 Group actively monitors its currency exposures.

The Group has the following US Dollar denominated financial assets and financial liabilities:

	2015									
	AUD	**Peso Equivalent**	**Euro €**	**Peso Equivalent**	**RMB$**	**Peso Equivalent**	**HKD**	**Peso Equivalent**	**US$**	**Peso Equivalent**
Financial Assets:										
Cash with banks	**AU$–**	**₱–**	**€513**	**₱26,543**	**SG$–**	**₱–**	**HK$4,326,252**	**₱26,346,876**	**US$35,005**	**₱1,647,335**
Trade and other receivables	**–**	**–**	**–**	**–**	**–**	**–**	**13,221,110**	**80,465,490**	**680,898**	**32,043,060**
	AU$–	**₱–**	**€513**	**₱26,543**	**SG$–**	**₱–**	**HK$17,547,362**	**₱106,812,366**	**US$715,903**	**₱33,690,395**
Loans and borrowings:										
Trade and other payables	**–**	**–**	**–**	**–**	**–**	**–**	**8,673,941**	**52,787,000**	**430,396**	**20,254,436**
Loans payable	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,345,221**	**110,366,100**
Advances from related parties	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	–	**–**	**–**	**–**	**–**	**–**	**8,673,941**	**52,787,000**	**2,775,617**	**130,620,536**
Net Financial Liabilities	**AU$–**	**₱–**	**513**	**₱26,543**	**SG$–**	**₱–**	**HK$8,873,421**	**₱54,025,366**	**(US$2,059,714)**	**(₱96,930,141)**

	2014									
	AUD	Peso Equivalent	Euro €	Peso Equivalent	RMB$	Peso Equivalent	HKD	Peso Equivalent	US$	Peso Equivalent
Financial Assets:										
Cash with banks	AU$526,376	₱19,058,145	€43,961	₱2,388,813	SG$–	₱–	HK$3,665,836	₱21,074,526	US$232,990	₱10,419,292
Trade and other receivables	1,427,691	51,691,426	411,335	22,351,526	–	–	12,193,564	70,099,579	440,588	19,703,095
	1,954,067	70,749,571	455,296	24,740,339	–	–	15,859,400	91,174,105	673,578	30,122,387
Loans and borrowings:										
Trade and other payables	4,466,311	161,708,608	637,624	34,647,874	–	–	32,120,967	184,660,228	–	–
Loans payable	–	–	32,515	1,766,835	–	–	4,067,327	23,382,656	–	–
Advances from related parties	2,318,739	83,952,969	–	–	–	–	54,762,230	314,822,586	–	–
	6,785,050	245,661,577	670,139	36,414,709	–	–	90,950,524	522,865,470	–	–
Net Financial Liabilities	(AU$4,830,983)	(₱174,912,006)	(€214,843)	(₱11,674,370)	SG$–	₱–	(HK$75,091,124)	(₱431,691,365)	US$673,578	₱30,122,387

.

The equivalent exchange rates of one foreign currency in Philippine peso as at December 31, 2015 and 2014 are as follow:

	2015	2014
AUD	**₱–**	₱36.21
Euro €	**51.74**	54.34
RMB$	–	7.18
HKD	**6.09**	5.75
USD	**47.06**	44.72

The sensitivity to a reasonably possible change in the exchange rate, with all other variables held constant, of the Group's income before income tax in 2015 and 2014 are as follows:

	2015		2014	
Currency	**Increase (decrease) in exchange rates**	**Effect on net loss income tax (in millions)**	Philippine peso strengthens (weakens) by	Increase (decrease) in pre-tax loss
AU$	–	–	1.80%	0.03
	–	–	-1.80%	(0.03)
Euro €	**2.30%**	**1.09**	10.60%	–
	-2.30%	**(1.09)**	-10.60%	–
RMB$	–	–	0.80%	.65
	–	–	-0.80%	(.65)
HKD	**1.00%**	**.54**	1.00%	1.24
	-1.00%	**(.54)**	-1.00%	(1.24)
US$	**0.70%**	**6.79**	0.50%	10.35
	-0.70%	**(6.79)**	-0.50%	(10.35)

There is no other impact on the Group's equity other than those already affecting the consolidated statement of comprehensive income.

Capital Management Objectives and Policies

The primary objective of the Group's capital management policy is to ensure that the fund balance is maintained at an adequate level. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. The Group's capital as at December 31, 2015 and 2014 are as follow:

	2015	2014
Capital stock	**₱621,683,570**	₱621,683,570
Additional paid-in capital	**2,330,723,527**	2,330,723,527
Advances from related parties	**110,109,711**	73,005,618
Loans and borrowings	**1,090,823,535**	1,112,429,498
Total capital	**₱4,153,340,343**	₱4,137,842,213

The Group has no externally imposed capital requirement.

25. **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, Trade and Other Receivables, Advances to/from Related Parties and Trade and Other Payables
The carrying amounts of cash, trade and other receivables, advances to/from related parties and trade and other payables approximate their fair values due to the short-term nature of these financial instruments.

Interest Bearing Advances from a Related Party
The carrying value of interest bearing advances from a related party approximates its fair value as its interest rate is based on market rate for debt with the same maturity profile at the end of the reporting period.

Loans and Borrowings
The carrying value of loans and borrowings approximate their fair values as their interest rates are based on market rates for debt with the same maturity profiles at the end of the reporting period.

Lease Payable
The fair values of lease payable 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.

26. **Lease Agreements**

Operating Lease Commitments
The Group leases the office spaces and store branches under lease agreements covering a period ranging from one (1) to five (5) years, renewable every end of the lease term. Renewals are subject to the mutual consent of the lessor and the lessee. The Company agreed to pay monthly fixed payment additional payment for utilities and intercommunication service.

As at December 31, 2015 and 2014, there are 28 and 41 store outlets, respectively being held under operating lease agreements.

Rent expense pertaining to these leases amounted to ₱50,041,150, ₱96,289,460 and ₱61,151,307 in 2015, 2014 and 2013, respectively.

The future minimum rentals payable for store branches under long-term operating leases are as follows:

	2015	2014
Within one (1) year	**₱34,995,474**	₱77,549,292
After 1 year but not more than five (5) years	**26,286,161**	48,216,951
	₱61,281,635	₱125,766,243

Finance Lease Commitments

Vehicles
In 2012, the Group has entered in a finance lease agreement for the acquisition of various vehicles for logistics and administrative purposes. The agreement bears an interest ranging from 4% to 7% for a lease term ranging from four (4) to six (6) years.

Machineries
In 2012, the Group has entered in a finance lease agreement with Tetra Pak Philippines, Inc. for the acquisition of machinery for the coconut water. The machineries was acquired and will be paid on a quarterly basis for a period of eighty four (84) months with interest rate of 3.5%. The Group initially recognized this finance lease at its transaction price and subsequently carried at amortized costs less payment.

The components of the lease obligations as at December 31, 2015 and 2014 are as follows:

	2015	2014
Gross finance lease obligation		
Less than one year	**₱36,713,206**	₱53,839,806
Between one and five years	**69,937,500**	120,081,062
	106,650,706	173,920,868
Less interest	**728,244**	4,371,358
Present value of future minimum lease payments	**105,922,462**	169,549,510
Less current portion	**30,508,369**	66,205,905
	₱75,414,093	₱103,343,605

Rice Mill and various milling equipment
In April 2013, the Group entered to a lease agreement covering a rice mill and various agricultural equipment with a monthly rate of ₱524,361 for the use in operations. The lease will be for forty eight (48) months from the date of acceptance unless sooner terminated by the contracting parties.

The components of the lease obligations as at December 31, 2015 and 2014 are as follows:

	2015	2014
Gross finance lease obligation		
Less than one year	**₱14,737,892**	₱ 8,923,724
Between one and five years	**1,536,513**	7,384,851
	16,274,405	16,308,575
Less interest	**49,820**	83,990
Present value of future minimum lease payments	**16,224,585**	16,224,585
Less current portion	**14,701,007**	8,889,553
	₱1,523,578	₱7,335,032

Other Long Term Liability
On November 20, 2012, the Parent Company entered into a purchase credit agreement with Tetra Pak Philippines, Inc. (Tetra Pak) for the purchase and installment of pre-processing, sterilization, aseptic storage and CIP station for coconut water. The purchase credit agreement requires a 25% down payment payable at the signing of the contract and the remaining 75% requires twenty (20) installment payments of $111,827 including interests. The balance of this account as at December 31, 2015 and 2014 are as follows:

	2015	2014
Payable to Tetra Pak	**₱117,079,683**	₱117,079,683
Less long-term portion	**21,954,596**	37,760,308
Current portion	**₱95,125,087**	₱79,319,375

27. Business Combination and Goodwill

There were no business acquisitions in 2015 and 2014. The acquisitions in 2013 are discussed below.

Acquisitions in 2013
In 2013, the Group acquired the following subsidiaries for the purpose of global expansion and to explore counter-trading opportunities in countries where the Group operates. These acquisitions are accounted under PFRS 3, *Business Combination*. In 2013, the accounting for these business combinations were determined provisionally as the Group is still finalizing the fair valuation of the net assets acquired.

Acquisition of MPL
On July 1, 2013, the Group acquired, for cash, one hundred percent (100%) ownership interest in MPL, a company registered in Australia, primarily engaged in food processing and distribution of fresh fruits and vegetables.

The finalized fair values of the identifiable net assets and liabilities of MPL as at acquisition date are as follows:

	Fair Values	Carrying Values
Assets	₱52,904,032	₱52,904,032
Liabilities	(43,828,808)	(43,828,808)
Total identifiable net assets	9,075,224	9,075,224
Percentage acquired	100%	100%
Share on net assets acquired	9,075,224	₱9,075,224
Goodwill arising on acquisition	76,751,554	
Cash consideration transferred	₱85,826,778	

The total assets are mainly current except for the property and equipment of ₱19 million representing primarily furniture, fixtures and equipment. The fair values of the acquiree's net identifiable assets and liabilities approximates its book values as of acquisition date.

The Group disposed its ownership interest in MPL in 2015 (see Note 28).

Acquisition of business in TRAIN
In 2013, the Group and a third party incorporated TRAIN, with the Group having a share of 51% in equity interest. Upon incorporation, TRAIN received a group of assets from the co-incorporator as an initial contribution, which falls under the definition of a business as set forth in PFRS 3, *Business Combination*.

The finalized fair value of the identifiable assets and liabilities of TRAIN as at date of incorporation and acquisition of business were:

	Fair Values	Carrying Values
Assets	₱698,309,020	₱891,943,388
Liabilities	(30,742,617)	–
Total identifiable net assets	667,566,403	891,943,388
Percentage acquired	51%	51%
Share on net assets acquired	340,458,866	₱454,891,128
Goodwill arising on acquisition	146,606,134	
Purchase consideration transferred	₱487,065,000	

The Group disposed of its ownership stake in TRAIN in 2014 (see Note 28).

Acquisition of JF HK
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 finalized fair values of the identifiable net assets and liabilities of JF BVI as at acquisition date are as follows:

	Fair Values	Carrying Values
Assets	₱79,714,247	₱79,714,247
Liabilities	(207,764,984)	(207,764,984)
Total identifiable net liabilities	(128,050,737)	(128,050,737)
Percentage acquired	51%	51%
Share on net liabilities acquired	(65,305,876)	(₱65,305,876)
Goodwill arising on acquisition	167,930,876	
Cash consideration transferred	₱102,625,000	

The fair values of the acquiree's net identifiable assets and liabilities approximates its book value as of January 1, 2013. The goodwill arising from the acquisition has been written-off in 2014 (see Note 20).

Acquisition of BSK
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 finalized fair value of the identifiable assets and liabilities of BSK as at date of acquisition were:

	Fair Values	Carrying Values
Assets	₱48,745,143	₱48,745,143
Liabilities	(72,497,480)	(72,497,480)
Net Liabilities	(23,752,337)	(23,752,337)
Percentage acquired	100%	100%
Share on net liabilities acquired	(23,752,337)	(₱23,752,337)
Goodwill arising on acquisition	98,955,979	
Cash consideration transferred	₱75,203,642	

The Group disposed of its ownership interest in BSK in 2015 (see Note 29).

Goodwill
Goodwill recognized in the consolidated statements of financial position amounted to nil and ₱76,751,544 as at December 31, 2015 and 2014, respectively.

In 2014, goodwill recognized from the acquisition of certain subsidiaries amounting to ₱312,615,014, were impaired as management assessed that future cash flows is not sufficient to recover the premium paid for the net assets/liabilities (see Note 20). In addition, goodwill amounting to ₱146,606,134 was derecognized from the consolidated accounts due to loss of control of TRAIN in 2014.

28. **Discontinued Operations**

The Group has entered into several divestment transaction of its Investment in Subsidiaries account as follows:

a. HAPC
In June 2015, the Parent Company entered into a Memorandum of Agreement (MOA) to sell its 2,000,000 common shares with par value of ₱100 in HAPC. The closing date for the acquisition was on May 28, 2015. The HAPC accounts were deconsolidated from the Group, as a result of the divestment. The results of the operations of the discontinued operations of HAPC, with comparative amounts 2014 and 2013 are as follows:

	2015	2014	2013
Revenue	**₱–**	₱–	₱–
Expenses	**(8,663,648)**	(12,003,437)	(7,747,922)
Income tax	**–**	–	(544,984)
Net income after tax	**(₱8,663,648)**	(₱12,003,437)	(₱8,292,906)

b. QLTS

In December 2015, the Group entered into a MOA to sell all of its 51% ownership over QLTS. Under the MOA, the buyer, who also owned the 49% interest on the subsidiary, purchases the 51% ownership owned by the Group for a total consideration of ₱10,022,172. The loss on disposal amounted to ₱691,647. The results of the operations of the discontinued operations of HAPC, with comparative amounts 2014 and 2013 are as follows:

	2015	2014	2013
Revenue	**₱14,377,531**	₱24,938,311	₱22,806,676
Expenses	**(26,804,917)**	(26,583,263)	(24,190,281)
Income tax	**(1,067,734)**	–	233,585
Net income after tax	**(₱13,495,120)**	(₱1,644,952)	(₱1,150,020)

c. FFPL, BSK and MPL

On December 11, 2015, the Group entered into an agreement for the sales of the entire interest of ANI through its wholly owned subsidiaries, FFPL, BSK and MPL in favor of Organic Pathe Limited. The subsidiaries are part of the Australian operations and are primarily engaged in the business processing of fruits and vegetables. The total consideration of the sale amounted to USD2,500,000. The gain on disposal amounted to about ₱17.9 million. The results of the operations of FFPL, BSK and MPL follow:

	2015	2014	2013
Revenue	**₱466,656,004**	₱561,895,281	₱242,403,717
Expenses	**(461,459,402)**	(569,644,682)	(264,690,984)
Income tax	**(321,913)**	1,447,459	–
Net income after tax	**₱4,874,689**	(₱6,301,942)	(₱22,287,267)

d. SSIC

On June 15, 2015, the Group has entered into a MOA for the sale of its entire interest in SSIC for a total consideration of HKD10,000 free from all liens and encumbrances. Accordingly, the accounts were deconsolidated from the Group, as a result of the divestment. The loss on disposal amounted to about ₱17.6 million. The results of SSIC for the period ended May 28, 2015 follow:

	2015	2014	2013
Revenue	**₱61,358,301**	₱199,709,945	₱260,891,297
Expenses	**(59,693,239)**	(197,949,885)	(250,559,565)
Income tax	**–**	(39,339)	(1,430,336)
Net income after tax	**₱1,665,062**	₱1,720,721	₱8,901,396

e. TRAIN

On December 27, 2013, the Group and a third party incorporated TRAIN, with the Group having a share of 51% in equity interest. Upon incorporation, TRAIN received a group of assets from the co-incorporator as an initial contribution, which falls under in the definition of a business under PFRS 3, *Business Combination*. As such, the TRAIN accounts were included in the consolidation of the Group. There were no commercial operation in the period ended December 31, 2013.

On December I7, 2014, BCH entered into a Memorandum of Agreement (MOA) with Black River (the Fund) and Hijo Resources Corp. for the sale of BCH's 51% ownership interest in TRAIN. The results of the operations of TRAIN for the period ended December I9, 2014 follow:

	2015	2014	2013
Revenue	**₱–**	₱321,489,460	₱144,200,400
Expenses	–	(288,698,671)	–
Income tax	–	(9,833,857)	(43,260,120)
Net income after tax	**₱–**	₱22,956,932	₱100,940,280

Results of Discontinued Operations

Results of Discontinued Operations together with their comparative figures for 2014 and 2013 are as follows

	2015	2014	2013
REVENUES			
Sales	**₱542,391,836**	₱1,106,893,263	₱523,370,543
Direct cost and expenses	**(316,614,261)**	(713,056,986)	(376,251,891)
Gross profit	**225,777,575**	393,836,277	147,118,652
General and administrative expenses	**(244,747,705)**	(382,925,806)	(170,179,265)
Interest expense	**(449,858)**	(4,710,805)	(757,769)
Interest income	**42,292**	19,193	134,065
Unrealized foreign exchange gain	–	284,219	–
Other income	**2,369,032**	345,678	146,797,654
Income before income tax from discontinued operations	**(17,008,664)**	6,848,756	123,113,337
Provision from income tax	**1,389,647**	2,121,435	45,001,855
Net income (loss)	**(15,619,017)**	4,727,321	78,111,482
Net gain (loss) from loss of control	**(7,099,657)**	5,435,000	–
Total net income (loss)	**(₱22,718,674)**	₱10,162,321	₱78,111,482
Net income (loss) attributable to**:**			
Equity holders of the parent company	**(₱22,114,207)**	₱10,125,194	₱74,313,307
Noncontrolling interest	**(604,467)**	37,127	3,798,175

Basic and diluted earnings per share attributable to equity holders of the Parent Company from discontinued operations follow:

	2015	2014	2013
Net income (loss) from discontinued operations attributable to equity holders of the Parent Company	**(₱22,114,207)**	₱10,125,194	₱74,313,307
Weighted average number of outstanding common shares	**621,683,570**	578,688,304	535,693,037
Basic earnings per share	**(₱0.04)**	₱0.02	₱0.14

Cash Flows of Discontinued Operations

The cash flows generated from (used in) discontinued operations for the years ended December 31, 2015 and 2014 are as follows:

	2015	2014
Net cash flows from (used in) operating activities	**(₱104,971,963)**	₱212,929,354
Net cash flows from (used in) investing activities	**62,027,708**	(454,443,379)
Net cash flows from financing activities	**140,493,095**	245,599,616
Net cash inflow	**₱97,548,840**	₱4,085,591

Effect of Disposal on the Group's Statement of Financial Position

The impact of the disposal of the subsidiaries on the consolidated statement of financial position of the Group as at December 31, 2015 and 2014 follows:

	2015	2014
Current Assets		
Cash	**₱13,647,146**	₱46,585,591
Trade and other receivables	**100,659,308**	82,671,638
Inventories	**4,510,361**	3,327,817
Biological assets	–	169,477,061
Other current assets	**24,156,438**	9,386,667
Noncurrent Assets		
Property and equipment	**66,785,370**	628,321,492
Other noncurrent assets	**84,308,696**	–
Goodwill	**76,751,554**	100,310,936
Current Liabilities		
Accounts and other payables	**(₱48,575,845)**	(₱393,188,854)
Notes payable	**(55,824,323)**	(18,000,000)
Advances from related parties	**-77,245,566**	–
Other current liability	**(20,038,486)**	–
Noncurrent Liability		
Deferred income tax liabilities	–	(51,543,539)
Lease payable	**(730,284)**	–

(Forward)

	2015	2014
NET ASSETS	**₱168,404,369**	₱577,348,809
NONCONTROLLING INTEREST	**(13,909,446)**	(283,013,432)
NET ASSETS DISPOSED OF	**154,494,923**	294,565,000
CONSIDERATION	**(147,395,266)**	(300,000,000)
GAIN (LOSS) FROM DIVESTMENT	**(₱7,099,657)**	₱5,435,000
NET CASH INFLOW (OUTFLOW) FROM DISPOSAL		
Cash consideration already received	**₱117,315,000**	₱25,000,000
Cash disposed of	**(13,647,146)**	(46,585,591)
	₱103,667,854	(₱21,585,591)

The consideration includes cash received of ₱117.3 million and ₱25.00 million in 2015 and 2014, respectively.

29. 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 and Sourcing
The Farming and sourcing segment 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. In 2014, the Group discontinued with its farming activities with the Group's divestment of its controlling interest in TRAIN.

Exports
The Export segment 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. Its main export products are fresh banana, fresh mango, and coco-water.

Distribution
The Distribution segment is responsible for the local sales and distribution of various produce that the Group offers to a number of supermarkets around Luzon.
Retail
The Retail segment is responsible for the management and operation of the Group's retail businesses.

Foreign Trading
The Foreign Trading segment is charge of the international distribution operations of the Group in Hong Kong, China, and Australia.

Others
This segment is an aggregation of the other businesses of the Group that does not fit in the other segments above.

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. In addition, the Group’s reportable segments also include geographical areas for local and foreign operations. Foreign operations are included under “Foreign Trading” and local operations are included under the remaining reported segments.

	December 31, 2015							
	Sourcing	Exports	Distribution	Retail	Foreign Trading	Others	Eliminations	Total
External customers	₱–	₱281,450,682	₱271,010,104	₱81,947,203	₱1,654,399,522	₱20,486,123	₱7,269,089	₱2,316,562,723)
Inter-segment revenues	–	–	–	–	(687,036)	–	(7,269,089)	(7,956,125)
Total revenues	–	281,450,682	271,010,104	81,947,203	1,653,712,486	20,486,123	–	2,308,606,598
Cost of sales	–	(237,179,353)	(230,363,306)	(37,010,880)	(1,519,472,511)	(37,894,870)	–	(2,061,920,920)
Cost of services	–	(500,358)	(359,251)	(24,332,589)	–	–	–	(25,192,198)
Segment operating earnings	–	43,770,971	40,287,547	20,603,734	134,239,975	(17,408,746)	–	221,493,481
General and administrative	–	(79,746,251)	(86,208,722)	(95,977,397)	(211,141,209)	(54,353,098)	–	(527,426,678)
Finance income	–	9,070	8,511	3,332	26	95	–	21,034
Finance expense	–	(25,407,366)	(26,681,722)	(3,024,786)	(16,751,946)	(2,845,152)	–	(74,710,973)
Other operating income	–	(16,338,133)	(22,565,536)	(1,567,550)	(10,025,160)	(5,375,233)	–	(55,871,612)
Provision for (benefit from) income tax	–	537,123,690	(498,112,052)	(12,477,266)	-	35,444	–	26,569,816
Net income (loss) attributable to equity holders of the parent	–	(614,835,400)	402,952,129	(67,485,400)	(103,678,315)	(80,017,579)	–	(463,064,564)
Segment assets	–	1,420,400,196	1,845,915,058	143,511,501	226,755,022	622,376,503	(1,380,227,713)	2,878,730,567
Deferred income tax assets – net	–	2,772,403	2,587,929	364,683	–	1,683,238	–	7,408,253
Total assets	₱–	₱ 1,423,172,599	₱1,848,502,987	₱143,876,184	₱226,755,022	₱624,059,741	(₱1,380,227,713)	₱2,886,138,820
Segment liabilities	₱–	(₱771,523,970)	(₱1,060,280,646)	(₱120,649,926)	(₱520,886,388)	(₱617,998,269)	₱916,905,334	(₱2,174,433,865)
Deferred income tax liabilities – net	–	–	(1,173)	–	–	–	–	(1,173)
Total liabilities	₱–	(₱771,523,970)	(₱1,060,281,819)	(₱120,649,926)	(₱520,886,388)	(₱617,998,269)	₱916,905,334	(₱2,174,435,038)
Capital expenditures								
Depreciation and amortization	–	21,010,128	24,242,335	14,072,722	2,303,582	24,482,744	–	86,111,511
Income (loss) from discontinued operation								(22,718,674)

	December 31, 2014							
	Sourcing	Exports	Distribution	Retail	Foreign Trading	Others	Eliminations	Total
External customers	₱5,079,612	₱370,543,407	₱157,778,768	₱80,274,209	₱1,631,165,427	₱122,338,066	₱–	₱2,367,179,489
Inter-segment revenues	36,448	71,024,909	20,675,728	–	–	10,025,958	(101,763,043)	–
Total revenues	5,116,060	441,568,316	178,454,496	80,274,209	1,631,165,427	132,364,024	(101,763,043)	2,367,179,489
Cost of sales	(7,610,464)	(324,582,686)	(139,125,692)	(34,069,138)	(1,381,757,565)	(99,783,225)	(82,129,810)	(2,069,058,580)
Cost of services	(2,964,589)	–	–	–	–	–	–	(2,964,589)
Segment operating earnings	(5,458,993)	116,985,630	39,328,804	46,205,071	249,407,862	32,580,799	(183,892,853)	295,156,320
General and administrative	(7,145,853)	(100,008,304)	(73,519,847)	(59,997,860)	(294,861,756)	(49,751,823)	–	(585,285,443)
Finance income	248,954	14,470	13,986	309	6	18,244	–	295,969
Finance expense	(4,909,788)	(48,270,336)	(23,752,425)	–	(388,307)	(278,289)	–	(77,599,146)
Other operating income	(59,304,304)	(13,643,398)	(6,398,031)	(195,656,280)	(178,933,754)	(6,424,059)	(357,618,128)	(817,977,954)
Provision for (benefit from) income tax	13,631,594	456,975	1,113,250	81,561	(558,313)	380,708	3,679,260	18,785,034
Net income (loss) attributable to equity holders of the parent	(90,201,578)	(45,378,913)	(65,440,762)	(209,530,321)	(224,217,637)	(24,235,836)	(545,190,241)	(1,204,195,288)
Segment assets	475,594,957	4,869,463,945	947,608,649	190,669,987	524,366,675	222,493,381	(3,405,038,375)	3,825,159,219
Deferred income tax assets – net	–	37,694,652	16,674,646	2,152,612	2,555,442	4,880,433	–	63,957,785
Total assets	₱475,594,957	₱4,907,158,597	₱964,283,295	₱192,822,599	₱526,922,117	₱227,373,814	(₱3,405,038,375)	₱3,889,117,004
Segment liabilities	₱482,815,800	₱2,864,323,710	₱652,068,122	₱88,759,129	₱841,439,142	₱133,190,542	(₱2,418,066,113)	₱2,644,530,332
Deferred income tax liabilities - net	686,610	–	914	–	–	–	–	687,524
Total liabilities	₱483,502,410	₱2,864,323,710	₱652,069,036	₱88,759,129	₱841,439,142	₱133,190,542	(₱2,418,066,113)	₱2,645,217,856
Capital expenditures	13,303,452	297,881,653	76,708,844	25,612,614	70,437,942	29,887,437	–	513,831,943
Depreciation and amortization	13,496,121	62,524,573	7,618,523	23,644,158	12,203,287	5,054,983	–	124,541,645
Income (loss) from discontinued operations								10,162,321

	December 31, 2013							
	Farming and sourcing	Exports	Distribution	Retail	Foreign Trading	Others	Eliminations	Total
External customers	₱190,667,390	₱320,805,532	₱163,503,130	₱147,908,751	₱1,540,139,529	₱40,034,369	₱–	₱2,403,058,701
Inter-segment revenues	–	–	398,318,897	–	–	75,055,210	(473,374,107)	–
Total revenues	190,667,390	320,805,532	561,822,027	147,908,751	1,540,139,529	115,089,579	(473,374,107)	2,403,058,701
Cost of sales	(134,407,702)	(159,642,136)	(269,715,794)	(55,731,164)	(1,016,141,449)	(53,957,926)	(282,225,361)	(1,971,821,531)
Cost of services	–	–	–	–	–	–	–	–
Segment operating earnings	₱ 56,259,687	₱ 161,163,397	₱ 292,106,233	₱ 92,177,587	₱ 523,998,080	₱ 61,131,653	₱ (755,599,468)	₱ 431,237,170
General and administrative	(21,578,566)	(101,812,781)	(99,691,835)	(110,503,327)	(145,775,293)	(22,751,972)	(6,411,262)	(508,525,036)
Finance income	2,031,599	42,698	17,117	8,525	120,618	12,274	–	2,232,831
Finance expense	(2,705,946)	(24,346,764)	(27,553,498)	(101,344)	(758,760)	(330,335)	–	(55,796,646)
Other operating income	(3,545,381)	(8,212,549)	(12,383,282)	(3,219,854)	(67,067,661)	(1,284,452)	5,465,028	(90,248,152)
Provision for (benefit from) income tax	(11,920,879)	(21,297,004)	(3,612,713)	(40,456,500)	23,723,923	(10,241,926)	(689,153)	(64,494,252)
Net income (loss) attributable to equity holders of the parent	42,382,272	48,131,006	156,107,448	18,818,088	286,793,061	47,019,094	(755,856,549)	(156,605,581)
Segment assets	910,225,723	5,401,024,775	662,901,994	343,211,592	658,960,978	178,592,043	(3,326,076,997)	4,828,840,108
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	₱921,365,506	₱5,421,676,183	₱667,824,663	₱362,888,033	₱658,960,978	₱182,037,920	(₱3,326,076,997)	₱4,888,676,286
Segment liabilities	₱519,227,460	₱2,618,743,939	₱334,438,474	₱159,642,554	₱641,126,213	₱66,338,028	(₱1,973,495,508)	₱2,366,021,160
Deferred income tax liabilities - net	39,222,417	–	11,285	–	–	–	–	39,233,702
Total liabilities	₱558,449,877	₱2,618,743,939	₱334,449,759	₱159,642,554	₱641,126,213	₱66,338,028	(₱1,973,495,508)	₱2,405,254,862
Capital expenditures	163,513,105	12,288,398	–	117,311,763	–	9,498,136	–	302,611,402
Depreciation and amortization	3,062,024	7,188,706	1,865,525	13,159,334	45,879,850	1,266,110	–	72,421,549
Income (loss) from discontinued operations								78,111,482

COVER SHEET
for
QUARTERLY 17-Q

SEC Registration Number

A 1 9 9 7 0 1 8 4 8

Company Name

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

Principal Office (No./Street/Barangay/City/Town/Province)

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q	CRM	NA

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
www.ani.com.ph	(02) 551-0772	NA

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
36	3rd Monday of May	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Kenneth Tan	kenneth.tan@ani.com.ph	(02) 551 0774	0917-527-5826

Contact Person's Address

#7 St. Jose Maria Escriva Drive Unit 111-112, Cedar Mansion 2, Ortigas Center, Pasig City

Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17 – Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17 (2) (b) THEREUNDER

1. For the quarterly period ended **March 31, 2016**

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 PHILIPPINES3005**
   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,	**621,683,570 shares / ₱2,149,598,782 (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 Regulations 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: **ANTONIO L. TIU**
Chairman of the Board and President

Date: May 12, 2016

Signature and Title: **KENNETH S. TAN**
Chief Financial Officer

Date: May 12, 2016

Part I - FINANCIAL INFORMATION

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, 2016 (with comparative figures as of December 31, 2015 and for the period ended March 31, 2015) 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, 2016

Business Overview

AgriNurture, Inc. (the "Company" or ANI), formerly known as Mabuhay 2000 Enterprises, Inc., was founded in February 1997 as an importer, trader and fabricator of post-harvest agricultural machineries. The Company eventually diversified into various agro-commercial businesses specifically focusing on trading of grains and fresh produce in the Philippines and export markets. At present, ANI also supplies other home-grown fruits such as banana, pineapple, mango, processed fruits such as frozen fruits and coconut water to customers worldwide.

The Company operates its agro-commercial businesses through operating divisions and wholly-owned or majority-owned subsidiaries that are organized into business segments.

REVENUE

(Philippine Pesos)	Mar 31, 2016	Mar 31, 2015
Philippine Operations		
Export	**20,484,796**	88,892,958
Local Distribution	**49,062,443**	26,770,593
Retail & Franchising	**17,540,778**	20,608,966
Sub-total	**87,088,017**	136,272,518
Foreign Operations		
Hong Kong / China	**113,568,035**	402,787,601
Australia	**-**	119,719,608
Europe	**-**	29,396,053
Sub-total	**113,568,035**	551,903,263
Total	**200,656,052**	688,175,781

Results of Operations

Three Months ended March 31, 2016 versus March 31, 2015

Net Sales

ANI Group generated a consolidated sale of goods and services of Php 200.7 million for the three months ended March 31, 2016, 71% decrease over same period last year. For the first three months of 2016, Philippine operations contributed 43% while sales from Foreign operations accounted for 57% of consolidated sales. Sale of goods and services by business segment follows:

- Export sales posted a decrease of 77% quarter-to-quarter to Php 20.5 million for the first quarter of fiscal year 2016 from Php 88.9 million for the same period in 2015, primarily due to (i) reduction in supply of bananas due to decrease source of bananas (ii) low selling price of banana in the international market with high purchase price from suppliers (iii) temporary discontinued export of mangoes and pineapple.

- Local distribution sales posted an increase of 83% to Php 49.1 million for the three months ended March 31, 2016 from Php 26.8 million for the same period in 2015, mainly due to the addition of rice trading business and increase in profitability of business with supermarket outlets in the first quarter of the year.

- Retail and franchising sales registered a decline by 15% to Php 17.5 million for the first quarter 2016 from Php 20.6 million for same period in 2015, primarily due to rationalization of backroom and store operations.

- Combined Foreign trading operations posted a decrease of 79% to Php 113.6 million for the first quarter 2016 from Php 551.9 million for same period last year, due to divestment of the Australia and European operations in the last quarter of 2014 which contributed an average consolidated sales of 17% per quarter.

Cost of Sales

Cost of sales consists primarily of:

- Cost of purchasing fruits and vegetables and raw material from growers and other traders and suppliers;
- Personnel expenses, which include salary and wages, employee benefits and retirement costs for employees involved in the production process;
- Repairs/maintenance costs, relating to production equipment, vehicles, facilities and buildings;
- Fuel and oil costs relating to the production and distribution process;

For the three months ended March 31, 2016, ANI Group's cost of sales amounted to Php 148.0 million down by 75% from Php 581.5 million for the same period in 2015, due to the lower amount of inventory purchases.

Gross Profit

Consolidated gross profit fell by Php 54.1 million or 51% to Php 52.6 million for the three months ended March 31, 2016 from Php 106.7 million for same period last year. The decrease was due to the decrease in local and foreign sales as well as the closure of the farming operations and other retail outlets.

Operating Expenses

The Group's operating expenses consist of selling expenses and administrative expenses; which include the following major items:

- Salaries, wages and other employee benefits
- Freight out and handling cost
- Contracted services mainly for sales operations
- Rental
- Depreciation and amortization

Consolidated operating expenses for the first quarter of 2016 amounted to Php 50.2 million down from Php 153.7 million for the same period last year, due mainly to the reduction of manpower cost for regular employees and contracted services, decrease in freight and handling relative to the decrease in sales during the quarter, reduction of office rental expense. The non-consolidation of Freshness First, Hansung, Qualis and Sunshine due to divestment also contributed to the decrease in overall expenses during the quarter.

Finance Costs

Finance Costs for the first quarter of 2016 amounted to Php 8.1 million down from Php 17.6 million for the same period last year due to the recapitalization and reduction of debt.

Financial Condition

Assets

ANI Group's consolidated total assets as of March 31, 2016 amounted to ₱ 2.86 billion a decrease of 1% from ₱ 2.89 billion at December 31, 2015. The following explain the significant movements in the asset accounts:

- The Group's cash balance decreased by ₱ 19.1 million primarily due to day to day operations of the company and settlement of liabilities.
- Receivables increased by 1% mainly due increase of receivables from foreign subsidiaries.
- Advances to related parties/stockholder decreased from ₱723.4 million from December 2015 to ₱656.3 million in March 2016 due to payments.
- Inventory balance increased from a year end 2015 balance of ₱ 44.8 million to ₱ 101.0 million due to rice stock inventory which is available for sale in the next quarter.
- Property, plant and equipment including intangibles decreased from ₱860.2 million in December 31, 2015 to ₱843.6 million in March 31, 2016 due to amortization of depreciation.

Liabilities

Consolidated liabilities amounted to ₱ 2.15 billion.

Total current liabilities is ₱ 1.85 billion and ₱ 1.82 billion as of December 31, 2015 and March 31, 2016 respectively. The decrease is mainly due to payments of loans and borrowings and trade payables.

Total non-current liabilities is ₱ 326.9 million for December 31, 2015 and March 31, 2016.

Equity

Consolidated stockholders' equity as of March 31, 2016 amount to ₱ 712.7 million.

<u>Liquidity and Capital Resources</u>

Net cash used from operating activities for the first 3 months of 2016 was ₱ 65.3 million.

Net cash flow from investing activities is ₱ 65.3 million.

Net cash used in financing activities is ₱ 14.3 million, which is due to the payment of loans.

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

	Formula	Mar 31, 2016	Dec 31, 2015
Liquidity:			
Current ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	0.58	0.58
Financial Leverage:			
Debt-to-equity ratio	$\frac{\text{Total Liabilities (Current+Non-current)}}{\text{Stockholder's Equity}}$	3.02	3.06
Asset to Equity Ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$	4.02	4.06
Profitability:			
Return on average equity	$\frac{\text{Net Income}}{\text{Average Stockholder's Equity of the company}}$	0.01	(0.50)
Operating efficiency:			
Revenue growth	$\left[\frac{\text{Current period Net Sales}}{\text{Prior period Net Sales}}\right] -1$	(0.71)	(0.01)

EXHIBIT A

Agrinurture, Inc. and Subsidiaries

Consolidated Financial Statements
March 31, 2016 and December 31, 2015
and for the Three Months Ended
March 31, 2016 and 2015

AGRINURTURE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

MARCH 31, 2016 AND DECEMBER 31, 2015

	March 31, 2016	December 31, 2015
ASSETS		
Current Assets		
Cash (Note 4)	**₱19,072,162**	₱33,278,930
Trade and other receivables (Note 5)	**183,683,736**	182,335,197
Advances to related parties (Note 19)	**8,889,594**	8,889,594
Advances to stockholder (Note 19)	**647,409,714**	714,555,017
Inventories (Note 6)	**100,956,131**	44,820,529
Prepayments and other current assets (Note 7)	**105,035,233**	89,212,359
	1,065,046,570	1,073,091,626
Assets classified as held for sale (Note 10)	**-**	-
Total Current Assets	**1,065,046,570**	1,073,091,626
Noncurrent Assets		
Property, plant and equipment (Note 8)	**650,643,382**	666,925,826
Advances to stockholders - net of current portion (Note 19)	**703,226,545**	703,226,545
Intangible assets (Note 9)	**192,916,745**	193,266,995
Deferred income tax assets (Note 21)	**7,691,452**	7,300,732
Other noncurrent assets (Note 11)	**242,724,610**	242,327,095
Total Noncurrent Assets	**1,797,202,734**	1,813,047,193
TOTAL ASSETS	**2,862,249,304**	₱2,886,138,819

LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 12)	**₱509,534,612**	₱530,710,930
Loans and borrowings (Note 13)	**798,191,105**	803,033,866
Redeemable and convertible loan (Note 13)	**234,000,000**	234,000,000
Advances from related parties (Note 19)	**179,702,093**	177,101,534
Lease payable (Note 24)	**29,147,536**	30,508,369
Income tax payable	**461,750**	598,915
Other current liabilities	**71,627,705**	71,547,443
Total Current Liabilities	**1,822,664,801**	1,847,501,057
Noncurrent Liabilities		
Loans and borrowings - net of current portion (Note 13)	**220,797,845**	220,797,845
Pension liability (Note 20)	**8,767,447**	8,767,447
Lease payable- net of current portion (Note 24)	**75,414,093**	75,414,093
Other long term liability (Note 24)	**21,954,596**	21,954,596
Total Noncurrent Liabilities	**326,933,981**	326,933,981
Total Liabilities	**2,149,598,782**	2,174,435,038
Equity Attributable to Equity Holders of the Parent		
Capital stock (Note 14)	**621,683,570**	621,683,570
Additional paid-in capital (Note 14)	**2,330,723,527**	2,330,723,527
Foreign currency translation reserve	**(64,771,959)**	(60,792,816)
Deficit	**(2,111,602,234)**	(2,114,135,261)
	776,032,904	777,479,020
Non-controlling Interests	**(63,382,382)**	(65,775,239)
Total Equity	**712,650,522**	711,703,781
TOTAL LIABILITIES AND EQUITY	**₱2,862,249,304**	₱2,886,138,819

See accompanying Notes to Consolidated Financial Statements.

AGRINURTURE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015

	Three Months Ended March 31	
	2016	2015
REVENUES	**₱200,656,052**	₱688,175,781
COST OF SALES AND SERVICES (Note 16)	**(148,010,950)**	(581,452,294)
GROSS PROFIT	**52,645,102**	106,723,487
General and administrative (Note 18)	**(50,234,052)**	(153,691,352)
Other income (expense) - net (Note 17)	**10,560,421**	14,384,673
OPERATING INCOME (LOSS)	**12,971,471**	(32,583,192)
Finance income (Note 4)	**1,461**	5,315
Finance costs (Notes 13)	**(8,076,356)**	(17,603,653)
INCOME (LOSS) BEFORE INCOME TAX	**4,896,576**	(50,181,530)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 21)		
Current	**202,225**	1,043,873
Deferred	**(131,195)**	(9,513,148)
	71,030	(8,469,275)
NET INCOME (LOSS)	**4,825,546**	(41,712,255)
OTHER COMPREHENSIVE INCOME (LOSS)	–	–
TOTAL COMPREHENSIVE INCOME (LOSS)	**4,825,546**	(41,712,255)
Net income (loss) attributable to:		
Equity holders of the parent	**2,533,028**	(₱35,445,585)
Non-controlling interests	**2,292,519**	(6,266,670)
	4,825,547	(₱41,712,255)
Basic and diluted income (loss) per share attributable to equity holders of the parent (Note 15)	**₱0.01**	(₱0.06)

See accompanying Notes to Consolidated Financial Statements.

AGRINURTURE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2016 and 2015

	Equity Attributable to Equity Holders of the Parent							
	Capital Stock (Note 14)	**Additional Paid-in Capital (Note 14)**	**Revaluation Surplus**	**Translation Reserve**	**Retained Earnings (Deficit)**	**Subtotal**	**Non-controlling Interests**	**Total**
Balance at January 1, 2015	**621,683,570**	**2,330,723,527**	**–**	**21,084,882**	**(1,681,459,229)**	**1,292,032,750**	**(48,133,602)**	**1,243,899,148**
Issuance of common shares	–	–	–	–	–	–	–	–
Foreign currency translation reserve	–	–	–	1,044,807	–	1,044,807	–	1,044,807
Total comprehensive loss	–	–	–	–	(35,445,589)	(35,445,589)	(6,266,670)	(41,712,259)
Balances at March 31, 2015	**₱621,683,570**	**₱2,330,723,527**	**₱–**	**₱22,129,689**	**(₱1,716,904,818)**	**₱1,257,631,968**	**(₱54,400,272)**	**₱1,203,231,696**
Balance at January 1, 2016	**₱621,683,570**	**₱2,330,723,527**	**₱–**	**(₱60,792,816)**	**(₱2,114,135,261)**	**₱777,479,020**	**(₱65,775,239)**	**₱711,703,781**
Issuance of common shares	–	–	–	–	–	–	–	–
Foreign currency translation reserve	–	–	–	(3,979,143)	–	(3,979,143)	–	(3,979,143)
Total comprehensive income	–	–	–	–	2,533,028	2,533,028	2,392,857	4,925,884
Balances at March 31, 2016	**₱621,683,570**	**₱2,330,723,527**	**₱–**	**(₱64,771,959)**	**(₱2,111,602,234)**	**₱776,032,904**	**(₱63,382,382)**	**₱712,650,522**

See accompanying Notes to Consolidated Financial Statements.

AGRINURTURE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (Loss) from continuing operations before income tax	**₱4,896,576**	(₱50,181,530)
Adjustments for:		
Depreciation and amortization (Notes 8 and 9)	**16,647,484**	23,263,074
Interest expense (Notes 13)	**8,076,356**	17,603,653
Interest income (Notes 4 and 19)	**(1,461)**	(5,135)
Loss (gain) on sale of property, plant and equipment	**36,513**	–
Operating losses before working capital changes	**29,655,468**	(9,319,938)
Decrease (increase) in:		
Trade and other receivables	**(1,348,539)**	(12,701,926)
Biological assets	**-**	–
Inventories	**(56,135,602)**	(25,837,771)
Prepayments and other current assets	**(15,822,874)**	(2,713,090)
Increase (decrease) in:		
Trade and other payables	**(21,176,318)**	84,748,175
Other current liabilities	**80,262**	(28,398,843)
Net cash generated from (used in) operations	**(64,747,603)**	5,776,607
Income tax benefit	**(527,885)**	3,244,729
Interest received	**1,461**	5,135
Net cash flows from (used in) operating activities	**(65,274,027)**	9,026,471

(Forward)

	Three Months Ended March 31	
	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES		
Changes in:		
Property, plant and equipment (Note 8)	**(51,303)**	(₱183,942)
Intangible assets (Note 9)	**-**	(682,253)
Lease payable	**(1,360,833)**	(4,303,712)
Changes in:		
Advances to related parties	**67,145,303**	39,861,242
Other noncurrent assets	**(397,515)**	(17,902,718)
Net cash inflow from assets held for sale	**-**	175,000,000
Net cash flows used in investing activities	**65,335,652**	191,842,617
CASH FLOWS FROM FINANCING ACTIVITIES		
Availment/ (repayment) of loans and borrowings	**(4,842,761)**	(40,890,229)
Interest paid	**(12,026,191)**	(17,603,653)
Reduction of convertible bonds	**-**	(150,000,000)
Changes in:		
Advances from related parties	**2,600,559**	3,290,651
Other noncurrent liabilities	**-**	–
Net cash flows from financing activities	**(14,268,393)**	(187,599,578)
NET INCREASE (DECREASE) IN CASH	**(14,206,768)**	(4,334,144)
CASH AT BEGINNING OF YEAR	**33,278,930**	83,602,967
EFFECT OF EXCHANGE RATE CHANGES IN CASH	**-**	–
CASH AT END OF YEAR (Note 4)	**₱19,072,162**	₱79,268,823

See accompanying Notes to Consolidated Financial Statements.

AGRINURTURE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

AgriNurture, Inc. (the 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. In 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. The Parent Company was listed on the Philippine Stock Exchange (PSE) in April 2009 with an initial listing by way of introduction of 178,536,602 common shares, with a par value of P=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 at Unit 111 Cedar Mansion Phase II, #7 Escriva Drive, Ortigas Center, Barangay San Antonio, Pasig City.

On May 26, 2014, the Parent Company's BOD approved the amendment of the Parent Company's Articles of Incorporation changing the number of independent directors from two (2) to three (3) out of the eleven (11) directors of the Parent Company.

The consolidated financial statements as at and for the years ended March 31, 2016 and December 31, 2015 were authorized for issuance by the Parent Company's BOD on May 12, 2016.

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. 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). PFRS includes the statements named PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Financial Reporting Standards Council (FRSC).

Basis of Consolidation
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	
			2016	2015
First Class Agriculture Corporation (FCAC)	Philippines	Trading (Agricultural goods)	**100%**	100%
M2000 IMEX Company, Inc. (IMEX)	Philippines	Manufacturing and export	**100%**	100%
Best Choice Harvest Agricultural Corp. (BCHAC)	Philippines	Farm management	**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%
Fruitilicious Company, Inc. (FI)	Philippines	Manufacturing/processing/ trading frozen agricultural products	**90%**	90%
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%**	80%
*Heppy Corporation (HC)	Philippines	Food and beverage retailing and franchising	**80%**	80%
*Goods and Nutrition for All, Inc. (GANA)	Philippines	Retail and wholesale	**100%**	100%
Agrinurture HK Holdings Ltd. (ANI HK)	Hong Kong	Holding Company	**100%**	100%
*Agrinurture Int'l Ltd. (ANI IL)	Hong Kong	Trading and retail	**100%**	100%
*ANI China	China	Trading (Agricultural goods)	**100%**	100%
*ANI AgriNurture Europe S.L. (ANI ESL)	Spain	Trading (Agricultural goods)	**100%**	100%
*Joyful Fairy (Fruits) Limited (JFF)	British Virgin Islands	Trading (Agricultural goods)	**51%**	51%
**Freshness First Pty. Ltd. (FFPL)	Australia	Processing and trading	**–**	–
**BSK Pty. Ltd. (BSK)	Australia	Retail	**–**	–
**Michsul Pty. Ltd. (MPL)	Australia	Wholesale	**–**	–
**Sunshine Supplies International Co., Ltd. (SSIC)	Hong Kong	Trading (Agricultural goods)	**–**	–
**Hansung Agro Products Corporation (HAPC)	Philippines	Processing (Agricultural goods)	**–**	–
**Qualis Logistics and Transport Services, Inc. (QLTS)	Philippines	Logistics	**–**	–

Subsidiaries
Subsidiaries are entities over which the Parent Company has control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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.

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.

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.

<u>Changes in Accounting Policies and Disclosures</u>
The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended PFRS, Philippine Accounting Standards (PAS), Philippine Interpretations based on International Financial Reporting Interpretations Committee (IFRIC) and improvements to PFRS which were adopted as at January 1, 2015:

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
  PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service.

  It is not expected that this amendment would be relevant to the Group, since it does not have defined benefit plans with contributions from employees or third parties.

<u>*Annual Improvements to PFRSs* (2010-2012 cycle)</u>
These improvements are effective for annual periods beginning on or after July 1, 2014 and are not expected to have a significant impact to the Group. They include:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

  - A performance condition must contain a service condition.

- A performance target must be met while the counterparty is rendering service.
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group.
- A performance condition may be a market or non-market condition.
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

The improvement does not have any effect to the Group as it has no share-based payment.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
The amendment is aplied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss (FVPL) whether or not it falls within the scope of PAS 39 (or PFRS 9, *Financial Instruments*, if early adopted).

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
The amendments are applied retrospectively and clarify that:

  - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
  - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

  These amendments do not have any significant financial impact to the Group and will affect only the disclosures on the financial statements.

- PAS 16, *Property, Plant and Equipment*, and PAS 38*, Intangible Assets- Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual Improvements to PFRSs (2011-2013 cycle)
These improvements are effective for annual periods beginning on or after July 1, 2014 and are not expected to have a significant effect to the Group. They include:

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Ventures*
  The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
    - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
    - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 or (PFRS 9, as applicable).

- PAS 40, *Investment Property - Clarifying the interrelationship of PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property*
  The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

<u>Standards and Interpretations Issued but not yet Effective</u>
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 effect on its financial statements.

Effective January 1, 2016:

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidated Exception* (Amendments)
  These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value and that the only subsidiary of an investment entity that is not an investment entity itself and that provide support services to the investment entity parent is consolidated. The amendments also allow that an investor (that is not an investment entity and has an investment entity associate or joint venture), when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interest in subsidiaries. These amendments are effective for annual periods beginning on or after January 1, 2016. These amendments are not applicable to the Group and will not have any effect on its financial statements.

- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)
  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These

amendments will not have any effect on the Group's financial position or financial performance. The Group is currently assessing the impact of PAS 27 and plans to adopt the new standard on the required effective date once adopted locally.

- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
  The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

- PAS 1, *Disclosure Initiative* (Amendments)
  The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirement of PFRS. They clarify the following:

  - That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different nature or functions
  - That specific line items in the statement(s) of comprehensive income and OCI and the statement of financial position may be disaggregated
  - That entities have flexibility as to the order in which they present the notes to financial statements; and
  - That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

  Early application is permitted and entities do not need to disclose that fact as the amendments are considered to be clarifications that do not affect an entity's accounting policies or accounting estimates.

- PFRS 14, *Regulatory Deferral Accounts*
  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of comprehensive income and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.

- PAS 16*, Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants* (Amendments)
  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any effect to the Group as it does not have any bearer plants.

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets* **-** *Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any effect to the Group given that it does not use a revenue-based method to depreciate its non-current assets.

Annual Improvements to PFRSs (2012-2014 cycle)
These improvements are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a significant effect to the Group. They include:

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
  The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
  PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- PFRS 7, *Applicability of the Offsetting Disclosures to Condensed Interim Financial Statements*
  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- PAS 19, *Employee Benefits - regional market issue regarding discount rate*
  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*
  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective Beginning January 1, 2018:

- PFRS 9, *Financial Instruments* (2014 or Final Version)
  In July 2014, the final version of PFRS 9 was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement* and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

  The adoption of PFRS 9 is not expected to have any significant impact on the Group's future financial statements.

- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers*
  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Group is currently assessing the effect of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

- IFRS 16, *Leases*
  IFRS 16 was issued by the IASB in January 2016 which replaces International Accounting Standards (IAS) 17, the current leases standard, and the related interpretations.

  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with IAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.
  The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under IAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

  The new standard is effective for annual periods beginning on or after January 1, 2019. Entities may early adopt IFRS 16 but only if they have also adopted IFRS 15. When adopting IFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact of PFRS 16 and plans to adopt the new standard on the required effective date once adopted locally.

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

Summary of Significant Accounting Policies

Foreign Currency Translation of Foreign Operations
Each subsidiary in the Group determines its own functional currency and items included in the consolidated financial statement of each subsidiary are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate on the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at consolidated statement of financial position date. All exchange differences are recognized in consolidated statements of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

For purposes of consolidation, the financial statements of ANI HK, JF HK, ANI IL and JFF which are expressed in Hong Kong dollar (HKD) amounts, financial statements of ANI China which is expressed in Chinese Yuan (CNY) amounts, financial statements of ANI ESL which is expressed in Euro amounts and the financial statements of FFPL, BSK and MPL which are expressed in Australian (AUD) dollar amounts, have been translated to Peso amounts as follows:

a. assets and liabilities for each statement of financial position presented (i.e., including comparatives) are translated at the closing rate at the date of the consolidated statement of financial position;
b. income and expenses for each statement of income (i.e., including comparatives) are translated at exchange rates at the average monthly prevailing rates for the year; and

c. all resulting exchange differences are taken in the consolidated statement of comprehensive income.

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 ANI HK, ANI IL, JF HK, ANI ESL and JFF) is 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 Group has elected to present all items of recognized income and expenses in two statements: a statement displaying components of profit or loss in the consolidated statement of income and a second statement beginning with a profit or loss and displaying components of other comprehensive income (OCI).

Cash
Cash includes cash on hand and with 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 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 a 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
Financial instruments are recognized initially at fair value. Directly attributable transaction costs are included in the initial measurement of all financial assets and financial liabilities, except for financial instruments at FVPL.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual agreement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expenses or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Financial assets within the scope of PAS 39 are classified into the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets or as derivatives designated as hedging instrument in an effective hedge, as appropriate. Financial liabilities are classified as financial liabilities at FVPL, derivatives designated as hedging instruments in an effective hedge, or other financial liabilities. The Group determines the classification at initial recognition and, where allowed and appropriate, re-evaluates such designation at each end of the reporting period.

The Group's financial instruments are in the nature of loans and receivables and other financial liabilities. As at March 31, 2016 and December 31, 2015, the Group has no financial assets and liabilities classified as at FVPL, HTM and AFS financial assets and derivatives designated as hedging instruments in an effective hedge, as appropriate.

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 March 31, 2016 and December 31, 2015, the Group's loans and receivables include cash with banks, trade and other receivables, advances to a stockholder and advances to related parties in the consolidated statement of financial position (see Notes 4, 5 and 19).

Other Financial Liabilities
Loans and borrowings pertain to financial liabilities that are not held for trading nor designated as at FVPL upon the inception of the liability. These include financial liabilities arising from operations. These financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the EIR method of amortization or accretion for any related premium, discount and any directly attributable transaction cost. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized or impaired, as well as through the amortization process.

Other financial liabilities are classified as current if it is due within twelve (12) months from the end of the reporting date otherwise they are classified as noncurrent liabilities

This accounting policy applies primarily to the Group's trade and other payables, loans and borrowings, redeemable and convertible loan, advances from related parties and lease payables that meet the above definition (other than liabilities that are covered by other accounting standards, such as income tax payable and pension) (see Notes 12, 13, 19, and 24).

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.

Determination of Fair Values of Financial Instruments
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 date (unobservable inputs)

For assets and liabilities that are recognized in the consolidated 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 Groups'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.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 23.

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. When the Group determines that a specific account or group of accounts continue to be impaired or can no longer be recovered based on its regular review and assessment and after exhausting all actions and means to recover, these specifically identified accounts are written-off.

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 statement 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 has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group 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

Business combinations, except for business combination between entities under common control, 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 NCI in the acquiree. For each business combination, the acquirer measures the NCI in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and financial 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 at the acquisition date and any gain or loss on remeasurement is recognized in the consolidated statement of income. It is then considered in the determination of goodwill.

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 the consolidated statement of income, or in the consolidated statement of comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for NCI over the 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 (CGUs) 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.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the CGU or group of CGUs to which the goodwill relates. Where the recoverable amount of the CGU or group of CGUs is less than the carrying amount of the CGU or group of CGUs to which goodwill has been allocated, an impairment loss is recognized in the consolidated statement of income. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs it impairment test of goodwill annually every December 31.

Inventories

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

Packaging materials and other supplies	-	at purchase cost on a first-in, first-out (FIFO) method
Finished goods	-	at manufacturing or purchase cost on a FIFO method

NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell. For packaging materials and other supplies, NRV is the current replacement cost.

Prepayments and Other Current Assets

Prepayments and other current assets include input-valued added tax (VAT), deposits, prepaid insurance, creditable withholding taxes (CWTs) and other current assets in which the Group expects to realize or consume the assets within twelve (12) months after the end of the reporting period.

VAT

Input VAT represents VAT imposed on the Group by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations. Input VAT representing claims for refund from the taxation authorities after twelve (12) months from the end of the reporting period is recognized as current asset. Input VAT is stated at its estimated net realizable value.

Revenues, expenses and assets are recognized, net of the amount of VAT, except:

- when the VAT incurred on the purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- when receivables and payables that are stated with the amount of VAT are included.

Deposits

Deposits are advance payments made to suppliers that are expected to be applied within twelve (12) months after the end of the reporting period.

CWTs

CWTs which are claimed against income tax due represents excess of the tax payable and are carried over in the succeeding period for the same purpose.

Prepaid Expense

Prepaid expense includes prepayments for insurance, rent, supplies and repairs and maintenance which the Group expects to realize or consume within twelve (12) months after each reporting period and carried at 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 statement of income 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
Leasehold improvements	5

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

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 statement of income.

Investment Properties
The investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Investment properties are depreciated using the straight line method over a period of fifteen (15) years. Investment properties are derecognized when either they have been disposed of, when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of income in the year of retirement or disposal.

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

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 statements of income 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 consolidated statement of income when the asset is derecognized.

Trademarks

Trademarks acquired separately are recognized at cost. Following initial recognition, trademarks are carried at cost less accumulated amortization and any impairment losses. The Group assesses for impairment whenever there is an indication that these assets may be impaired. The Group has assessed that certain trademark acquired in a business combination in the past has indefinite useful lives, thus are not amortized, but 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. The remaining trademark at current year has finite useful life and is amortized over straight line basis over its estimated useful life of twenty years. The amortization period and the amortization method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense is recognized in the consolidated statement of income under “Depreciation and amortization” account in the expense category consistent with the function of the intangible asset.

Computer Software
Acquired computer software is capitalized on the basis of costs incurred to acquire and bring to use the specific software. Computer software is amortized on a straight-line basis over its estimated useful life of five (5) years. Costs associated with the development or maintenance of computer software programs are recognized as expense when incurred.

Goodwill
Goodwill represents the excess of the purchase consideration of an acquisition over the fair value of the Group's share of the net identifiable assets acquired at the date of acquisition. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that might be impaired, and is carried at cost less accumulated impairment losses, if any. Any impairment losses recognized for goodwill are not subsequently reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. When the recoverable amount of cash-generating units is less than the carrying amount, an impairment loss is recognized. The Group performs its impairment testing at the reporting date using a value-in-use, discounted cash flow methodology.

Franchise
The Group recognizes franchise as part of its intangible assets when the franchise produces revenue to the Group and the cost is measurable. At initial recognition, franchise is valued at cost which is the amount incurred in acquiring the franchise. Franchise whose life has been determined to be finite is amortized over the years identified. If the life of the franchise is determined to be indefinite, such franchise is not amortized but tested for impairment. Franchise is derecognized upon sale or retirement. The difference between the carrying value and the proceeds shall be recognized in the profit or loss. Franchise is amortized on a straight-line basis over its estimated useful life of ten (10) years.

Other Noncurrent Assets
Other noncurrent assets include deferred input VAT, long-term deposit and advances for land acquisition. Deferred input VAT pertains to input VAT arising from the Group's purchase of capital goods exceeding one (1) million pesos which will be claimed on a sixty (60) month term and input VAT. Long-term deposit and others are stated at cost and are classified as noncurrent assets since the Group expects to utilize these beyond twelve (12) months from the end of the reporting period.

Assets Held for Sale and Discontinued Operations
The Group classifies assets as held for sale (disposal group) when their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset and an active program to locate a buyer and complete the plan must have been initiated. Furthermore, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification. Assets held for sale are measured at the lower of their carrying amount or fair value less costs to sell. Impairment losses are recognized for any initial or subsequent write-down of the assets held for sale to the extent that these have not been previously recognized at initial recognition. Reversals of impairment losses for any subsequent increases in fair value less cost to sell of the assets held for

sale are recognized as a gain, but not in excess of the cumulative impairment loss that has been previously recognized.

The related results of operations and cash flows of the disposal group that qualify as discontinued operations are separated from the results of those that would be recovered principally through continuing use, and the prior years' consolidated statements of income and consolidated statement of cash flows are re-presented. The results of operations and cash flows of the disposal group that qualify as discontinued operations are presented in the consolidated statement of income and consolidated statement of cash flows as items associated with discontinued operations.

Impairment of Nonfinancial Assets

Inventories

The Group assesses the inventories for impairment by comparing the carrying value of inventories with its NRV. If inventory is impaired, its carrying value is reduced to NRV and an impairment loss is recognized in the consolidated statement of comprehensive income.

An assessment is made at each financial reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of the asset, or in the case of inventories, NRV, since the last impairment loss was recognized. If that is the case, the carrying value of the asset is increased to its recoverable amount, or in the case of inventories, NRV. That increased amount cannot exceed the carrying value that would have been determined had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income.

Property, Plant and Equipment, Investment Property and Other Current and Noncurrent Assets

Nonfinancial 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 the consolidated statement of comprehensive income. 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.

Impairment of Goodwill and Trademark

Goodwill and trademark with indefinite useful lives are reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill and trademark by assessing the recoverable amount of the CGU or group of CGUs to which the goodwill or trademark relates. Where the recoverable amount of the CGU or group of CGUs is less than the carrying amount of the CGU or group of CGUs to which goodwill or trademark has been allocated, an impairment loss is recognized in the consolidated statement of income. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its impairment test of goodwill and trademark with indefinite useful lives annually every December 31.

Interest-bearing Loans and Borrowings
All loans and borrowings are initially recognized at fair value of the consideration received, less directly attributable transaction costs, and have not been designated as at FVPL. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Portion of interest-bearing loans and borrowings with maturity of twelve (12) months or less after the financial reporting date is classified as current and the remaining is classified as noncurrent. Gains or losses are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through the amortization process.

Other Comprehensive Income (OCI)
OCI 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 statements of income for the year in accordance with PFRS.

Capital Stock and Additional Paid-in Capital
Capital stock is 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.

Dividends
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. Dividends are recognized as a liability and deducted from equity when they are approved by the stockholders of the Group. Dividends for the year that are approved after the reporting period are dealt with as an event after the reporting period.

Cumulative Translation Adjustments
This arises from exchange differences arising on a monetary item that forms part of the Parent Company's net investment in a foreign operation. In the consolidated financial statements, such exchange differences shall be recognized initially in OCI. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in OCI and accumulated in the separate component of equity, shall be reclassified from equity to profit or loss when the gain or loss on disposal is recognized.

Retained Earnings (Deficit)
Retained earnings (deficit) include accumulated profits (losses) attributable to the Group’s equity holders, dividend distributions, prior period adjustments and effect of changes in accounting policy and capital adjustments.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to credit risks. The following specific recognition criteria must also be met before revenue is recognized:

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:

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

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

Expenses
Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease in assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

Costs of Sales and Services
Costs of sales are recognized when the goods are sold to the customers, cost of sales includes the cost of inventories. Cost of services are recognized when the related services have been rendered.

General, Administrative and Selling Expenses
Expenses incurred in the direction and general administration of day-to-day operations of the Group are generally recognized when the service is used or the expense arises.

Discontinued Operations
The related results of operations and cash flows of the disposal group that qualify as discontinued operations are separated from the results of those that would be recovered principally through

continuing use, and the prior years' profit or loss in the consolidated statement of comprehensive income and consolidated statement of cash flows are re-presented. Results of operations and cash flows of the disposal group that qualify as discontinued operations are presented in profit or loss in the consolidated statement of comprehensive income and consolidated statement of cash flows as items associated with discontinued operations.

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.

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).

Finance Lease Commitments - Group as a Lessee
The Group has entered into commercial leases of transportation and warehousing equipment. The Group has determined that it acquires all the significant risks and rewards of ownership on these equipment and therefore accounts for these under finance lease.

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 and finance 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 Liability
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.

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 balance sheet 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.

<u>Business Segments</u>
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.

<u>Provisions</u>
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. If the effect of the time value of money is material, provisions are made by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, 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 an interest expense.

Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement.

<u>Contingencies</u>
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.

<u>Events after the Reporting Period</u>
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.

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:

Going Concern
This report has been prepared on the basis that the Group is a going concern. There are reasonable grounds to believe that the going concern basis is appropriate and the Group will be able to obtain additional equity funding to support its future activities. No adjustments have been made relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Group not continue as going concerns.

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 Investment Properties
The Group follows the guidance of PAS 40 in classifying properties as investment properties. This classification requires significant judgment. In making this judgment, the Group evaluates its intention for holding the properties. The Group determines that, currently, the intention for holding the properties is to earn rentals there from and for capital appreciation rather than to use these in the production or supply of goods and services or for administrative purposes or sale in the ordinary course of business.

Classification of Assets Held for Sale
In December 2014, the Board of Directors approved the decision to divest BCH's interest in TRAIN, therefore, classified it as assets held for sale. On December 17, 2014, BCH entered into a Memorandum of Agreement (MOA) to sell its investment in equity share amounting to ₱294,565,000 to the Fund and to HRC (see Note 10).

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 Finance Lease Commitments - Group as a Lessee
The Group has entered into commercial leases of machineries and equipment. The Group has determined that it acquires all the significant risks and rewards of ownership on these equipment and therefore accounts for these under finance lease.

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 and Advances to Related Parties
The Group maintains an allowance for impairment losses on trade and other receivables and advances to related parties at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management based on the factors that affect the collectibility of the accounts. These factors include, but are not limited to, the Group's relationship with its customer, customer's current credit status and other known market factors. The Group reviews the age and status of receivables and identifies accounts that are to be provided with allowance either individually or collectively. When the Group determines that a specific account or group of accounts continue to be impaired or can no longer be recovered based on its regular review and assessment and after exhausting all actions and means to recover, these specifically identified accounts are written-off.

The amount and timing of recorded expenses for any period would differ if the Group made different judgment or utilized different estimates. An increase in the Group's allowance for impairment losses will increase the Group's recorded expenses and decrease trade and other receivables and advances to related parties.

Provision for impairment losses on receivables amounted to nil and ₱64,527,983 in 2016 and 2015, respectively. The carrying values of trade and other receivables amounted to ₱183,683,736 and ₱182,335,197, net of allowance for impairment losses of ₱70,311,652 as at March 31, 2016 and December 31, 2015, respectively (see Note 5).

There were no provisions for impairment losses recognized in advances to related parties in 2016 and 2015. The carrying values of advances to related parties under common control amounted to ₱8,889,594 as at March 31, 2016 and December 31, 2015, respectively.

The carrying values of current portion of advances to stockholder amounted to ₱647,409,714 and ₱714,555,017 as at March 31, 2016 and December 31, 2015, respectively, while the noncurrent portion amounted to ₱703,226,545 and nil as at March 31, 2016 and December 31, 2015, respectively.

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. Increase in the NRV of inventories will increase the cost of inventories but only to the extent of their original production costs.

There were no provisions for impairment losses recognized in 2016 and 2015. The carrying values of inventories amounted to ₱100,956,131 and ₱44,820,529 as at March 31, 2016 and December 31, 2015, respectively (see Note 6).

Estimating Impairment Losses on Other Current and Noncurrent Assets
The Group provides allowance for impairment losses on prepayments and other current assets and noncurrent assets when they can no longer be realized. The amounts and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease its prepayments and other current assets and other noncurrent assets.

There were no provisions for impairment losses on the Group's prepayments and other current assets in 2016 and 2015. The carrying values of its prepayments and other current assets amounted to ₱105,035,233 and ₱89,212,359 as at March 31, 2016 and December 31, 2015, respectively (see Note 7).

There were no provision for impairment losses on the Group's other noncurrent assets in 2016 and 2015. The carrying values of other noncurrent assets amounted to ₱242,724,610 and ₱242,327,095 as at March 31, 2016 and December 31, 2015, respectively (see Note 11).

Estimating Useful Lives of Property and Equipment and Investment Property
The Group estimates the useful lives of property 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 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 and equipment and investment properties as at March 31, 2016 and December 31, 2015.

The aggregate net book values of property and equipment amounted to ₱650,643,382 and ₱666,925,826, net of accumulated depreciation of ₱385,475,015 and ₱369,177,781 as at March 31, 2016 and December 31, 2015, respectively (see Note 8).

Estimating Impairment of Property and Equipment and Investment Property
The Group assesses impairment on property 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.

The aggregate net book values of property and equipment amounted to ₱650,643,382 and ₱666,925,826, net of accumulated depreciation of ₱385,475,015 and ₱369,177,781 as at March 31, 2016 and December 31, 2015, respectively (see Note 8).

Estimating Useful Lives of Intangible Assets
The Group estimates the useful lives of its computer software, franchise and certain trademark based on the period over which the assets are expected to be available for use. The Group reviews only when there is an indicator of change in the estimated residual values and useful lives of intangible assets based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in the Group's estimates brought about by changes in the factors mentioned. A reduction in the estimated residual values and useful lives of intangible assets would increase the recorded amortization expense and decrease intangible assets.

The carrying values of computer software amounted to ₱1,118,113 and ₱1,242,120 as at March 31, 2016 and December 31, 2015, respectively (see Note 9).

Estimation of Impairment of Goodwill and Certain Trademarks
The Group reviews the carrying values of goodwill and certain trademarks for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill and other intangible assets by assessing the recoverable amount of the CGU or group of CGUs to which the goodwill and trademarks relates. Assessments require the use the estimates and assumptions such as market evaluation and trends, discount rates, future capital requirements and operating performance. If the recoverable amount of the unit exceeds the carrying amount of the CGU, the CGU and the goodwill and

trademarks allocated to that CGU shall be regarded as not impaired. Where the recoverable amount of the CGU or group of CGUs is less than the carrying amount of the CGU or group of CGUs to which goodwill and trademarks has been allocated, an impairment loss is recognized. Impairment of goodwill amounted to nil and ₱312.62 million were recognized in 2016 and 2015, respectively, while the impairment of trademarks amounted to nil and ₱50.68 million were recognized in 2016 and 2015, respectively (see Note 9).

Estimating Pension Costs
The costs of defined benefit pension plans and the present value of pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, turnover rate and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate, management considers the market yields on government bonds with terms consistent with the expected employee benefit payout as at end of the reporting period. The mortality rate is based on publicly available mortality tables and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific county.

Pension costs amounted to nil and ₱3,088,731 in 2016 and 2015, respectively, while pension liability amounted to ₱8,767,447 as at March 31, 2016 and December 31 2015, respectively (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.

Deferred income tax assets recognized by the Group amounted to ₱7,691,452 and ₱7,300,732 as at March 31, 2016 and December 31, 2015, respectively (see Note 21).

The Group has temporary difference amounting to ₱293,864,220 and ₱293,473,500 as at March 31, 2016 and December 31, 2015, respectively, 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 (see Note 23).

Contingencies
The Group has contingent liabilities which are either pending decision by the courts or being contested, the outcome of which is not presently determinable. In the opinion of management and its legal counsel, the eventual liability under these claims, if any, will not have material or adverse effect on the financial statements. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it can be expected to prejudice the outcome or the Group's position with respect to these matters.

4. Cash

	2016	2015
Cash on hand	**₱ 1,694,270**	₱1,145,825
Cash with banks	**17,377,892**	32,133,105
	₱19,072,162	₱33,278,930

Cash with banks earn interest at the respective bank deposit rates. Interest income earned from cash with banks amounted to ₱1,461 and ₱5,315 in 2016 and 2015, respectively.

5. Trade and Other Receivables

	2016	2015
Trade receivables	**₱197,660,307**	₱201,617,992
Others	**56,335,082**	51,028,858
	253,995,389	252,646,850
Less allowance for impairment losses	**70,311,653**	70,311,653
	₱183,683,736	₱182,335,197

Trade receivables are noninterest-bearing. These are generally settled through cash payment or application of customer's deposit for receivables from third party, or offsetting with corresponding payable accounts for receivables from related parties.

Other receivables mainly pertain to the fund transfer transactions made by the Group. This is normally settled through offsetting with corresponding payable account of the related parties.

Movements in allowance for impairment losses are as follows:

	2016	2015
Beginning balances	**₱70,311,653**	₱5,783,670
Provision	–	64,527,983
Write-off	–	–
Ending balances	**₱70,311,653**	₱70,311,653

Provision is charged in 'Other expenses' under other income (expense) - net (see Note 17).

6. Inventories

	2016	2015
At cost:		
Vegetables, fruits and goods	**₱82,567,846**	₱26,546,825
Packaging materials and other supplies	**18,388,285**	18,273,704
	₱100,956,131	₱44,820,529

Inventories are measured at cost since it is lower than the net realizable value.

Management believes that the Group's inventories are not impaired as at March 31, 2016 and December 31, 2015. Accordingly, there were no provisions for impairment losses that were recognized in 2016 and 2015.

7. Prepayments and Other Current Assets

	2016	2015
Input value-added tax (VAT)	**₱63,248,713**	₱61,507,195
Deposits	**27,912,402**	9,595,121
Prepaid insurance	**8,984,365**	13,704,796
Prepaid rent and other current assets	**3,014,847**	2,788,482
Creditable withholding taxes (CWTs)	**1,874,906**	1,616,765
	₱105,035,233	₱89,212,359

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.

Deposits include advance payments to suppliers that represent advance payment for future delivery of goods and performance of services.

Prepaid insurance and prepaid rent are paid in advance which will be amortized within twelve (12) months after the end of the financial reporting date.

CWTs which are claimed against income tax due, represent amounts that were withheld from income payments and carried over in the succeeding period for the same purpose.

8. Property, Plant and Equipment

March 31, 2016:

	Land	Building	Store and warehouse equipment	Delivery and transportation equipment	Machinery and equipment	Office furniture and fixtures	Leasehold improvement	Leasehold rights	Total
Cost:									
Balances at January 1	149,152,330	117,141,942	110,880,435	33,491,893	490,860,660	31,970,379	102,605,968		1,036,103,607
Additions	–	2,468,094	36,250	–	–	–	–	–	2,504,344
Disposals	–	–	–	(535,000)	–	(82,292)	(1,872,262)	–	(2,489,554)
Effect of deconsolidation due to loss of control	–	–	–	–	–	–	–	–	–
Write-off	–	–	–	–	–	–	–	–	–
Balances at March 31	149,152,330	119,610,036	110,916,685	32,956,893	490,860,660	31,888,087	100,733,706	–	1,036,118,397
Accumulated depreciation:									
Balances at January 1	–	30,543,902	59,904,241	21,619,623	145,423,952	27,085,430	84,600,633	–	369,177,781
Depreciation and amortization (Note 18)	–	3,344,140	2,165,922	147,609	9,990,290	732,751	(83,478)	–	16,297,234
Disposals	–	–	–	–	–	–	–	–	–
Effect of deconsolidation due to loss of control	–	–	–	–	–	–	–	–	–
Write-off	–	–	–	–	–	–	–	–	–
Balances at March 31	–	33,888,042	62,070,163	21,767,232	155,414,242	27,818,181	84,517,155	–	385,475,015
Net book values	₱149,152,330	₱85,721,994	₱48,846,522	₱11,189,661	₱335,446,418	₱4,069,906	₱16,216,551	₱–	₱650,643,382

December 31, 2015

	Land	Building	Store and warehouse equipment	Delivery and transportation equipment	Machinery and equipment	Office furniture and fixtures	Leasehold improvement	Leasehold rights	Total
Cost:									
Balances at January 1	₱149,152,330	₱103,504,139	₱147,914,078	₱58,309,610	₱564,944,577	₱49,255,383	₱129,207,657	₱–	₱1,202,287,774
Additions	–	–	694,733	–	–	67,417	–	–	762,150
Disposals	–	–	–	(440,000)	(52,965,000)	(888,422)	–	–	(54,293,422)
Effect of deconsolidation due to loss of control	–	13,637,803	(37,728,376)	(24,377,717)	(21,118,917)	(16,426,009)	(16,823,195)	–	(102,836,411)
Write-off	–	–	–	–	–	(37,990)	(9,778,494)	–	(9,816,484)
Balances at December 31	149,152,330	117,141,942	110,880,435	33,491,893	490,860,660	31,970,379	102,605,968		1,036,103,607
Accumulated depreciation:									
Balances at January 1	–	22,310,116	54,674,362	30,039,591	129,035,639	30,760,118	79,342,436	–	346,162,262
Depreciation and amortization (Note 18)	–	4,496,288	13,190,030	2,354,854	43,581,159	5,128,224	18,370,511	–	87,121,066
Disposals	–	–	–	(94,723)	(21,401,933)	(380,921)	–	–	(21,877,577)
Effect of deconsolidation due to loss of control	–	3,737,498	(7,960,151)	(10,680,099)	(5,790,913)	(8,415,659)	(6,941,717)	–	(36,051,041)
Write-off	–	–	–	–	–	(6,332)	(6,170,597)	–	(6,176,929)
Balances at December 31	–	30,543,902	59,904,241	21,619,623	145,423,952	27,085,430	84,600,633	–	369,177,781
Net book values	₱149,152,330	₱86,598,040	₱50,976,194	₱11,872,270	₱345,436,708	₱4,884,949	₱18,005,335	₱–	₱666,925,826

Depreciation of property and equipment were charged to the following:

	2016	2015
Cost of sales (Note 16)	**₱791,063**	₱322,602
General and administrative expenses (Note 18)	**15,506,171**	21,206,176
Total depreciation	**₱16,297,234**	₱21,528,778

Fully depreciated property and equipment are retained in the books until they are no longer in use. As at March 31, 2016, the cost of fully depreciated property and equipment still being used in operations amounted to ₱97,856,059. Certain assets are covered by insurance such as delivery and transportation equipment and buildings. Cost of land and building located in Pulilan, Bulacan amounting to ₱23.85 million is used as a collateral for certain loans and borrowings (see Note 13).

As at March 31, 2016 and December 31, 2015, property and equipment held under finance lease amounted to ₱28,943,230 and ₱30,231,610, respectively.

9. Intangible Assets

Computer Software
The compositions of computer software are as follows:

	2016	2015
Cost:		
Beginning balances	**₱7,535,160**	₱6,906,907
Additions	–	628,253
Ending balances	**7,535,160**	7,535,160
Accumulated depreciation:		
Beginning balances	**6,293,040**	5,533,030
Amortization (Note 18)	**124,007**	760,010
Ending balances	**6,417,047**	6,293,040
Net book values	**₱1,118,113**	₱1,242,120

Franchise
On January 17, 2011, the Group entered into a Master Licensing Agreement with Tully's Coffee International Pte. Ltd. for the operation of coffee shops and sale of coffee products under the brand "Tully's". The term of the license is for a period of ten (10) years but maybe extended for another 10 years. Under the agreement, the Group paid $200,000 equivalent to ₱9,049,750 as a sign-up fee. This amount is presented under intangible assets as franchise for each store to be opened by the Group, a store-opening fee shall be paid to Tully's in the amount of $2,500-$15,000.

The net book values of the franchise account amounted to ₱4,298,631 and ₱4,524,875 as of March 31, 2016 and December 31, 2015, respectively, net of accumulated amortization of ₱4,751,119 and ₱4,524,875, in March 31, 2016 and December 31, 2015, respectively.

Trademark
The trademark includes that related to the acquisition of TBC, Inc. in 2011. During the acquisition of TBC, net assets acquired includes trademark for the use of "The Big Chill" brand, amounting to ₱200 million which was included in the purchase price. The net carrying value of the Group's trademark account amounted to ₱187,500,000 as of March 31, 2016 and December 31, 2015, net

of amortization and impairment amounting to ₱12,864,539 in March 31, 2016 and December 31, 2015.

10. Assets Classified as Held For Sale

On December 17, 2014, BCH entered into a memorandum of agreement (MOA) to sell its investment in equity share amounting to ₱294,565,000 to the Fund and to HRC.

Under the MOA, Fund and HRC intend to buy the 51% shares of BCH in TRAIN in proportionate share of 29.75% and 21.25% amounting to ₱175,000,000 and ₱125,000,000, respectively. The HRC transaction was completed in December 2014 while the sale to Fund is completed in February 2015. Because the Group loses control over its subsidiary, TRAIN, it derecognized the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while the resulting gain or loss is recognized in the profit or loss. Any investments retained is recognized at fair value. As such, the 29.75% equity investment intended for sale to the Fund is valued at ₱175,000,000. This is subsequently classified as asset held for sale in the 2014 consolidated financial statements. The gain from loss of control of TRAIN amounted to ₱5,435,000.

On February 3, 2015, the sale transaction with the Fund was completed using a portion of the redeemable and convertible note amounting to ₱150,000,000 as part of the settlement.

11. Other Noncurrent Assets

	2016	2015
Rental deposits and others	**₱15,349,869**	₱14,952,354
Advances and deposits	**132,041,113**	132,041,113
Advances for land acquisition	**95,333,628**	95,333,628
	₱242,724,610	₱242,327,095

Other noncurrent assets are noninterest bearing and will be realized twelve months after the reporting period. Advances and deposits were made for future delivery of an equipment and future subscription of shares of stocks. Advances for land acquisitions are payments for future delivery of a land acquisition. Rental deposits and others include rental deposits made by the Group on the leased properties amounting to about ₱8 million which can be applied as rental payments at the end of the leased term. Deferred input VAT represents taxes paid on purchases of capital asset which are amortized over the life of the asset or five (5) years, whichever is shorter.

12. Trade and Other Payables

	2016	2015
Trade payables	**₱252,821,440**	₱349,107,929
Current portion of the other long term liability	**95,125,087**	95,125,087
Accrued expenses	**57,210,341**	50,219,049
Customers' deposits	**81,125,620**	12,094,869
Withholding tax payable	**4,234,629**	3,553,479
Others	**19,017,495**	20,610,517
	₱509,534,612	₱530,710,930

The Company's trade and other payables to related and third parties are generally on a 30 and 60 days' term, respectively.

Accrued expenses consist of accrued salaries, rentals, utilities, interests and other expenses which are usual in the business operations of the Group. This account also includes accrual for professional fees that were already incurred but unpaid. These payables are generally settled within twelve (12) months from end of the reporting period.

Customers' deposit pertains to advanced payments of customers for goods to be purchased.

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 and Redeemable Convertible Loan

	2016	2015
Foreign Currency		
Loan 1	**₱110,366,108**	₱110,366,108
Loan 2	**101,547,445**	101,547,445
Others	–	–
Peso Currency		
Loan 3	**349,800,000**	349,800,000
Loan 4	**213,408,158**	213,408,158
Loan 5	**90,000,000**	90,000,000
Loan 6	**58,507,239**	63,350,000
Loan 7	**44,000,000**	44,000,000
ACEF Loan	**11,560,000**	11,560,000
Others	**39,800,000**	39,800,000
	1,018,988,950	1,023,831,711
Less long-term portion	**220,797,845**	220,797,845
Current portion	**₱798,191,105**	₱803,033,866

Foreign Currency Loans

Bank 1

The Parent Company has a current loan facility from Bank 1 in which it availed a USD loan, bearing an interest rate of 3.50% per annum, with the interest payable on a monthly basis. The loan is secured with a surety agreement in the amount of ₱150,000,000 by a major stockholder in case of default by the Parent Company.

Bank 2

The Parent Company acquired unsecured USD loans from Bank 2, bearing an interest rate of 2.3% to 4.0% per annum, with the interest payable on a monthly basis. In 2015, an agreement was entered by the Parent Company with the bank renegotiating the terms of the loan. Principal payments of US$55,000 plus interests are due monthly for thirty five (35) months starting August 1, 2015 with the remaining balance payable by the end of the 35th payment.

Peso Currency Loans

Bank 3

The Parent Company has a loan availed from Bank 3, bearing an interest rate of 4.50% per annum, with the interest payable on a monthly basis. The loan is by a cross surety ship executed among the Parent Company and its subsidiaries, FCA, LFVPI and TBC as well as a continuing suretyship executed by BCH and a major stockholder. The loans are renewable upon mutual agreement of the contracting parties.

Bank 4

The Parent Company has various short-term loans from Bank 4 which pertains to its Short-term Loan Line (STLL), Export Packing Credit Line (EPCL), Trust Receipt Lines (TR Lines) and other bank loans that are currently maturing as at the end of the reporting period. The loans bear interest rates ranging from 5.00% to 6.8% per annum, with the interest payable on a monthly basis. The loans are used to partially finance the Parent Company's working capital requirements and to facilitate its trade transactions for fruit export and vegetable trading.

The loans are secured by an existing real estate mortgage over its land and building located in Pulilan, Bulacan. The aggregate amount of net book values of the land and building mortgage amounted to ₱23.85 million.

Bank 5

The Parent Company has an existing credit facility from Bank 5 composed of STLL, ECPL, and TR Lines, bearing interest rate of 5.0% per annum, with interest payable on a monthly basis. The loans has terms ranging from ninety (90) to one hundred eight (180) days and are used to finance the Parent Company's working capital requirements. The noncurrent portion of the loan amounted to ₱90.00 million.

In July 2015, an agreement was entered into by the Parent Company with the bank to renegotiate the terms of its outstanding loans. The renegotiation called for an interest rate of 5% per annum, subject to monthly repricing based on the prevailing lending rate as determined by the lender. Interest on all amounts not paid shall be added to the principal and, as part of the principal, shall likewise bear interest based on the applicable rate. In addition, terms of the loans are extended up to December 2017. The loans are secured by a continuing surety from a major stockholder.

Bank 6

The Parent Company has a current loan facility from Bank 6 with loans bearing interest rate of 5.5% per annum, with interest payable on a monthly basis. The loans have terms ranging from thirty (30) to ninety (90) days and are used to finance the Parent Company's working capital requirements. The loan is under a Joint Surety Security (JSS) under a major stockholder and a Corporate Guaranty from the Parent Company.

Bank 7

The Parent Company has a current loan facility from Bank 7 with loans bearing interest rate of 8.5% per annum, with interest payable on a monthly basis. The loan has a term of thirty-two (32) months, inclusive of a grace period of eight (8) months on the payment of the principal from May 2015 to December 2015. The loan is secured by pledge of shares of stock of the Parent Company with an aggregate market value covering 200% of the loan principal as well as a continuing suretyship by a major stockholder and post-dated checks covering payments for the principal and interest.

The schedule of future principal payments are as follows:

	2016	2015
2016	**834,123,329**	838,966,090
2017	**251,857,445**	251,857,445
2018	**–**	–
	₱1,085,980,774	₱1,090,823,535

Redeemable and Convertible Loan
The Group has entered into a note subscription agreement, dated December 19, 2013 by and between Black River Capital Partners Food Fund Holdings (Singapore) Pte. Ltd. The Group issued a promissory note attached to the agreement amounting to ₱335,000,000.

This was subject to certain condition in which Black River have the option (the "Conversion Option"), which may be exercised at any time, and from time to time, after December 19, 2015, to convert the note in part or in full, into either (the "Subscription Option"):

a. Common shares of ANI at the applicable conversion price depending on the net income of the Group.
b. Equity shares in New Holding Company equivalent to the Shares, by issuing to ANI a notice of conversion.

In, addition, Black River shall have the option to require the Group to redeem the note, in part or in full for the redemption price (sum of the principal plus the interest accrued on the note form the issue date until and including the date of the exercise of the Redemption option), by issuing to ANI a notice of exercise of the Redemption Option ninety (90) days prior to the proposed date of redemption.

On March 1, 2014, the Group issued additional note subscription agreement amounting to ₱49,000,000 with the same party, terms and conditions.

On February 3, 2015, Black Rover Capital Partners Food Fund assigned its rights and interests on the ₱150,000,000 of the redeemable and convertible note as part of the settlement for the purchase of 29.75% BCH shares in TRAIN (see Note 13).

On August 7, 2015, a Deed of Assignment between the Fund and a major stockholder of the Parent Company was executed covering the remaining ₱234,000,000 of the loan. The purchase was then secured by a pledge agreement with the loan being pledged to secure the obligation. Under the pledge agreement, the stockholder, pledges, assigns, hypothecates transfers, delivers, sets over and grants to the Fund, a continuing security interest of first priority over the instrument, of all its right, title and interest.

14. Capital Stock

	2016		2015	
	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	**621,683,570**	**621,683,570**	621,683,570	621,683,570

In July 3, 2014, the Group executed a subscription agreement with Greenergy Holdings, Inc. (GHI) for 85,990,533 primary common shares of the Parent Company at the issue price of ₱3 per share or a total subscription price of ₱257,971,599 resulting to a premium amounting to ₱171,981,066, payable in full upon execution. The subscription was approved by the Board on May 26, 2014.

The 13.8% of the increased capital shares was subscribed and fully paid by GHI in 2014.

As at March 31, 2016, the Parent Company's total stockholders is 36. There was no additional subscription and issuance of shares in 2016.

15. Basic and Diluted Loss Per Share

Basic earnings (loss) per share is calculated by dividing the net loss attributable to stockholders of the Group by the weighted average number of ordinary shares in issue during the year.

	2016	2015
Net income (loss) shown in the statements of income	**4,825,546**	(₱41,712,255)
Weighted average number of common shares	**621,683,570**	621,683,570
Basic and diluted income (loss) per share	**₱0.01**	(₱0.07)

16. Cost of Sales and Services

	2016	2015
Inventories at January 1	**₱44,820,529**	₱146,321,655
Purchases and conversion cost	**204,081,358**	527,154,343
Cost of goods available for sale	**248,901,887**	673,475,998
Inventories at end of period (Note 6)	**(100,956,131)**	(96,243,638)
Cost of sales	**147,945,756**	577,232,360
Cost of services	**65,194**	4,219,934
	₱148,010,950	₱581,452,294

17. **Other Income (Expense) - net**

	2016	2015
Other operating expense		
Other expenses	**36,513**	₱928,123
Other operating income		
Interest income	–	₱1,519,443
Rental income (Note 11)	**221,855**	340,000
Foreign currency gains	**58,244**	3,823,420
Other income	**10,316,835**	9,629,933
	10,596,936	15,312,796
Other income (expenses) - net	**₱10,560,421**	₱14,384,673

18. **General and Administrative Expenses**

	2016	2015
Depreciation and amortization (Note 8)	**₱15,856,421**	₱23,263,074
Salaries, wages and other employee benefits	**13,030,870**	57,870,276
Rentals (Note 24)	**11,008,892**	21,850,013
Freight and handling cost	**2,752,129**	8,044,281
Communication, light and water	**1,489,356**	4,991,060
Taxes and licenses	**1,388,010**	3,279,154
Supplies	**1,051,918**	4,203,339
Transportation and travel	**832,211**	3,420,879
Repairs and maintenance	**473,581**	2,196,949
Advertising	**337,838**	3,320,569
Contracted services	**162,045**	5,834,686
Professional fees	**149,460**	6,165,840
Others	**1,701,321**	9,251,232
	₱50,234,052	₱153,691,352

19. **Related Party Transactions**

Parties are considered to be related if one party has the ability to directly, indirectly, control, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant stakeholders and/or their close family members) or other entities and include entities that are under the significant influence of related parties of the Group where those parties are individuals or any entities that is a related party of the Group.

The Group's significant transactions and outstanding balances with its related parties as at March 31, 2016 and December 31, 2015 are as follows:

Category	Amount/ Volume	Outstanding Balances	Terms	Conditions
Advances to related parties				
Stockholder				
Advances to a stockholder: Current				
2016	**(₱67,145,303)**	**₱647,409,714**		
2015	–	714,555,017	Refer to note "c" below.	Refer to note "c" below.
Non-current				
2016	**–**	**703,226,545**		
2015	–	703,226,545		
Officers and employees				
Advances to officers and employees				
2016	**₱–**	**₱8,889,594**	Collectible in cash and on demand, noninterest-	Unsecured, not guaranteed,
2015	–	8,889,594	bearing	no impairment
Total 2016	**(₱67,145,303)**	**₱1,359,525,853**		
Total 2015	–	1,426,671,156		
Advances from related parties				
Greenergy Holdings, Inc.				
2016	**₱–**	**₱18,542,107**	Payable in cash and on demand noninterest	Unsecured, not guaranteed
2015	–	18,542,107	bearing	
Earthright Holdings, Phils Inc.				
2016	**–**	**8,223,875**	Payable in cash and on demand noninterest-	Unsecured,
2015	–	8,223,875	bearing	not guaranteed
Agricultural Bank of the Philippines, Inc				
2016	**–**	**12,000,000**	Payable in cash and on demand noninterest-	Unsecured,
2015	–	12,000,000	bearing	not guaranteed
Officers and Employees				
2016	**₱2,600,559**	**₱140,936,111**	Payable in cash and on demand noninterest-	Unsecured,
2015	–	138,335,552	bearing	not guaranteed
Total 2016	**₱2,600,559**	**₱179,702,093**		
Total 2015		177,101,534		

a. Advances from Related Parties
In the normal course of business, the Group obtains additional advances from stockholders for working capital requirements. There were no impairment on advances to related parties.

b. Advances to a Stockholder
The advances to stockholder are collectible in cash and noninterest-bearing advances. The advances are unsecured, not guaranteed and no impairment. In 2015, there were modifications of terms entered into by the Group and stockholder, changing the terms from collectible on demand to settlement within two (2) year period. The balance beyond 12 months under the new terms amounted to ₱705 million.

Compensation of Key Management Personnel
The Group considers its President, Executive Vice President and Chief Finance Officer as key management personnel. Total remuneration of key management personnel, composed mainly of short-term employee benefits and provision for retirement benefits for executive officers, were included under "Personnel costs" in the statements of income amounted to ₱1,668,807 and ₱6,675,228 in 2016 and 2015, respectively. There were no other benefits aside from the salaries and other short- term benefits.

20. Pension Liability

The Group has unfunded, noncontributory defined benefit pension plans covering substantially all of its employees.

The following table summarizes the components of pension costs recognized in the Group's statements of comprehensive income:

	2015
Charged to profit and loss:	
Current service cost	**₱2,652,570**
Net interest cost	**436,161**
Adjustment due to curtailment	**–**
	3,088,731
Charged (credited) to other comprehensive income:	
Net actuarial loss (gain) - defined benefit obligation	**(7,354,541)**
	(₱4,265,810)

Reconciliation of pension liability recognized in the statements of financial position are as follows:

	2015
Balances at beginning of year	**₱13,033,257**
Pension costs	**3,088,731**
Benefits paid by the Group	**–**
Amount recognized in other comprehensive income	**(7,354,541)**
Pension liability	**₱8,767,447**

The cost of defined benefit pension plans and other post-employment medical benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension and post-employment benefit obligations for the defined benefit plans are shown below:

	2015
Discount rate	**5.00%**
Projected salary increase rate	**5.00%**

The sensitivities regarding the principal assumptions used to measure the defined benefit liability is as follows:

Assumptions	Change in assumption - increase (decrease)	Effect on defined benefit liability
Discount rates	+0.50%	(₱438,372)
	-0.50%	438,372
Rate of salary increase	+0.50%	(78,459)
	-0.50%	78,459

The Group's latest actuarial valuation report is as at and for the year ended December 31, 2015.

21. **Income Taxes**

a. Details of provision for (benefit from) income tax from continuing operations are as follows:

	2016	2015
Current	**₱202,225**	₱1,043,873
Deferred	**(131,195)**	(9,513,148)
	₱71,030	(₱8,469,275)

b. The composition of the Group's recognized net deferred income tax assets (liabilities) are as follows:

	2016	2015
Deferred income tax assets:		
NOLCO	**₱390,720**	₱-
Unrealized foreign exchange loss	**4,670,498**	4,670,498
Pension cost	**947,271**	947,271
	6,008,489	5,617,769
Deferred income tax liabilities:		
Remeasurement of pension liability	**1,682,963**	1,682,963
Net deferred income tax assets	**₱7,691,452**	₱7,300,732

c. As at December 31, 2015, the Group has available NOLCO and excess MCIT that can be claimed as deductions from future taxable income and income tax due, respectively, as follows:

Year Incurred	Available Until	NOLCO	Excess MCIT
2015	2018	₱127,162,922	₱2,271,846
2014	2017	166,310,578	5,354,117
2013	2016	81,446,164	6,421,540
		₱374,919,664	₱14,047,503

Movements of NOLCO in 2015 are as follows:

	2015
Beginning balances	**₱166,310,578**
Additions	**127,162,922**
Ending balances	**₱293,473,500**

Movements of MCIT in 2015 are as follows:

	2015
Beginning balances	**₱5,354,117**
Additions	**2,271,846**
Ending balances	**₱7,625,963**

d. The Group did not avail of the optional standard deduction in 2015.

22. Financial Risk Management and Capital Management Objectives and Policies

Financial Risk Management Objectives and Policies

The Group's principal financial instruments consist of cash and advances from a related party. The main purpose of these financial instruments is to finance the Group's normal course of its operating activities. The Group has various other financial assets and financial liabilities such as receivables, refundable deposits under "Other current assets" and trade payables and other liabilities which arise directly from its operations.

The Group is exposed to liquidity risk, credit risk and foreign currency risk. The main objective of the Group's financial risk management is to identify and monitor said risks in an ongoing basis and to minimize and mitigate such risks.

Liquidity Risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit the risk, the Group maintains sufficient cash to meet operating capital requirements. The Group 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 Group's financial liabilities as at March 31, 2016 and December 31, 2015 based on undiscounted payments:

2016	Less than three months	Three to twelve months	One to five years	Total
Loans and borrowings				
Trade and other payables	₱375,247,107	₱134,287,505	₱–	₱509,534,612
Advances from related parties	179,702,093	–	–	179,702,093
Loans payable	798,191,105	205,420	221,563,355	1,019,959,880
Redeemable and convertible note	234,000,000	–	–	234,000,000
Other current liabilities	71,627,705	–	–	71,627,705
Lease payable	–	29,147,536	75,414,093	104,561,629
	₱1,658,768,010	₱163,640,461	₱296,977,448	₱2,119,385,919

Loans payable inclusive of future interest.

2015	Less than three months	Three to twelve months	One to five years	Total
Loans and borrowings				
Trade and other payables	₱359,811,696	₱134,287,505	₱–	₱494,099,201
Advances from related parties	177,101,534	–	–	177,101,534
Loans payable	803,033,866	205,420	221,563,355	1,024,802,641
Redeemable and convertible note	234,000,000	–	–	234,765,510
Lease payable	–	30,508,369	75,414,093	105,922,462
	₱1,573,947,096	₱165,001,294	₱296,977,448	₱2,035,925,838

**Loans payable inclusive of future interest.*

The table below summarizes the maturity profile of the Group's financial assets used to manage liquidity risk of the Group as at March 31, 2016 and December 31, 2015:

2016	**Less than three months**	**Three to twelve months**	**One to five years**	**Total**
Cash	**₱19,072,162**	**₱–**	**₱–**	**₱19,072,162**
Trade and other receivables	**136,032,385**	**47,651,351**	**–**	**183,683,736**
Advances to related parties	**1,359,525,853**	**–**	**–**	**1,359,525,853**
	₱1,514,630,400	**₱47,651,351**	**₱–**	**₱1,562,281,751**

2015	Less than three months	Three to twelve months	One to five years	Total
Cash	₱33,278,930	₱–	₱–	₱33,278,930
Trade and other receivables	284,701,842	3,550,000	5,783,670	294,035,512
Advances to related parties	1,621,543,713	–	–	1,621,543,713
	₱1,981,575,563	₱3,550,000	₱5,783,670	₱1,990,909,233

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 Group 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 with banks, trade and other receivables and advances to related parties 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 Group's financial assets, without taking into account any collateral and other credit enhancements as at March 31, 2016 and December 31, 2015:

	2016	2015
Cash with banks	**₱19,072,162**	₱33,278,930
Trade and other receivables	**183,683,736**	170,423,972
Advances to related parties	**1,359,525,853**	1,426,671,156
	₱1,562,281,751	₱1,630,374,058

The table below summarizes the credit quality of the Group's financial assets based on its historical experience with the corresponding parties as at March 31, 2016 and December 31, 2015:

2016	**Neither past due nor impaired High Grade**	**Standard Grade**	**Past due or impaired**	**Total**
Cash with banks	**₱19,072,162**	**₱–**	**₱–**	**₱19,072,162**
Trade and other receivables	**136,032,385**	**47,651,351**	**–**	**183,683,736**
Advances to related parties	**1,359,525,853**	**–**	**–**	**1,359,525,853**
Total	**₱1,514,630,400**	**₱47,651,351**	**₱–**	**₱1,562,281,751**

2015	Neither past due nor impaired High Grade	Standard Grade	Past due or impaired	Total
Cash with banks	₱33,278,930	₱–	₱–	₱33,278,930
Trade and other receivables	108,871,403	54,316,533	7,236,036	170,423,972
Advances to related parties	485,068,193	941,602,963	–	1,426,671,156
Total	₱627,218,526	₱995,919,496	₱7,236,036	₱1,630,374,058

- Cash with banks 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 Group to follow them up. Both high grade and standard grade receivables currently have no history of default.

- Advances to related parties are assessed as standard grade since the Group practices offsetting of receivables and payables.

Foreign currency risk
The Group 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 Group actively monitors its currency exposures.

The Group has the following foreign currency denominated financial assets and financial liabilities:

	2016									
	AUD	**Peso Equivalent**	**Euro €**	**Peso Equivalent**	**RMB$**	**Peso Equivalent**	**HKD**	**Peso Equivalent**	**US$**	**Peso Equivalent**
Financial Assets:										
Cash with banks	**AU$–**	**₱–**	**€513**	**₱26,809**	**SG$–**	**₱–**	**HK$1,265,904**	**₱7,532,131**	**US$34,285**	**₱1,580,881**
Trade and other receivables	**–**	**–**	**–**	**–**	**–**	**–**	**15,057,655**	**89,593,045**	**–**	**–**
	AU$–	**₱–**	**€513**	**₱26,809**	**SG$–**	**₱–**	**16,323,559**	**97,125,176**	**34,285**	**1,580,881**
Loans and borrowings:										
Trade and other payables	**–**	**–**	**–**	**–**	**–**	**–**	**9,084,790**	**54,054,498**	**–**	**–**
Loans payable	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Advances from related parties	**–**	**–**	**–**	**–**	**–**	**–**	**100,665,191**	**598,957,884**	**–**	**–**
	AU$–	**₱–**	**€–**	**₱–**	**SG$–**	**₱–**	**109,749,981**	**653,012,382**	**–**	**–**
Net Financial Asset (Liabilities)	**AU$–**	**₱–**	**€513**	**₱26,809**	**SG$–**	**₱–**	**(HK$93,426,422)**	**(₱555,887,206)**	**US$34,285**	**₱1,580,881**

	2015									
	AUD	Peso Equivalent	Euro €	Peso Equivalent	RMB$	Peso Equivalent	HKD	Peso Equivalent	US$	Peso Equivalent
Financial Assets:										
Cash with banks	AU$–	₱–	€513	₱26,543	SG$–	₱–	HK$4,326,252	₱26,346,876	US$35,005	₱1,647,335
Trade and other receivables	–	–	–	–	–	–	13,221,110	80,465,490	680,898	32,043,060
	AU$–	₱–	€513	₱26,543	SG$–	₱–	HK$17,547,362	₱106,812,366	US$715,903	₱33,690,395
Loans and borrowings:										
Trade and other payables	–	–	–	–	–	–	8,673,941	52,787,000	430,396	20,254,436
Loans payable	–	–	–	–	–	–	–	–	2,345,221	110,366,100
Advances from related parties	–	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	8,673,941	52,787,000	2,775,617	130,620,536
Net Financial Liabilities	AU$–	₱–	513	₱26,543	SG$–	₱–	HK$8,873,421	₱54,025,366	(US$2,059,714)	(₱96,930,141)

The equivalent exchange rates of one foreign currency in Philippine peso as at March 31, 2016 and December 31, 2015 are as follow:

	2016	2015
Euro €	**52.26**	51.74
HKD	**5.95**	6.09
US$	**46.11**	47.06

Capital Management Objectives and Policies

The primary objective of the Group's capital management policy is to ensure that the fund balance is maintained at an adequate level. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. The Group's capital as at March 31, 2016 and December 31, 2015 are as follow:

	2016	2015
Advances from related parties	**₱76,259,159**	₱110,109,711
Loans and borrowings	**1,023,831,711**	1,090,823,535
Capital stock	**621,683,570**	621,683,570
Additional paid-in capital	**2,330,723,527**	2,330,723,527
Total Capital	**₱4,052,497,967**	₱4,153,340,343

The Group has no externally imposed capital requirement.

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, Trade and Other Receivables, Advances to/from Related Parties and Trade and Other Payables

The carrying amounts of cash, trade and other receivables, advances to/from related parties and trade and other payables approximate their fair values due to the short-term nature of these financial instruments.

Interest Bearing Advances from a Related Party

The carrying value of interest bearing advances from a related party approximates its fair value as its interest rate is based on market rate for debt with the same maturity profile at the end of the reporting period.

Loans and Borrowings

The carrying value of loans and borrowings approximate their fair values as their interest rates are based on market rates for debt with the same maturity profiles at the end of the reporting period.

Biological Assets

Banana trees are measured at their fair values less costs to sell. In determining the fair value, management has made certain assumptions about the yields and market prices of banana fruits to be harvested from the current banana trees, the costs of operating the banana plantation and the quantity and quality of banana trees growing in the plantation at each reporting date. The measurement of the biological assets is dependent on the selection of these assumptions used by the Group in calculating the fair value of the assets. Cost to sell includes direct costs of selling the biological assets.

Lease Payable
The fair values of lease payable 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.

Fair Value Hierarchy
The Group uses the following hierarchy in determining and disclosing the fair value of financial instruments by valuation technique:

- Quoted prices in active markets for identical assets or liabilities (Level 1);
- 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 2); and
- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

24. Lease Agreements

Operating Lease Commitments
The Group leases the office spaces and store branches under lease agreements covering a period ranging from one (1) to five (5) years, renewable every end of the lease term. Renewals are subject to the mutual consent of the lessor and the lessee. The Company agreed to pay monthly fixed payment additional payment for utilities and intercommunication service.

As at March 31, 2016 and 2015, there are 28 and 41 store outlets, respectively being held under operating lease agreements.

Rent expense pertaining to these leases amounted to ₱11,008,892 and ₱21,850,013 in 2016 and 2015, respectively.

The future minimum rentals payable for store branches under long-term operating leases are as follows:

	2016	2015
Within one (1) year	**₱4,481,600**	₱15,490,492
After 1 year but not more than five (5) years	**10,717,246**	10,717,246
	₱15,198,846	₱26,207,738

Finance Lease Commitments

Vehicles
In 2012, the Group has entered in a finance lease agreement for the acquisition of various vehicles for logistics and administrative purposes. The agreement bears an interest ranging from 4% to 7% for a lease term ranging from four (4) to six (6) years.

Machineries
In 2012, the Group has entered in a finance lease agreement with Tetra Pak Philippines, Inc. for the acquisition of machinery for the coconut water. The machineries was acquired and will be paid on a quarterly basis for a period of eighty four (84) months with interest rate of 3.5%. The Group initially recognized this finance lease at its transaction price and subsequently carried at amortized costs less payment.

The components of the lease obligations as at March 31, 2016 and December 31, 2015 are as follows:

	2016	2015
Gross finance lease obligation		
Less than one year	**₱35,148,660**	₱36,713,206
Between one and five years	**69,937,500**	69,937,500
	105,086,160	106,650,706
Less interest	**524,531**	728,244
Present value of future minimum lease payments	**104,561,629**	105,922,462
Less current portion	**29,147,536**	30,508,369
	₱75,414,093	₱75,414,093

Rice Mill and various milling equipment
In April 2013, the Group entered to a lease agreement covering a rice mill and various agricultural equipment with a monthly rate of ₱524,361 for the use in operations. The lease will be for forty eight (48) months from the date of acceptance unless sooner terminated by the contracting parties.

The components of the lease obligations as at December 31, 2015 are as follows:

	2015
Gross finance lease obligation	
Less than one year	₱14,737,892
Between one and five years	1,536,513
	16,274,405
Less interest	49,820
Present value of future minimum lease payments	16,224,585
Less current portion	14,701,007
	₱1,523,578

Other Long Term Liability
On November 20, 2012, the Parent Company entered into a purchase credit agreement with Tetra Pak Philippines, Inc. (Tetra Pak) for the purchase and installment of pre-processing, sterilization, aseptic storage and CIP station for coconut water. The purchase credit agreement requires a 25% down payment payable at the signing of the contract and the remaining 75% requires twenty (20) installment payments of $111,827 including interests. The balance of this account as at December 31, 2015 and 2014 are as follows:

	2015
Payable to Tetra Pak	₱117,079,683
Less long-term portion	21,954,596
Current portion	₱95,125,087

25. Business Combination and Goodwill

Acquisitions in 2013
In 2013, the Group acquired the following subsidiaries for the purpose of global expansion and to explore counter-trading opportunities in countries where the Group operates. These acquisitions are accounted under PFRS 3, *Business Combination*. In 2013, the accounting for these business combinations were determined provisionally as the Group is still finalizing the fair valuation of the net assets acquired.

Acquisition of MPL
On July 1, 2013, the Group acquired, for cash, one hundred percent (100%) ownership interest in MPL, a company registered in Australia, primarily engaged in food processing and distribution of fresh fruits and vegetables.

The finalized fair values of the identifiable net assets and liabilities of MPL as at acquisition date are as follows:

	Fair Values	Carrying Values
Assets		
Cash	₱1,579,249	₱1,579,249
Accounts receivables	28,083,640	28,083,640
Inventories	3,850,002	3,850,002
Other current assets	275,298	275,298
Property and equipment	19,115,843	19,115,843
	52,904,032	52,904,032
Liabilities		
Accounts payable	(23,479,282)	(23,479,282)
Other current liabilities	(6,246,896)	(6,246,896)
Loans payable	(14,102,630)	(14,102,630)
	(43,828,808)	(43,828,808)
Total identifiable net assets	**9,075,224**	9,075,224
Percentage acquired	100%	100%
Share on net assets acquired	9,075,224	₱9,075,224
Goodwill arising on acquisition	76,751,554	
Cash consideration transferred	**₱85,826,778**	

The property and equipment represents primarily furniture and fixtures and equipment. The fair values of the acquiree's net identifiable assets and liabilities approximates its book values as of acquisition date.

Acquisition of business in TRAIN
In 2013, the Group and a third party incorporated TRAIN, with the Group having a share of 51% in equity interest. Upon incorporation, TRAIN received a group of assets from the co-incorporator as an initial contribution, which falls under the definition of a business as set forth in PFRS 3, *Business Combination*.

The finalized fair value of the identifiable assets and liabilities of TRAIN as at date of incorporation and acquisition of business were:

	Fair Values	Carrying Values
Cash	₱11,500,000	₱11,500,000
Subscription receivables	422,823,659	636,137,662
Biological assets	57,136,055	115,792,385
Prepayments	75,281,341	75,281,341
Property and equipment	53,232,000	53,232,000
Land use rights	78,335,965	–
	698,309,020	891,943,388

	Fair Values	Carrying Values
Deferred income tax liability	(₱30,742,617)	₱–
Total identifiable net assets	**667,566,403**	891,943,388
Percentage acquired	51%	51%

Share on net assets acquired	340,458,866	₱454,891,128
Goodwill arising on acquisition	146,606,134	
Purchase consideration transferred	**₱487,065,000**	

Acquisition of JF HK
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 finalized fair values of the identifiable net assets and liabilities of JF BVI as at acquisition date are as follows:

	Fair Values	Carrying Values
Assets		
Cash	₱16,691,693	₱16,691,693
Accounts receivables	28,823,430	28,823,430
Inventories	33,335,929	33,335,929
Deposits and other assets	863,195	863,195
	79,714,247	79,714,247
Liabilities		
Accounts payable and accruals	(99,188,261)	(99,188,261)
Advances from customers	(17,263,931)	(17,263,931)
Loan payable	(11,454,200)	(11,454,200)
Advances from related parties	(71,200,115)	(71,200,115)
Other liabilities	(8,658,477)	(8,658,477)
	(207,764,984)	(207,764,984)
Total identifiable net liabilities	**(128,050,737)**	**(128,050,737)**
Percentage acquired	51%	51%
Share on net liabilities acquired	(65,305,876)	(₱65,305,876)
Goodwill arising on acquisition	167,930,876	
Cash consideration transferred	**₱102,625,000**	

The fair values of the acquiree's net identifiable assets and liabilities approximates its book value as of January 1, 2013.

Acquisition of BSK
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 finalized fair value of the identifiable assets and liabilities of BSK as at date of acquisition were:

	Fair Values	Carrying Values
Assets		
Cash	₱736,822	₱736,822
Accounts receivables	38,424,765	38,424,765
Inventories and other assets	9,583,556	9,583,556
	48,745,143	48,745,143
Liabilities		
Accounts payable	(42,957,439)	(42,957,439)
Accruals	(10,742,186)	(10,742,186)

Loan payable	(18,797,855)	(18,797,855)
	(72,497,480)	(72,497,480)
Net Liabilities	**(23,752,337)**	**(23,752,337)**
Percentage acquired	100%	100%
Share on net liabilities acquired	(23,752,337)	(₱23,752,337)
Goodwill arising on acquisition	98,955,979	
Cash consideration transferred	**₱75,203,642**	

The analysis of cash flows on acquisitions in 2013 follows:

Cash consideration transferred on the acquisition	(₱334,820,420)
Cash acquired from business combination	30,507,764
Net cash outflow on acquisitions	(₱304,312,656)

Acquisitions in 2012

Acquisition of GANA
In 2012, LFVPI 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 FFPL
In 2012, ANI HK acquired one (1) share of FFPL from ANI for a total consideration of $1. The transaction did not result in a business combination as it resulted in a transfer from one subsidiary to another.

Goodwill
Goodwill recognized in the consolidated statements of financial position amounted to ₱76,751,544 as at March 31, 2015 and December 31, 2014, respectively.

In 2014, goodwill recognized from the acquisition of subsidiaries amounting to ₱312,615,014, were impaired as management assessed that future cash flows is not sufficient to recover the premium paid for the net assets/liabilities. In addition, goodwill amounting to ₱146,606,134 was derecognized from the consolidated accounts due to loss of control of TRAIN in 2014.

26. Discontinued Operations

The Group has entered into several divestment transaction of its Investment in Subsidiaries account as follows:

a. HAPC
In June 2015, the Parent Company entered into a Memorandum of Agreement (MOA) to sell its 2,000,000 common shares with par value of ₱100 in HAPC. The closing date for the acquisition was on May 28, 2015. The HAPC accounts were deconsolidated from the Group, as a result of the divestment. The results of the operations of the discontinued operations of HAPC, with comparative amounts 2014 and 2013 are as follows:

	2015	2014	2013
Revenue	**₱–**	₱–	₱–
Expenses	**(8,663,648)**	(12,003,437)	(7,747,922)
Income tax	**–**	–	(544,984)
Net income after tax	**(₱8,663,648)**	(₱12,003,437)	(₱8,292,906)

b. QLTS

In December 2015, the Group entered into a MOA to sell all of its 51% ownership over QLTS. Under the MOA, the buyer, who also owned the 49% interest on the subsidiary, purchases the 51% ownership owned by the Group for a total consideration of ₱10,022,172. The loss on disposal amounted to ₱691,647. The results of the operations of the discontinued operations of HAPC, with comparative amounts 2014 and 2013 are as follows:

	2015	2014	2013
Revenue	**₱14,377,531**	₱24,938,311	₱22,806,676
Expenses	**(26,804,917)**	(26,583,263)	(24,190,281)
Income tax	**(1,067,734)**	–	233,585
Net income after tax	**(₱13,495,120)**	(₱1,644,952)	(₱1,150,020)

c. FFPL, BSK and MPL

On December 11, 2015, the Group entered into an agreement for the sales of the entire interest of ANI through its wholly owned subsidiaries, FFPL, BSK and MPL in favor of Organic Pathe Limited. The subsidiaries are part of the Australian operations and are primarily engaged in the business processing of fruits and vegetables. The total consideration of the sale amounted to USD2,500,000. The gain on disposal amounted to about ₱17.9 million. The results of the operations of FFPL, BSK and MPL follow:

	2015	2014	2013
Revenue	**₱466,656,004**	₱561,895,281	₱242,403,717
Expenses	**(461,459,402)**	(569,644,682)	(264,690,984)
Income tax	**(321,913)**	1,447,459	–
Net income after tax	**₱4,874,689**	(₱6,301,942)	(₱22,287,267)

d. SSIC

On June 15, 2015, the Group has entered into a MOA for the sale of its entire interest in SSIC for a total consideration of HKD10,000 free from all liens and encumbrances. Accordingly, the accounts were deconsolidated from the Group, as a result of the divestment. The loss on disposal amounted to about ₱17.6 million. The results of SSIC for the period ended May 28, 2015 follow:

	2015	2014	2013
Revenue	**₱61,358,301**	₱199,709,945	₱260,891,297
Expenses	**(59,693,239)**	(197,949,885)	(250,559,565)
Income tax	**–**	(39,339)	(1,430,336)
Net income after tax	**₱1,665,062**	₱1,720,721	₱8,901,396

e. TRAIN

On December 27, 2013, the Group and a third party incorporated TRAIN, with the Group having a share of 51% in equity interest. Upon incorporation, TRAIN received a group of assets from the co-incorporator as an initial contribution, which falls under in the definition of a business under PFRS 3, *Business Combination*. As such, the TRAIN accounts were included in the consolidation of the Group. There were no commercial operation in the period ended December 31, 2013.

On December I7, 2014, BCH entered into a Memorandum of Agreement (MOA) with Black River (the Fund) and Hijo Resources Corp. for the sale of BCH's 51% ownership interest in TRAIN. The results of the operations of TRAIN for the period ended December I9, 2014 follow:

	2015	2014	2013
Revenue	**₱–**	₱321,489,460	₱144,200,400
Expenses	**–**	(288,698,671)	–
Income tax	**–**	(9,833,857)	(43,260,120)
Net income after tax	**₱–**	₱22,956,932	₱100,940,280

Results of Discontinued Operations

Results of Discontinued Operations together with their comparative figures for 2014 and 2013 are as follows

	2015	2014	2013
REVENUES			
Sales	**₱542,391,836**	₱1,106,893,263	₱523,370,543
Direct cost and expenses	**(316,614,261)**	(713,056,986)	(376,251,891)
Gross profit	**225,777,575**	393,836,277	147,118,652
General and administrative expenses	**(244,747,705)**	(382,925,806)	(170,179,265)
Interest expense	**(449,858)**	(4,710,805)	(757,769)
Interest income	**42,292**	19,193	134,065
Unrealized foreign exchange gain	**–**	284,219	–
Other income	**2,369,032**	345,678	146,797,654
Income before income tax from discontinued operations	**(17,008,664)**	6,848,756	123,113,337
Provision from income tax	**1,389,647**	2,121,435	45,001,855
Net income (loss)	**(15,619,017)**	4,727,321	78,111,482
Net gain (loss) from loss of control	**(7,099,657)**	5,435,000	–
Total net income (loss)	**(₱22,718,674)**	₱10,162,321	₱78,111,482
Net income (loss) attributable to:			
Equity holders of the parent company	**(₱22,114,207)**	₱10,125,194	₱74,313,307
Noncontrolling interest	**(604,467)**	37,127	3,798,175

Basic and diluted earnings per share attributable to equity holders of the Parent Company from discontinued operations follow:

	2015	2014	2013
Net income (loss) from discontinued operations attributable to equity holders of the Parent Company	**(₱22,114,207)**	₱10,125,194	₱74,313,307
Weighted average number of outstanding common shares	**621,683,570**	578,688,304	535,693,037
Basic earnings per share	**(₱0.04)**	₱0.02	₱0.14

Cash Flows of Discontinued Operations

The cash flows generated from (used in) discontinued operations for the years ended December 31, 2015 and 2014 are as follows:

	2015	2014
Net cash flows from (used in) operating activities	**(₱104,971,963)**	₱212,929,354
Net cash flows from (used in) investing activities	**62,027,708**	(454,443,379)
Net cash flows from financing activities	**140,493,095**	245,599,616
Net cash inflow	**₱97,548,840**	₱4,085,591

Effect of Disposal on the Group's Statement of Financial Position

The impact of the disposal of the subsidiaries on the consolidated statement of financial position of the Group as at December 31, 2015 and 2014 follows:

	2015	2014
Current Assets		
Cash	**₱13,647,146**	₱46,585,591
Trade and other receivables	**100,659,308**	82,671,638
Inventories	**4,510,361**	3,327,817
Biological assets	**–**	169,477,061
Other current assets	**24,156,438**	9,386,667
Noncurrent Assets		
Property and equipment	**66,785,370**	628,321,492
Other noncurrent assets	**84,308,696**	–
Goodwill	**76,751,554**	100,310,936
Current Liabilities		
Accounts and other payables	**(₱48,575,845)**	(₱393,188,854)
Notes payable	**(55,824,323)**	(18,000,000)
Advances from related parties	**-77,245,566**	–
Other current liability	**(20,038,486)**	–
Noncurrent Liability		
Deferred income tax liabilities	**–**	(51,543,539)
Lease payable	**(730,284)**	**–**

(Forward)

	2015	2014
NET ASSETS	**₱168,404,369**	₱577,348,809
NONCONTROLLING INTEREST	**(13,909,446)**	(283,013,432)
NET ASSETS DISPOSED OF	**154,494,923**	294,565,000
CONSIDERATION	**(147,395,266)**	(300,000,000)
GAIN (LOSS) FROM DIVESTMENT	**(₱7,099,657)**	₱5,435,000
NET CASH INFLOW (OUTFLOW) FROM DISPOSAL		
Cash consideration already received	**₱117,315,000**	₱25,000,000
Cash disposed of	**(13,647,146)**	(46,585,591)
	₱103,667,854	(₱21,585,591)

The consideration includes cash received of ₱117.3 million and ₱25.00 million in 2015 and 2014, respectively.

27. 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:

Exports
The Export segment 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. Its main export products are fresh banana, fresh mango, and coco-water.

Distribution
The Distribution segment is responsible for the local sales and distribution of various produce that the Group offers to a number of supermarkets around Luzon.

Retail
The Retail segment is responsible for the management and operation of the Group's retail businesses.

Foreign Trading
The Foreign Trading segment is charge of the international distribution operations of the Group in Hong Kong, China, and Australia.

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. In addition, the Group's reportable segments also include geographical areas for local and foreign operations. Foreign operations are included under "Foreign Trading" and local operations are included under the remaining reported segments.

REVENUE

(Philippine Pesos)	Mar 31, 2016	Mar 31, 2015
Philippine Operations		
Export	**20,484,796**	88,892,958
Local Distribution	**49,062,443**	26,770,593
Retail & Franchising	**17,540,778**	20,608,966
Sub-total	**87,088,017**	136,272,518
Foreign Operations		
Hong Kong / China	**113,568,035**	402,787,601
Australia	**-**	119,719,608
Europe	**-**	29,396,053
Sub-total	**113,568,035**	551,903,263
Total	**200,656,052**	688,175,781

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