



AgriNurture, Inc.

54 National Road, Dampol II- A, Pulilan, Bulacan 3005, Philippines

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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 30 June 2015 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 of the terms and conditions of the Stock Ownership Plan
7. Amendment of the Manual on Corporate Governance to comply with SEC Memorandum Circular No. 9 Series of 2014
8. Approval of the issuance and listing of up to 30 Million Primary Shares in favor of ANI Employees Credit Cooperative upon approval of its registration
9. Approval and ratification of the authority in relation to the divestment to third parties, to Mr. Antonio L. Tiu or a related party of Mr. Tiu, closure, merger of and acceptance of a third party investor into the local and foreign subsidiaries including but not limited to M2000 IMEX Company, Inc., First Class Agriculture Corporation, Lucky Fruit and Vegetable Products, Inc., Fresh and Green Harvest Agricultural Corporation, Sunshine Supplies International Co. (Hong Kong), Ltd., Joyful Fairy (Fruits) Ltd. (British Virgin Islands), Joyful Fairy (Fruits) Ltd. (Hong Kong), Freshness First Ltd. (Australia), Mischul Pty Ltd. (Australia), BSK Pty. Ltd (Australia) and a subsidiary corporation based in Shanghai, China
10. Approval and ratification of the consent to assign the Convertible Notes of Black River Capital Partners Food Fund Holdings (Singapore), Pte. Ltd. to Best Choice Harvest Agricultural Corp. and to Mr. Antonio L. Tiu or a related party of Mr. Tiu
11. Approval, Confirmation and Ratification of the write off of uncollectible trade and other receivables, trademarks, prepayments and other current assets, other non-current assets and biological assets, and to impair the values of goodwill
12. Approval, Confirmation and Ratification of the Annual Report and Financial Statements for the year ended 31 December 2014

13. Election of Directors

14. Appointment of Independent Auditor

15. Consideration of such other business as may properly come before the meeting

16. Adjournment

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

By resolution of the Board of Directors, the close of business on 15 June 2015 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 24 June 2015. 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 25 June 2015 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 _____ in the afternoon and at any postponement or adjournment thereof.

Place/Date : _____

Name of Shareholder : _____

Signature : _____

Number of Shares : _____

Witness : _____

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:
[] Preliminary Information Statement
[**X**] Definitive Information Statement
2. Name of Registrant as specified in its charter: **AGRINURTURE, INC.**
3. Province, country or other jurisdiction of incorporation or organization:
Metro Manila, Philippines
4. SEC Identification Number: **A199701848**
5. BIR Tax Identification Code: **200-302-092**
6. Address of principal office: **No. 54 National Road, Dampol II-A, Pulilan, Bulacan, Philippines** Postal Code: **3005**
7. Registrant's telephone number, including area code: **+63-2-551-0772 to 74**
8. Date, time and place of the meeting of security holders:
Date: **30 June 2015**
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:
8 June 2015
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 AgriNuture, Inc. ("ANI" or the "Company") shall be held on:

Date: 30 June 2015

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.

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 2015, 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 May 2015, 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. (Filipino) G/F Makati Stock Exchange Bldg., 6767 Ayala Avenue, Makati City Stockholder	PCD Nominee Corp. is the record owner	Filipino	287,315,927	46.22%
Common	PCD Nominee Corp. (Foreign) G/F Makati Stock Exchange Bldg., 6767 Ayala Avenue, Makati City Stockholder	PCD Nominee Corp. is the record owner	Foreign	179,410,211	28.86%

Common	Greenery Holdings Inc. 54 National Road, Dampol II-A, Pulilan, Bulacan Stockholder	Greenery Holdings Inc. is the record owner	Filipino	85,990,533	13.83%
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 ¹	8.85%

d.2 Security Ownership of Management

As of 31 May 2015, 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	55,032,388 (Direct)	Filipino	8.85%
		283,897,229 ² (Indirect)		45.67%
Common	Cesar M. Dela Cruz Director	1 (Direct)	Filipino	Less than 0.01%
Common	Chung Ming Yang Director	1,567,400 (Direct)	Chinese ROC	0.25%
Common	Pablo B. Capati Jr. Director, President & Chief Executive Officer	1 (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 Audit Committee	1 (Direct)	Filipino	Less than 0.01%
Common	Alfonso Go Independent Director, Head of Nomination & Compensation Committee	1 (Direct)	Filipino	Less than 0.01%
Common	Romeo L. Bato Chief Financial Officer	0	Filipino	0%
Common	Lisette M. Arboleda Corporate Secretary, Compliance Officer and Corporate Information Officer	0	Filipino	0%

The total security ownership of the directors and principal officers of the Company as a group as of 31st of May 2015 is 340,839,224 common shares which is equivalent to 54.83% of the outstanding capital stock of the Company.

As of 31 May 2014, a total of 1,567,400 common shares are foreign-owned shares.

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

² Mr. Antonio L. Tiu indirectly holds 92,675,850 shares through Earthright, Holdings, Inc. and 191,221,379 shares through Greenery Holdings Inc.

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.

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:

The Directors of the Company as of 31 May 2015 are as follows³:

Name	Age	Citizenship	Term of Office
Antonio L. Tiu	38	Filipino	2004 – present
Chung Ming Yang	40	Chinese ROC	1997 – present
Cesar M. dela Cruz	72	Filipino	2014 – present
Pablo B. Capati Jr.	66	Filipino	2014 – present
Martin C. Subido	37	Filipino	2013 -- present
Antonio Peter R. Galvez (Independent Director)	55	Filipino	2014 – present
Tomas B. Lopez (Independent Director)	63	Filipino	2013 – present
Atty. Alfonso Go (Independent Director)	75	Filipino	2008 – present

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

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

CESAR M. DELA CRUZ, 72, Filipino, Director.

Mr. Dela Cruz is a Certified Public Accountant and a holder of a Master's Degree in Business Administration from Wharton School University in Pennsylvania, USA. He graduated cum laude with a Degree in Bachelor of Business Administration major in Accounting from the University of the East. Aside from Agrinurture, Inc., Mr. Dela Cruz is also an independent director of PT AGUNG POMODORO LAND Tbk in Indonesia. His prior employments include various stints with the Salim Group/Indofood

³ On 26 May 2015, the Corporation received the resignations of Directors James Sayre, Tai Chuan Lin and Edmund Zheng. On 27 May 2015 the remaining member of the Board of Directors elected Kenneth S. Tan, Romeo L. Bato and Lisette M. Arboleda to serve the unexpired portion of the vacated positions upon their qualifications.

Group in Indonesia from June 1983 to April 2010 and the SyCip Gorres Velayo Group in its Philippines, Indonesia and Korea offices from 1963 to 1983.

PABLO B. CAPATI, JR. 66, Filipino, Director, President & Chief Executive Officer

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

ATTY. MARTIN C. SUBIDO, 37, 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, 55, 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 an 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.

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

TOMAS B. LOPEZ, Jr. 63, Independent Director, Filipino. Mr. Lopez is the President of the University of Makati (UMAK). He has been a member of the board of directors of PAG-IBIG since 2010 and of STI since 2001. He was the President and Chief Executive Officer of Club Noah Group of Companies from 1997-2007. From 1988-1992, he served as an Undersecretary of the Department of Agriculture. He is a professional lecturer in the Ateneo Graduate Schools of Business. Mr. Lopez obtained his Bachelor's Degree from the Ateneo De Manila University in 1970 and his Master's Degree from the Asian Institute of Management in 1983, where he graduated with distinction.

The Principal Officers of the Company as of 31 May 2015⁴ are as follows:

PABLO B. CAPATI, JR. 65, Filipino, President & Chief Executive Officer

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

ROMEO L. BATO, 53, Filipino, Treasurer & Chief Financial Officer

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

⁴ On 26 May 2015, the Corporation received the resignations of Mr Pablo B. Capati Jr. and Mr. Romeo L. Bato as President & CEO and Treasurer & CFO respectively effective 31 May 2015. On a special meeting of the Board of Directors on 27 May 2015, Mr. Antonio L. Tiu was elected to replace Mr. Capati as CEO & President and Mr. Kenneth S. Tan as Treasurer upon effectivity of the resignations.

ATTY. LISETTE M. ARBOLEDA, 34, 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 23 June 2014, none of the directors elected therein by the stockholders except for Mr. James Sayre, Mr. Tai Chuan Lin and Mr. Edmund Zheng 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, and the required disclosures relevant to the existence thereof. Mr. Sayre, Mr. Lin and Mr. Zheng submitted their resignations on 26 May 2015 in order to focus on their other business pursuits.

The nominees for election to the Board of Directors on 30 June 2015 are as follows:

1. Antonio L. Tiu
2. Cesar M. Dela Cruz
3. Yang Chung Ming
4. Pablo B. Capati Jr.
5. Romeo L. Bato
6. Kenneth S. Tan
7. Atty. Martin C. Subido
8. Atty. Lisette M. Arboleda
9. Antonio Peter Galvez (Independent Director)
10. Tomas B. Lopez(Independent Director)
11. Atty. Alfonso Y. Go (Independent Director)

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

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 by Atty. Alfonso Go as Chairman with Antonio L. Tiu and Peter Yang Chung Ming 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
Antonio Peter R. Galvez	Antonio L. Tiu	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.

- 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.

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

- any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer, either at the time of the bankruptcy or within two (2) years prior to that time;
- any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
- being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

d. Certain Relationships and Related Transactions

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

See Note 18 (Related Party Transactions) of the Notes to the 2014 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 2011, 2012 and 2013 (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	2013	Php 7,963	-	NONE
	2014	Php 15,049	-	NONE
	2015 (estimated)	Php 13,655	-	NONE
Aggregate compensation paid to all other officers and directors as a group unnamed	2013	Php 8,350	-	NONE
	2014	Php 7,525	-	NONE
	2015 (estimated)	Php 6,825	-	NONE

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.

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

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

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

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

The holders of the Warrants can exercise the Warrant by filing a request form in the office of the Company. Exercise of the Warrant requires filling-out, disclosing and presenting the following information and documents:

- Duly accomplished Notice of Conversion form
- Warrant certificate or the electronic equivalent
- Payment of the strike price of Php20.00 per share
- 2 valid identification cards

7. Independent Public Accountants

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

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

On April 20, 2015, 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 2014. The principal accountant for the year 2014 is Jose Pepito E. Zabat III.

Apart from the audit and audit-related fees in the amounts of Php 2,240,000 in 2012, Php 3,400,000 for 2013 and Php 3,460,000 for 2014, 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

The Board approved a Stock Ownership Plan (the "Plan") during its meeting on 17 December 2014. The following are the salient provisions of the Plan, among others:

- a. All REGULAR employees of ANI and its subsidiaries are eligible under the Plan.
- b. The Plan shall be effective for a period of ten (10) years to commence upon ratification of the Stockholders' of the terms and conditions and upon approval of concerned governmental regulatory bodies. However, the grant of stocks shall be "purely gratuitous" such that ANI's Compensation and Remuneration Committee (hereinafter referred to as the "Committee") has the sole discretion whether to grant stocks for the year based on the financial performance of ANI during the preceding year.

c. ANI will grant common shares in favor of all regular employees equivalent to an employee's one (1) month salary, which will be evidenced by an Award Agreement. The Award Agreement shall contain the terms and conditions of the Plan which must be complied with by the employee during the vesting period, otherwise the employee forfeits his/her rights over the shares of stock.

d. There will be a 3-year vesting period during which the employee is not yet considered as the owner of the shares, and his/her rights over the shares are restricted, including the right to dispose of the shares, receive dividends and/or vote as a shareholder.

e. Upon the lapse of the vesting period, the Committee shall instruct the Corporate Secretary to issue the Stock Certificates to the employees who have complied with the terms as stated in the Award Agreement. An employee forfeits his/her shares when the said employee resigns or is found guilty of an offense defined as less grave or grave offense as per ANI Employee Handbook.

ISSUANCE AND EXCHANGE OF SECURITIES

9. Authorization or Issuance of Securities Other than for Exchange

On 27 May 2015, the Board of Directors of ANI approved the issuance and listing of up to Thirty Million Primary Shares in favor of ANI Employees Credit Cooperative upon approval of its registration, with the terms and conditions to be determined by the Board of Directors, will be submitted for ratification by the stockholders.

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 2014 is attached hereto as **Annex "A"**.

b. Interim Financial Statements

A copy of the Company's Audited Financial Statements for the year ended 31 March 2015 is attached hereto 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., 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

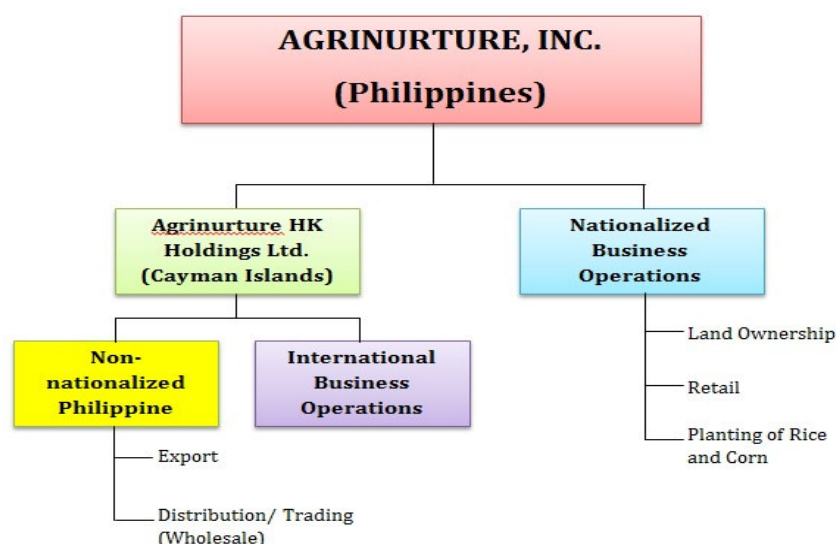
become one of the Philippines' top fresh mango exporters to the world market. At present, ANI also supplies other home-grown fruits such as banana and pineapple to customers in Hong Kong, Mainland China, the Middle East and to the different European regions.

ANI likewise ventured into rice import trading by partaking in the rice importation program of the Government through the National Food Authority. By the early second quarter of this year, ANI was able to complete its first round by importing 1000 metric tons of rice.

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.

b. Foreign Subsidiaries and Global Re-organization

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:



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

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

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 five business units: (1) Exports, (2) Local Distribution, (3) Retail & Franchising, (4) Banana Plantation/Farming and (5) Others. Meanwhile, Foreign Operations is principally fruits and vegetable trading Hong Kong/China, Australia and Europe.

Philippine Operations
 Export
 Local Distribution
 Retail & Franchising
 Banana Plantation/Farming
 Others

Foreign Operations
Hong Kong/China
Australia
Europe

Philippine Operations

Export Group

The Company's Export Group is in charge of looking for markets abroad as well as sourcing the best quality produce possible to satisfy its growing number of clients. 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.

Banana – the main banana export variety is Cavendish and its main production area is in Mindanao. The Export Group sources its supply from small independent growers and from established corporate plantations to consolidate as much supply as it can to satisfy its clients in China, Korea, Middle East and Russia. The requirement of the ANI Export Group is currently in the range of 15-40 forty-foot containers a week.

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

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.

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.

Under the Shareholders' Agreement and Subscription Agreement, IMEX shall acquire an aggregate of Sixteen Million Four Hundred Thousand (16,400,000) primary common shares in TMI which shall be subscribed by the Corporation out of the increase of the authorized capital stock of TMI for an aggregate amount of Two Hundred Ten Million Pesos (Php 210,000,000.00) in cash and/or non-cash assets. Upon

the approval of the increase of the authorized capital stock of TMI, IMEX shall own 51% of the total outstanding equity in TMI.

In April 2015, IMEX officially passed certification audit in compliance with ISO 22000:2005 FSMS, ISO 22002-1:2000 FSSC, HACCP, and GMP

Local Distribution Group

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

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

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

Meanwhile, the Distribution Group intends to boost revenues through new and innovative distribution methods such as direct selling approach to address consumers and institutional buyers' need for fresh produce amidst problems on lack of proper storage. ANI also intends to take its distribution to a global level. It aims to enter the Australian, European and US markets.

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

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

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

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.

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.

Lucky Fruit and Vegetable Products, Inc.

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

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:

The Big Chill, Inc.
Heppy Corp
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 Sixty (60) retail outlets under the following brands:

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

TBC completes the innovative "farm-to-plate" business model of 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 licensed 3 Big Chill locations within Metro Manila, and two Tully's Coffee licenses. It is the intention of management to expand further the retail franchise opportunities by direct sales of License Agreements as well as the sale of profitable existing locations to qualified buyers. At present, five (5) locations have been identified for such a sale.

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.

Farming Group

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

Best Choice Harvest Agricultural Corporation
Fresh & Green Palawan Agriventures, Inc.
Ocean Biochemistry Technology Research, Inc.
Beidahuang (Phils.) Agro Industrial Development Corporation

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

Tagum Resources Agri Industries, Inc. (TRAIN)

Tagum Resources Agri Industries Inc. was incorporated on December 26, 2013. It is primarily engaged in corporate banana production and is intended to fulfill the requirements of ANI Export Group.

The Company's wholly owned subsidiary, Best Choice Harvest Agricultural Corporation (BCH) entered into a Memorandum of Agreement (MOA) on December 17, 2014 relative to the full divestment of its fifty one percent (51%) interest in Tagum Resources Agri Industries, Inc. (TRAIN).

The MOA is entered into by and among BCH, its joint venture partner Hijo Resources Corporation (HRC) and Black River Capital Partners Food Fund Holdings (Singapore) Pte. Ltd. (BR), with the conformity of TRAIN and ANI.

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.

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.

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

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

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

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

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

Others

Fruitilicious, Inc.
Farmville Farming Co., Inc.
Goods and Nutrition for All, Inc. (GANA)
Qualis Logistics and Transport Services, Inc.
Coco Tropics, Inc.

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.

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.

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.

Qualis Logistics and Transport Services, Inc. (Qualis)

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.

Coco Tropics, Inc.

Coco Tropics, Inc. was incorporated in 1 March 2012. It is primarily engaged in the business of manufacturing importing, bartering, distributing, wholesaling, retailing of all kinds of goods, commodities, merchandise and wares which are the lawful object of commerce.

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:

Hong Kong/China

Joyful Fairy (Fruits) Ltd. (BVI)
Sunshine Supplies International Co., Limited
Joyful Fairy (Fruits) Ltd. (HK)
Agrinulture International Ltd (HK)

Australia

Freshness First Ltd. (Australia)
Michsul
Field Cuisine

Europe

ANI Agrinulture Europe S.L.

Hong Kong/China

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

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

Sunshine Supplies International Co. is engaged in the business of trading agricultural products like mangoes, onions, garlies, potatoes, etc. in Hong Kong, Macau, China, and Europe.

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

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.

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.

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 (P335,000,000) with interest at the rate of three per cent (3%) per annum and term of three (3) years from issue date, subject to the Conversion Option and Redemption Option provided in the Note.

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 2014)

Summary Financial Information

Financial Statement Accounts (in Php '000 except per share figures)	AUDITED			UNAUDITED
	As of 31 Dec. 2012	As of 31 Dec. 2013	As of 31 Dec. 2014	As of 31 March. 2015
Net Sales	2,329,947	2,926,429	3,153,021	688,176
Gross Profit	385,222	578,356	565,068	106,723
Operating Income(Loss)	(845,520)	(97,986)	(1,199,613)	(32,583)
Net Income after Income Tax	(798,346)	(78,494)	(1,194,033)	(41,712)
Balance Sheet Accounts				
Total Current Assets	2,523,740	2,606,534	2,345,061	2,167,119
Total Assets	4,899,413	4,888,676	3,889,117	3,713,967
Total Current Liabilities	986,717	2,093,066	2,430,393	2,295,910
Total Liabilities	1,404,620	2,405,255	2,645,218	2,510,735
Total Stockholder's Equity	3,547,343	2,483,421	1,243,899	1,203,232
Total Liabilities and Stockholders' Equity	3,494,793	4,888,676	3,889,117	3,713,967

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.

IMEX, owing to its expansion in the production of processed food products, applied for and was granted by the BOI a four (4)-year tax holiday effective 3rd quarter of 2010 and covering frozen fruits, root crops and leafy vegetables. BCH, the farming subsidiary is also a BOI-registered enterprise on a non-pioneer status as "New Producer of Agricultural Products" (crops and fresh vegetables), and enjoys a four (4)-year income tax holiday beginning in July 2011.

DESCRIPTION OF REVENUE AND COST ITEMS (FOR THE YEARS 2012, 2013, 2014 AND FIRST QUARTER OF 2015)

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

	2012	2013	2014	2015
				Jan 1 – March 31
	Php	Php	Php	
Philippines	2,273,836	1,228,615	906,241	136,273
Foreign	56,111	1,697,814	2,246,780	551,903
Total	2,329,947	2,926,429	3,153,021	688,167

Cost of Sales

Cost of sales consists mainly of:

- Cost of purchasing fruits and vegetables and raw materials from growers and other traders/suppliers;
- Personnel expenses, which include salaries and wages, employee benefits and retirement costs for employees directly 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 operations;

For the first quarter in 2015, ANI Group's cost of sales amounted to Php 581.45 million down by 25% from Php 778.5 million for the same period in 2014, due to the lower amount of purchases and decline of harvested agricultural as the company discontinued rice farming and distributions.

Operating Expenses

- 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 cost, and contracted services.

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, 2014 compared to the quarter ended March 31, 2015

The following comparison of the Company's results of operations is based on the Interim financial statements for the first three months of 2014 and 2015:

	For the quarter ended March 31 in Php ('000 except per share figures)	
	2014	2015
Revenues	988,850	688,175
Cost of Sales and Services	(778,452)	(581,452)
Gross Profit	210,398	106,723
Other Operating Income	37,547	14,385
Gen. & Admin and Operating Expenses	(234,567)	(153,691)
Operating Profit (Loss)	13,378	(32,583)
Other Income (Charges)	(19,137)	(17,598)
Provision (Benefit) for Income Tax	8,929	(8,469)
Net Income/ (Loss)	(14,688)	(41,712)

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.

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

	For the Year-Ended December 31 (in Php '000)	
	2013	2014
Net Sales	2,926,429	3,153,021
Cost of Sales	(2,348,073)	(2,587,953)
Gross Profit and Gross Margin	578,356	565,068
Operating Expenses	(622,155)	(1,683,489)
Income from Operating Activities	(43,799)	(1,118,421)
Other Income (Charges)	(54,178)	(81,192)
Provision (Benefit) for Income Tax	(19,492)	17,377
Income from discontinued operation		22,957
Net Loss	(78,485)	(1,194,033)

Net Sales

ANI Group sustained a consolidated sale of goods and services at Php 3,153.02 million for the year ended December 31, 2014 compared to Php 2,926.43 million for same period last year. For the year ended December 31, 2014, Philippine operations contributed 28.7% while sales from foreign operations accounted for 71.3% 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 2,587.95 million up by 10.2% from Php 2,348.07 million for the year 2013, due to the higher amount of purchases.

Gross Profit

Consolidated gross profit fell by Php 13.29 million or 2.3% for the year ended December 31, 2014. The gross profit fell from Php 578.36 million in 2013 to Php 565.07 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 17.5% for 2014 from 19.8% 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 877.46 million up from Php 678.70 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 Expenses

There were a total of Php 806.03 million other expenses in 2014 compared to Php 56.55 million other income in 2013.

Other expenses in 2014 are mostly in relation to impairments and write-offs in receivables, goodwill, intangibles, investments, advance, biological assets and other assets.

Finance Costs

Finance Costs for the years 2013 and 2014 are Php 56.55 million and Php 81.49 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.

Income from discontinued operations

Income from discontinuing operations amounting to Php22.95 million represents the net income of the banana joint venture (TRAIN) which was divested at the end of 2014

Net Income (Loss)

Net income (loss) for fiscal year 2014 amounted to (Php 1,194.03) million of which (Php 1,164.47) million is attributable to equity holders of the parent while (Php 29.57) million is attributable to non-controlling interest.

LIQUIDITY AND CAPITAL RESOURCES

During the years 2012, 2013 and 2014, 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 2012, 2013 and 2014. The following table sets out the Company's cash flows in 2012, 2013 and 2014:

	For the year ended December 31(in thousands of ₱)		
	2012	2013	2014
Net cash flows provided by/(used for) operating activities	(418,376)	351,495	410,430
Net cash flows provided by/(used for) investing activities	(790,012)	(838,472)	(930,102)
Net cash flows provided by/(used for) financing activities	1,317,227	608,726	265,535
Effect of Exchange Rate Changes in Cash on Hand and in Banks	720	(455)	(1,571)
Net increase (decrease) in cash and cash equivalents	108,839	121,749	(254,137)

Net cash flows from operating activities for fiscal year 2014 was Php 410.43 million compared to Php354.4 million in 2013.

Net cash used in investing activities is Php 930.10 million mainly in relation to the investment in the banana plantation joint venture through TRAIN.

Net cash flows from financing activities are Php 265.54 million in 2014, which is mainly from the additional capital issuance of Php258 million compared to Php608.7 million mainly from additional borrowings and issuance of convertible notes.

Net cash flow from (used in) operating activities for fiscal year 2013 was Php 354.45 million.

Net cash used in investing activities is Php 838.47 million.

Net cash flow from financing activities is Php 608.7 million mainly due to additional borrowings while 2012 amounted to Php 1,317.2 million mainly due to additional capital with the entry of Black River Food Fund into the Company.

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 2012, 2013 and 2014. The Company has historically sourced funding for its capital expenditures from bank loan and internally-generated funds.

Year ended December 31,	Expenditure (in '000)
2012	P103,937
2013	1,107,647
2014	856,126

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,		
		2014	2013	2012
Liquidity:				
Current ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	0.96	1.25	1.95
Financial Leverage:				
Debt-to-equity ratio	$\frac{\text{Total Liabilities (Current+Non-current)}}{\text{Stockholder's Equity}}$	2.13	0.97	0.54
Asset to Equity Ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$	3.13	1.97	1.54
Profitability:				
Return on average equity	$\frac{\text{Net Income}}{\text{Average Stockholder's Equity of the company}}$	(0.64)	(0.03)	(0.39)
Operating efficiency:				
Revenue growth	$\left[\frac{\text{Current period Net Sales}}{\text{Prior period Net Sales}} \right] - 1$	0.08	0.26	0.03

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 621,683,570 issued and outstanding common shares have been approved for listing on the Second Board of the Philippine Stock Exchange (PSE) as of the date of this Report.

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 high and low closing trading prices at the PSE for each of the quarterly periods from 2013 to 2014:

	2014		2013	
In Php	High	Low	High	Low
1 st Quarter	5.60	3.90	8.67	6.70
2 nd Quarter	4.05	3.85	7.15	5.20
3 rd Quarter	4.39	2.71	6.00	5.00
4 th Quarter	2.70	2.10	6.04	5.02
<i>Source: Philippine Stock Exchange</i>				

The high and low daily closing prices for the first quarter of 2015 are Php 2.18 and Php 1.61 respectively.

As of 31 May 2015, the shares of the Company are being traded at the PSE at a price of Php 1.58 per share.

f.2. Holders

As of 31 May 2015, the Company has a total outstanding common stock of 621,683,570 common shares held by thirty-five (35) 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 May 2015 are as follows:

	NAME	NO. OF SHARES	PERCENTAGE
1	PCD NOMINEE CORPORATION (FILIPINO)	287,315,927	46.2158%
2	PCD NOMINEE CORPORATION (FOREIGN)	179,410,211	28.8588%
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	QUALITY INVESTMENT & SECURITIES CORPORATION	120,000	0.0193%
12	CRISOSTOMO, JOSE MARIANO	96,000	0.0154%
13	DEAN, GERARDO L.	62,700	0.0101%
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.⁵ Unit 3C, Valuepoint Executive Building, 227 Salcedo St. Legazpi Village, Makati City Stockholder	PCD Nominee Corp. (Filipino) is the record owner 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.]	Filipino	92,675,850	14.91%

⁵ The shares held by Earthright Holdings, Inc. in the Company shall be voted or disposed by the person who shall be duly authorized by the record owner (Earthright) for the purpose. The natural person that has the power to vote on the shares of Earthright shall be determined upon the submission of its proxy to the Company, which, under the by-laws of the Company, must be submitted before the time set for the meeting.

Common	PCD Nominee Corp. (Foreign)⁶ 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 Black River Capital Partners Food Fund Holders (Singapore) Pte. Ltd.]	Singaporean	165,641,645	26.64%
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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 shares 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 during the year 2013 and 2014.

f.4. Recent Issuance of Shares Constituting Exempt Transaction

On 8 April 2014, the Company filed a Notice of Exempt Transaction with the SEC in relation to the Promissory Note by the Company dated 31 March 2014 in favor of Black River was issued for the principal amount of Forty Nine Million Pesos (Php 49,000,000) with interest at the rate of three per cent (3%) per annum and term of until December 19, 2016 from issue date.

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

⁶PCD Nominee Corporation is a wholly-owned subsidiary of Philippine Central Depository, Inc. ("PCD"). The beneficial owners of such shares registered under the name of PCD Nominee Corporation are PCD's participants who hold the shares in their own behalf or in behalf of their clients. The PCD is prohibited from voting these shares; instead the participants have the power to decide how the PCD shares in the Company are to be voted. The participants of PCD who own more than 5% of the Company's outstanding capital is/are as follows:

STANDARD CHARTERED BANK- Black River Capital Partners Food Fund Holders (Singapore) Pte. Ltd.
(Black River) – 26.64%.

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

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.

On 9 July 2014, the Company filed a Notice of Exempt Transaction with the SEC in relation to the Subscription Agreement executed by Agrinurture, Inc. and Greenery Holdings Incorporated for Eighty Five Million Nine Hundred Ninety Thousand Five Hundred Thirty Three (85,990,533) primary common shares of ANI.

The transaction pertains to the subscription by Greenery Holdings Incorporated to Eighty Five Million Nine Hundred Ninety Thousand Five Hundred Thirty Three (85,990,533) primary common shares of the Company at the issue price of Three Pesos (Php 3.00) per share or a total subscription price of Two Hundred Fifty Seven Million Nine Hundred Seventy One Thousand Five Hundred Ninety Nine Pesos (Php 257,971,599.00).

The regulatory requirements are:

- a. The listing of the Subscription Shares must be applied with and approved by the Philippine Stock Exchange;
- b. Documentary stamp tax on original issuance of shares of stock must be paid to the Bureau of Internal Revenue on or before the 5th day of the month immediately following the date of the issuance of the subscription shares (i.e. execution of the subscription agreement);
- c. Pursuant to Section 9(1) Article II of the By-Laws of the Company , the Company must secure the approval of stockholders representing at least 75% of the outstanding capital stock of the Corporation; and
- d. The requirements under Section 5, Part A, Article V of the PSE Revised Listing Rules must be obtained by the Company, namely:
 - i. Approval and/or ratification by the stockholders of the transaction; and
 - ii. Securing the grant of a waiver of the requirement to conduct a rights or public offering to the shares subscribed by a majority vote representing the outstanding shares held by the minority stockholders presented or represented.

The Company has complied with the requirements and obtained the requisite approvals under paragraphs (c) and (d) above during the Annual Stockholders' Meeting on 23 June 2014.

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.

14. Restatement of Accounts

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. This acquisition transaction, including the asset contributed into TRAIN, constitute a business acquisition under PFRS 3, *Business Combinations*. The accounting for the net assets acquired including goodwill for this business combination was determined provisionally as the Group is still finalizing the fair valuation of the said net assets. In 2014, the fair valuation of the net assets acquired was finalized, including the goodwill, as presented in Note 27. The business combination has been applied retrospectively and accordingly, the following restatements and reclassification were effected on the 2013 consolidated financial statements:

- a. Recognition of non-controlling interest from the business combination in TRAIN amounting to ₱213.31 million in 2013.
- b. Recognition of goodwill from the business combination in TRAIN amounting to ₱146.61 million in 2013.
- c. Derecognition of unrealized gain in fair value movement of biological assets amounting to ₱144.20 million in 2013.
- d. Reclassification of advances made by a noncontrolling owner to noncontrolling interest amounting to ₱86.23 million in 2013.
- e. Recognition of leasehold rights from the contribution of co-owner in TRAIN amounting to ₱78.34 million in 2013.
- f. Reclassification of advances made previously recorded as biological assets amounting to ₱48.78 million in 2013.
- g. Derecognition of deferred income tax liabilities from the unrealized gain in fair value movement of biological assets amounting to ₱43.26 million in 2013.
- h. Recognition of deferred income tax liabilities from the business combination in TRAIN amounting to ₱30.74 million in 2013.
- i. Reclassification of current income tax and deferred income tax amounting to ₱19.35 million in 2013.
- j. Recognition of biological assets amounting to ₱19.11 million in 2013.

The prior period adjustments have no impact in the 2012 consolidated financial statements.

Addition in the 2013 basic and diluted loss per share from the above prior period restatements amounted to ₱0.18.

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 30 June 2015:

- a. The Audited Financial Statements for the year ending 31 December 2014;
- b. Annual Report for the year ending 31 December 2014; 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 23 June 2014 which are to be ratified by the stockholders on 30 June 2015 are the following:

- a. Approval of the terms and conditions of the Stock Ownership Plan
- b. Amendment of the Manual on Corporate Governance to comply with SEC Memorandum Circular No. 9 Series of 2014; and
- c. Approval of the issuance and listing of up to 30 Million Primary Shares in favor of ANI Employees Credit Cooperative upon approval of its registration
- 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.

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

- a. Approval and ratification of the authority in relation to the divestment to third parties, to Mr. Antonio L. Tiu or a related party of Mr. Tiu, closure, merger of and acceptance of a third party investor into the local and foreign subsidiaries including but not limited to M2000 IMEX Company, Inc., First Class Agriculture Corporation, Lucky Fruit and Vegetable Products, Inc., Fresh and Green Harvest Agricultural Corporation, Sunshine Supplies International Co. (Hong Kong), Ltd., Joyful Fairy (Fruits) Ltd. (British Virgin Islands), Joyful Fairy (Fruits) Ltd. (Hong Kong), Freshness First Ltd. (Australia), Mischul Pty Ltd. (Australia), BSK Pty. Ltd (Australia) and a subsidiary corporation based in Shanghai, China.
- b. Approval and ratification of the consent to assign the Convertible Notes of Black River Capital Partners Food Fund Holdings (Singapore), Pte. Ltd. to Best Choice Harvest Agricultural Corp. and to Mr. Antonio L. Tiu or a related party of Mr. Tiu, and
- c. Approval, Confirmation and Ratification of the write off of uncollectible trade and other receivables, trademarks, prepayments and other current assets, other non-current assets and biological assets, and to impair the values of goodwill.

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

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

- a. Amendment of the Manual on Corporate Governance intended to be undertaken pursuant to SEC Memorandum Circular No. 9 Series of 2014

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

17. Other Proposed Action

- a. Approval of the issuance and listing of up to 30 Million Primary Shares in favor of ANI Employees Credit Cooperative upon approval of its registration

On 27 May 2015, the Board of Directors approved the issuance and listing of up to 30 Million primary shares in favour of ANI Employees Credit Cooperative upon approval of its registration, subject to the terms and conditions as maybe determined by the Board of Directors.

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

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.

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

AGRINURTURE, INC.
54 National Road, Dampol II-A
Pulilan, Bulacan, Philippines
3005

Attention: Atty. Lisette M. Arboleda

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on 8 June 2015.

By:



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

AgriNurture, Inc. and Subsidiaries

Consolidated Financial Statements
December 31, 2014 and 2013

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	1	9	9	7	0	1	8	4	8	
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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	i		I	I
-	A	,		P	u	l	i	l	a	n	,		B	u	l	a	c	a	n										

Form Type

A	A	C	F	S
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Department requiring the report

C	R	M	
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Secondary License Type, If Applicable

N	A		
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COMPANY INFORMATION

Company's Email Address

www.ani.com.ph

Company's Telephone Number/s

(02) 551-0772

Mobile Number

NA

No. of Stockholders

34

Annual Meeting
Month/Day

3rd Monday of May

Fiscal Year
Month/Day

12/31/2014

CONTACT PERSON INFORMATION

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

Name of Contact Person

Mr. Romeo Bato

Email Address

romeo.bato@ani.com.ph

Telephone Number/s

(02) 551 0774

Mobile Number

0917-825-2530

Contact Person's Address

11th floor, Salcedo Tower, 169 Dela Costa St. Makati 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.





AGRINURTURE, INC.

ational Road, Dampol 2nd A, Pulilan, Bulacan 3005, Philippines

Telefax: (632) 299-8305 • www.ani.com.ph

Manila Office: (632) 846-8309 / 556-9660 • Fax (632) 804-0382

SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA Greenhills

Mandaluyong, Metro Manila


STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Agrinurture, Inc. and its Subsidiaries** is responsible for preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2014 and 2013, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

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


Signature **ANTONIO L. TIU**
Chairman of the Board


Signature **PABLO B. CAPATL, JR.**
President/CEO


Signature **ROMEO L. BATO**
Treasurer/CFO

Signed this 29th day of April, 2015

SUBSCRIBED AND SWORN to before me this APR 30 2015, affiants exhibiting to me their competent proof of identify as follow:

NAME	ID	DATE OF ISSUE	PLACE OF ISSUE
Antonio L. Tiu	PP # EB4436922	12-Jan-2012	DFA Manila
Pablo B. Capati Jr.	PP # EB6142323	15-Aug-2012	DFA Manila
Romeo L. Bato	PP # EB7177734	16-Jan-2013	PE Jakarta
Lisette M. Arboleda	IBP#56388		Manila

Doc.No. 470 ;
Page No. 95 ;
Book No. 120 ;
Series of 2015.

Hayden
ATTY. ROBERT M. LLUZ
NOTARY PUBLIC
Until December 31, 2015
Appt. No. M-44, Makati City
IBP # 978770-Dec 17, 2014-RSM
PTR # 4748501-Jan.05,2015 Makati City
S.C. Roll No. 59597
MOLE Compliance No. IV-0011330
Unit 501 3rd Flr, Gateway Bldg 7th Flr
401 Bataan Avenue, Ermita, Manila
Makati City

INDEPENDENT AUDITORS' REPORT

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of AgriNurture, Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our 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.



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, 2014 and 2013, and their financial performance and their cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Other Matter

The consolidated financial statements of the Group as at December 31, 2012 and for the year then ended were audited by other auditors who expressed an unmodified opinion on those statements on April 29, 2013.

SYCIP GORRES VELAYO & CO.

Jose Pepito E. Zabat

Jose Pepito E. Zabat III

Partner

CPA Certificate No. 85501

SEC Accreditation No. 0328-AR-2 (Group A),

March 1, 2012, valid until April 30, 2015

Tax Identification No. 102-100-830

BIR Accreditation No. 08-001998-60-2015,

February 27, 2015, valid until February 26, 2018

PTR No. 4751344, January 5, 2015, Makati City

April 29, 2015



AGRINURTURE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
		2013
		(As restated, Note 28)
	2014	
ASSETS		
Current Assets		
Cash (Note 4)	₱83,602,967	₱339,310,829
Trade and other receivables (Note 5)	294,035,512	715,241,065
Advances to related parties (Note 21)	1,621,543,713	1,180,079,125
Inventories (Note 6)	70,405,867	121,137,973
Biological assets (Note 7)	–	75,704,420
Prepayments and other current assets (Note 8)	100,473,370	175,060,927
	2,170,061,429	2,606,534,339
Asset classified as held for sale (Note 12)	175,000,000	–
Total Current Assets	2,345,061,429	2,606,534,339
Noncurrent Assets		
Property, plant and equipment (Note 9)	856,125,512	1,107,647,001
Investment property (Note 11)	9,525,600	10,432,800
Goodwill and other intangible assets (Note 10)	283,739,820	799,244,552
Deferred income tax assets (Note 23)	63,957,785	59,836,178
Other noncurrent assets (Note 13)	330,706,858	304,981,416
Total Noncurrent Assets	1,544,055,575	2,282,141,947
TOTAL ASSETS	₱3,889,117,004	₱4,888,676,286
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 14)	₱765,816,741	₱617,292,136
Loans and borrowings (Note 15)	1,052,429,498	1,040,583,983
Redeemable and convertible loan (Note 15)	384,000,000	335,000,000
Advances from related parties (Note 21)	73,005,618	1,249,250
Lease payable (Note 26)	66,205,905	54,225,259
Income tax payable	–	8,262,200
Other current liabilities	88,935,400	36,452,707
Total Current Liabilities	2,430,393,162	2,093,065,535
Noncurrent Liabilities		
Loans and borrowings - net of current portion (Note 15)	60,000,000	120,000,000
Pension liability (Note 22)	13,033,257	6,977,199
Lease payable- net of current portion (Note 26)	103,343,605	90,699,441
Deferred income tax liabilities (Note 23)	687,524	39,233,702
Other long term liability (Note 14)	37,760,308	55,278,985
Total Noncurrent Liabilities	214,824,694	312,189,327
Total Liabilities	2,645,217,856	2,405,254,862
Equity Attributable to Equity Holders of the Parent		
Capital stock (Note 16)	621,683,570	535,693,037
Additional paid-in capital (Note 16)	2,330,723,527	2,158,742,461
Foreign currency translation reserve	21,084,882	(6,068,727)
Deficit	(1,681,459,229)	(515,388,736)
	1,292,032,750	2,172,978,035
Non-controlling Interests	(48,133,602)	310,443,389
Total Equity	1,243,899,148	2,483,421,424
TOTAL LIABILITIES AND EQUITY	₱3,889,117,004	₱4,888,676,286

See accompanying Notes to Consolidated Financial Statements.

AGRINURTURE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(With Comparative Figures For The Year Ended December 31, 2012)

	Years Ended December 31		
		2013	
	2014	(As restated, Note 28)	2012
REVENUES	₱3,153,020,569	₱2,926,429,244	₱2,329,946,985
COST OF SALES AND SERVICES (Note 18)	(2,587,952,626)	(2,348,073,422)	(1,944,724,778)
GROSS PROFIT	565,067,943	578,355,822	385,222,207
General and administrative (Note 20)	(877,462,025)	(678,704,301)	(401,157,423)
Other income (expense) - net (Note 19)	(806,026,855)	56,549,502	(339,519,287)
Losses on biological asset (Note 7)	—	—	(454,736,209)
OPERATING LOSS	(1,118,420,937)	(43,798,977)	(810,190,712)
Finance income (Note 4)	295,985	2,366,896	234,785
Finance costs (Notes 15)	(81,488,033)	(56,554,415)	(35,564,234)
LOSS BEFORE INCOME TAX	(1,199,612,985)	(97,986,496)	(845,520,161)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 23)			
Current	4,917,021	30,064,245	18,517,139
Deferred	12,459,893	(49,556,642)	(65,691,007)
	17,376,914	(19,492,397)	(47,173,868)
NET LOSS FROM CONTINUING OPERATIONS	(1,216,989,899)	(78,494,099)	(798,346,293)
DISCONTINUED OPERATIONS, NET OF TAX (Note 29)			
Income from discontinued operations	22,956,932	—	—
NET LOSS	(₱1,194,032,967)	(₱78,494,099)	(₱798,346,293)
Net loss attributable to:			
Equity holders of the parent			
Loss from continuing operations	(₱1,176,174,304)	(₱95,136,065)	(₱758,473,012)
Income from discontinued operations	11,708,035	—	—
Non-controlling interests			
Loss from continuing operations	(40,815,595)	16,641,966	(39,873,281)
Income from discontinued operations	11,248,897	—	—
	(₱1,194,032,967)	(₱78,494,099)	(₱798,346,293)
Basic and diluted loss per share from continuing operations (Note 17)	(₱2.10)	(₱0.15)	(₱1.49)
Basic and diluted loss per share attributable to equity holders of the parent (Note 17)	(₱2.01)	(₱0.18)	(₱1.42)

See accompanying Notes to Consolidated Financial Statements.

AGRINURTURE, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013****(With Comparative Figures for the Year Ended December 31, 2012)**

	Years Ended December 31		
		2013	
	2014	(As restated, Note 28)	2012
NET LOSS	(₱1,194,032,967)	(₱78,494,099)	(₱798,346,293)
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Other comprehensive income(loss) to be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations	31,113,186	(7,318,419)	(5,682,885)
Income tax effect	—	—	—
	31,113,186	(7,318,419)	(5,682,885)
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods</i>			
Re-measurement on pension liability	(2,291,748)	11,063	(1,373,696)
Income tax effect	687,524	(3,319)	412,109
	(1,604,224)	7,744	(961,587)
Revaluation surplus	—	—	(21,000,000)
Income tax effect	—	—	—
	—	—	(21,000,000)
	(1,604,224)	7,744	(21,961,587)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	29,508,962	(7,310,675)	(27,644,472)
TOTAL COMPREHENSIVE LOSS	(₱1,164,524,005)	(₱85,804,774)	(₱825,990,765)
Total comprehensive income (loss) attributable to:			
Equity holders of the parent			
Loss from continuing operations	(₱1,150,624,919)	(₱102,446,740)	(₱783,332,870)
Income from discontinued operations	11,708,035	—	—
Non-controlling interests			
Loss from continuing operations	(36,856,018)	16,641,966	(42,657,895)
Income from discontinued operations	11,248,897	—	—
	(1,164,524,005)	(₱85,804,774)	(₱825,990,765)

See accompanying Notes to Consolidated Financial Statements.

AGRINURTURE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013

(With Comparative Figures For the Year Ended December 31, 2012)

	Equity Attributable to Equity Holders of the Parent						Non-controlling Interests	Total
	Capital Stock (Note 16)	Additional Paid-in Capital (Note 16)	Revaluation Surplus	Translation Reserve	Retained Earnings (Deficit)	Subtotal		
Balances at January 1, 2012	₱261,060,867	₱999,647,940	₱21,000,000	₱694,595	₱331,563,983	₱1,613,967,385	₱176,869,695	₱1,790,837,080
Net loss	—	—	—	—	(758,473,012)	(758,473,012)	(39,873,281)	(798,346,293)
Other comprehensive loss, net of tax	—	—	(21,000,000)	(2,898,271)	(961,587)	(24,859,858)	(2,784,614)	(27,644,472)
Total comprehensive loss	—	—	(21,000,000)	(2,898,271)	(759,434,599)	(783,332,870)	(42,657,895)	(825,990,765)
Issuance of common shares	185,350,000	1,159,094,521	—	—	—	1,344,444,521	—	1,344,444,521
Stock dividend declaration	89,282,170	—	—	—	(89,282,170)	—	—	—
Balances at December 31, 2012	535,693,037	2,158,742,461	—	(2,203,676)	(517,152,786)	2,175,079,036	134,211,800	2,309,290,836
Net income (loss)	—	—	—	—	(43,656,522)	(43,656,522)	66,102,703	22,446,181
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)	(43,648,778)	(47,513,829)	62,649,335	15,135,506
Non-controlling interests arising on business combination	—	—	—	—	—	—	(39,610,641)	(39,610,641)
Increase in share of subsidiary	—	—	—	—	96,892,371	96,892,371	(96,892,371)	—
Balances at December 31, 2013, as previously stated	535,693,037	2,158,742,461	—	(6,068,727)	(463,909,193)	2,224,457,578	60,358,123	2,284,815,701
Effect of accounting for business combination (Note 28)	—	—	—	—	(51,479,543)	(51,479,543)	250,085,266	198,605,723
Balances at December 31, 2013, as restated	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	—	—	—	—	(1,176,174,304)	(1,176,174,304)	(40,815,595)	(1,216,989,899)
Net income from discontinued operations	—	—	—	—	11,708,035	11,708,035	11,248,897	22,956,932
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	(1,166,070,493)	(1,138,916,884)	(25,607,121)	(1,164,524,005)
Issuance of common shares (Note 16)	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	(₱1,681,459,229)	₱1,292,032,750	(₱48,133,602)	₱1,243,899,148

See accompanying Notes to Consolidated Financial Statements.

AGRINURTURE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(With Comparative Figures For the Year Ended December 31, 2012)

	Years Ended December 31		
	2014	2013 (As restated, Note 28)	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss from continuing operations before income tax	(P1,199,612,985)	(P97,986,496)	(P845,520,161)
Income from discontinued operations before income tax (Note 29)	32,790,789	—	—
Loss before income tax	(1,166,822,196)	(97,986,496)	(845,520,161)
Adjustments for:			
Impairment on various assets (Note 19)	792,427,500	—	—
Depreciation and amortization (Notes 9, 10 and 11)	124,541,645	72,421,550	69,088,751
Interest expense (Notes 15)	81,488,033	56,554,415	35,564,234
Income from discontinued operations (Note 29)	(22,956,932)	—	—
Interest income (Notes 4 and 19)	(19,232,774)	(26,518,780)	(2,259,996)
Movements in pension liability	5,680,313	2,899,424	1,618,591
Gain as a result of loss on subsidiary (Note 29)	(5,435,000)	—	—
Unrealized foreign exchange losses (gains) - net	(4,385,916)	3,345	(720,270)
Losses (gains) on sale of property and equipment	272,986	(1,578,058)	—
Losses due to:			
Impairment of biological assets	—	—	337,054,547
Impairment loss on trade and other receivables	—	812,907	9,906,931
Natural calamities (Note 5)	—	—	123,578,983
Gain on changes on fair value of biological assets (Note 7)	—	(146,268,765)	(30,396,338)
Operating losses before working capital changes	(214,422,341)	(139,660,458)	(302,084,728)
Decrease (increase) in:			
Trade and other receivables	(31,978,678)	(160,843)	(193,908,598)
Biological assets	(112,341,006)	70,564,345	—
Inventories	47,404,289	199,800,110	20,578,492
Prepayments and other current assets	47,540,041	(89,776,659)	(46,697,955)
Increase in:			
Trade and other payables	625,524,926	286,323,642	103,107,422
Other current liabilities	52,482,693	3,355,943	1,095,819
Net cash generated from (used in) operations	414,209,924	330,446,080	(417,909,548)
Income taxes paid	(23,013,078)	(5,469,789)	(2,726,174)
Interest received	19,232,774	26,518,780	2,259,996
Net cash flows from (used in) operating activities	410,429,620	351,495,071	(418,375,726)

(Forward)

Years Ended December 31			
		2013	
		(As restated,	
	2014	Note 28)	2012
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property, plant and equipment (Note 9)	(₱511,294,561)	(₱249,457,111)	(₱103,936,879)
Intangible assets (Note 10)	(2,537,382)	(53,154,292)	(29,252,406)
Lease payable	24,624,810	144,924,700	–
Changes in:			
Advances to related parties	(441,464,588)	(672,102,366)	(654,651,623)
Other noncurrent assets	(48,112,109)	223,864,086	(2,422,449)
Effect on deferred income tax liability as a result of the deconsolidation	51,543,539	–	–
Net cash outflow from deconsolidation of a subsidiary (Note 29)	(21,585,591)	–	–
Proceeds from:			
Sale of property and equipment	18,724,082	13,765,208	251,089
Note receivable	–	58,000,000	–
Acquisition of subsidiaries, net of cash acquired	–	(304,312,656)	–
Net cash flows used in investing activities	(930,101,800)	(838,472,431)	(790,012,268)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Issuance of capital stock	257,971,599	–	1,433,726,691
Availment of loans	169,000,000	1,315,583,983	1,367,223,732
Payments of loans and borrowings	(150,154,485)	(780,132,400)	(1,447,869,779)
Interest paid	(65,519,500)	(56,334,415)	(35,564,234)
Changes in:			
Advances from related parties	71,756,368	74,330,115	(289,837)
Other noncurrent liabilities	(17,518,677)	55,278,985	–
Net cash flows from financing activities	265,535,305	608,726,268	1,317,226,573
NET INCREASE (DECREASE) IN CASH	(254,136,875)	121,748,908	108,838,579
CASH AT BEGINNING OF YEAR	339,310,829	218,038,556	108,479,707
EFFECT OF EXCHANGE RATE CHANGES IN CASH	(1,570,987)	(454,509)	720,270
CASH AT END OF YEAR (Note 4)	₱83,602,967	₱339,310,829	₱218,038,556

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.

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

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

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

On March 31, 2014, the Parent Company's Board of Directors (BOD) approved the plan to increase the Parent Company's authorized capital stock from ₱1,000,000,000 divided into 1,000,000,000 common shares at ₱1 per share to ₱2,000,000,000 divided into 2,000,000 common shares at ₱1 per share. As at December 31, 2014, the Parent Company is still in the process of applying the said increase with the SEC.

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 corporation.

The consolidated financial statements as at and for the years ended December 31, 2014 and 2013 were authorized for issuance by the Parent Company's BOD on April 29, 2015.

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

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for biological assets in 2013 that have been measured at fair value less estimated point of sale costs. The consolidated financial statements and these notes are presented in Philippine peso, the Parent

Company's functional and presentation currency. All amounts are rounded to the nearest peso, unless otherwise otherwise indicated.

Statement of Compliance

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

Basis of Consolidation

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

	Country of Incorporation	Nature of Business	Effective Ownership		
			2014	2013	2012
First Class Agriculture Corporation (FCAC)	Philippines	Trading (Agricultural goods)	100%	100%	100%
M2000 IMEX Company, Inc. (IMEX)	Philippines	Manufacturing and export	100%	100%	100%
Hansung Agro Products Corporation (HAPC)	Philippines	Processing (Agricultural goods)	100%	100%	100%
Best Choice Harvest Agricultural Corp. (BCHAC)	Philippines	Farm management	100%	100%	100%
*Fresh and Green Harvest Agricultural Company, Inc. (FG)	Philippines	Trading (Agricultural goods)	100%	100%	100%
*Lucky Fruit & Vegetable Products, Inc. (LFVPI)	Philippines	Trading (Agricultural goods)	100%	100%	100%
		Manufacturing/processing/trading frozen agricultural products			
Fruitilicious Company, Inc. (FI)	Philippines		90%	90%	90%
Qualis Logistics and Transport Services, Inc. (QLTS)	Philippines	Logistics	51%	51%	51%
Farmville Farming Co., Inc. (FFCI)	Philippines	Trading (Agricultural goods)	51%	51%	51%
*Ocean Biochemistry Technology Research, Inc. (OBT)	Philippines	Farm management	51%	51%	51%
*Fresh and Green Palawan Agriventures, Inc. (FGP)	Philippines	Farm management	51%	51%	51%
The Big Chill (TBC)	Philippines	Food and beverage retailing and franchising	80%	80%	51%
*Heppy Corporation (HC)	Philippines	Food and beverage retailing and franchising	80%	80%	51%
*Goods and Nutrition for All, Inc. (GANA)	Philippines	Retail and wholesale	100%	100%	100%
**Tagum Resources Agri-Industrial Inc. (TRAIN)	Philippines	Farming	30%	51%	—
Agrinurture HK Holdings Ltd. (Cayman Islands) (ANI HK)	Hong Kong	Holding Company	100%	100%	100%
*Sunshine Supplies International Co., Ltd. (SSIC)	Hong Kong	Trading (Agricultural goods)	51%	51%	51%
*Joyful Fairy HK7 (JF HK)	Hong Kong	Trading (Agricultural goods)	51%	51%	51%
*Agrinurture Int'l Ltd. (ANI IL)	Hong Kong	Trading and retail	100%	100%	100%
Xiamen Waintaixing Trading Corp. (XWT)	China	Trading (Agricultural goods)	51%	51%	51%
*ANI China	China	Trading (Agricultural goods)	100%	100%	—
*Freshness First Pty. Ltd. (FFPL)	Australia	Processing and trading	100%	100%	—
*BSK Pty. Ltd. (BSK)	Australia	Retail	100%	100%	—
*Michsul Pty. Ltd. (MPL)	Australia	Wholesale	100%	100%	—
*ANI AgriNurture Europe S.L. (ANI ESL)	Spain	Trading (Agricultural goods)	100%	100%	—
	British Virgin Islands				
*Joyful Fairy (Fruits) Limited (JF BVI)	Islands	Trading (Agricultural goods)	51%	51%	—
*Company in Shenzhen	China	Trading (Agricultural goods)	51%	51%	51%

*Direct and indirect ownership

**The 30% TRAIN investment qualified as Asset classified as held for sale in 2014

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 Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2014. The nature and impact of each new standard and amendment is described below:

- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*)
These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The amendments must be applied retrospectively, subject to certain transition relief. These

amendments have no impact to the Group, since none of the entities within the Group qualifies to be an investment entity under PFRS 10.

- *PAS 32, Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)*
These amendments clarify the meaning of ‘currently has a legally enforceable right to set-off’ and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively. The Group currently offsets certain balances with the same counterparties as the Group has legal rights to set off the amounts and intends to settle on a net basis.
- *PAS 39, Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)*
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Group as the Group has no derivatives during the current or prior periods.
- *PAS 36, Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments)*
These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. The application of these amendments has no material impact on the disclosure in the Group’s consolidated financial statements.
- *Philippine Interpretation IFRIC 21, Levies (IFRIC 21)*
IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Group as it has applied the recognition principles under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, consistent with the requirements of IFRIC 21 in prior years.
- *Annual Improvements to PFRS (2010-2012 cycle)*
In the 2010 - 2012 annual improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13. The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment has no impact on the Group.
- *Annual Improvements to PFRS (2011-2013 cycle)*
In the 2011 - 2013 annual improvements cycle, four amendments to four standards were issued, which included an amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards—First-time Adoption of PFRS*. The amendment to PFRS 1 is effective immediately. It clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity’s first PFRS financial

statements. This amendment has no impact on the Group as it is not a first time PFRS adopter.

Standards Issued but Not Yet Effective

The Group will adopt the 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 PFRS, PAS and Philippine Interpretations to have significant impact on its consolidated financial statements. The relevant disclosures will be included in the notes to the consolidated financial statements when these become effective.

- **PFRS 9, *Financial Instruments* - Classification and Measurement (2010 version)**
PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Philippine Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA).

- **Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate***
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the FRSC have deferred the effectivity of this interpretation until the final revenue standard is issued by the IASB and an evaluation of the requirements of the final revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the consolidated financial statements of the Group.

Effective 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. This amendment is effective for annual periods beginning on or after January 1, 2015. It is not expected that this amendment would be relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.
- *Annual Improvements to PFRS (2010-2012 cycle)*
The Annual Improvements to PFRS (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on 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.

PFRS 3, Business Combinations - Accounting for Contingent Consideration in a Business Combination

The amendment is applied 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 whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments*, if early adopted). The Group shall consider this amendment for future business combinations.

PFRS 8, Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets

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.

This amendment will affect disclosures only and will not have an effect in the amounts in the consolidated 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.

This amendment will affect disclosures only and will not have an effect in the amounts in the consolidated financial statements.

- *Annual Improvements to PFRSs (2011-2013 cycle)*

The Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group. They include:

PFRS 3, Business Combinations - Scope Exceptions for Joint Arrangements

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.

PAS 40, Investment 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). This amendment will affect disclosures only and will not have an effect in the amounts in the consolidated financial statements.

Effective January 1, 2016

- *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 impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

- 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 impact to the Group as the Group does not have any bearer plants anymore.

- 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 impact on the Group's consolidated financial statements.

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016.

- 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.

- **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 profit or loss 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.
- **Annual Improvements to PFRS (2012-2014 cycle)**
The Annual Improvements to PFRS (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on 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 Amendments to PFRS 7 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 January 1, 2018

- PFRS 9, *Financial Instruments* - Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)
PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

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

- PFRS 9, *Financial Instruments* (2014 or final version)
In July 2014, the final version of PFRS 9, *Financial Instruments*, 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 consolidated financial statements.

The following new standard issued by the IASB has not yet been adopted by the FRSC

- *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, 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

Summary of Significant Accounting Policies

Foreign Currency Translation

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

The functional and presentation currency of the entities in the Group (except for XWT, SSIC, ANI HK, ANI IL, JF HK and JF BVI with functional currency of Hong Kong Dollar, FFPL with functional currency of Australian Dollar and ANI ESL with functional currency of Euro) 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 separately the items of recognized income and expense and other comprehensive income in consolidated statement of income and consolidated statement comprehensive income, respectively.

Cash

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

Financial Instruments

Date of Recognition

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

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

Initial Recognition and Measurement of Financial Instruments

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

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

Financial Assets

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

The Group's financial assets are in the nature of loans and receivables. The Group has no financial assets classified as AFS financial assets, FVPL, HTM investments and derivatives designated as hedging instruments in an effective hedge, as appropriate as at December 31, 2014 and 2013.

Financial Liabilities

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

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

The Group's financial liabilities are in the nature of loans and borrowings. The Group has no financial liabilities classified as at FVPL and derivatives designated as hedging instruments in an effective hedge, as appropriate as at December 31, 2014 and 2013.

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, 2014 and 2013, the Group’s loans and receivables include cash with banks, trade and other receivables and advances to related parties in the consolidated statement of financial position (see Notes 4, 5 and 21).

Loans and Borrowings

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

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

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

This accounting policy applies primarily to the Group’s trade and other payables, loans and borrowings, 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 14, 15, 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 data (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.

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 starting January 1, 2010

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

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

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through the consolidated statement of income. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PAS 39 either in consolidated statement of income or as change to other income. If the contingent consideration is classified as equity, it shall not be remeasured until it is

finally settled within equity. If the Parent Company loses control of its subsidiary, it recognize any investments retained in the former subsidiary at its fair value at the date when control is loss.

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

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

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

Business Combination Prior to January 1, 2010

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

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

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

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

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.

Biological Assets

Biological assets or agricultural produce are recognized only when the Group controls the assets as a result of past events, it is probable that future economic benefits associated with the assets will flow to the Group and the fair value or cost of the assets can be measured reliably.

The Group uses the income approach, particularly the present value method, in computing for the fair value of the biological assets - standing crops as of reporting date. This approach reflects the expectations about the cash flows from the biological assets - standing crops for the next nine months, the normal crop cycle from the reporting date. Because of the short-term nature of the expected net cash flows, the expected net cash flows is not discounted. This fair value measurement is categorized as level 3, which uses inputs that are not based on observable market data.

There were no transfers between Levels 1 to 3 of the fair value hierarchy for the assets and liabilities which are recorded at fair value.

Costs to sell are the incremental costs directly attributable to the disposal of banana fruits, excluding finance costs and income taxes. Subsequent gains or losses arising from changes in fair value less cost to sell of the assets, resulting from fluctuations in population, growth, price and other factors, are credited or charged to income for the period. Costs incurred in maintaining or enhancing the biological assets - standing crops are recognized as expenses when incurred.

Gains or losses arising from the changes in fair value less estimated point-of-sale costs of a biological asset are included in the Group's consolidated statement of income for the period in which they arise.

Prepayments and Other Current Assets

Prepayments and other current assets include input-valued added tax (VAT), creditable withholding taxes (CWTs), deposits, prepaid rent, prepayments 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.

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, 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 any accumulated impairment losses. The Group has assessed that the trademarks have indefinite life and being assessed 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 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.

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 unit 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 advances and deposits in which the Group expects to realize or consume the assets beyond twelve (12) months after the end of the reporting period.

Assets Held for Sale from 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, Intangible Assets with Definite Useful Lives 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.

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.

Dividend

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

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 the consolidated statement of income.

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

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

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

Basic/Diluted Earnings Per Share

Basic Earnings Per Share (EPS)

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

Diluted EPS

Diluted EPS amounts are calculated by dividing the net income attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding, adjusted for any stock dividends declared during the year plus weighted average number of ordinary shares that would be issued on the conversion of all the dilutive ordinary shares into ordinary shares, excluding treasury shares. Diluted EPS is computed similar to the computation of the basic earnings (loss) per share except that the net income attributable to the equity holders of the parent and the weighted average number of shares outstanding should be adopted for the effects of all dilutive potential ordinary 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.

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:

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 11).

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 12).

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.

The carrying values of trade and other receivables amounted to ₱294,035,512 and ₱715,241,065, net of allowance for impairment losses of ₱5,783,670 and ₱14,856,558 as at December 31, 2014 and 2013, respectively. Provision for impairment losses on receivables amounted to nil, ₱812,907 and nil in 2014, 2013 and 2012, respectively, while receivables written-off directly from the accounts, amounted to ₱370,512,593, nil and nil in 2014, 2013 and 2012 respectively (see Note 5).

The carrying values of advances to related parties amounted to ₱1,621,543,713 and ₱1,180,079,125 as at December 31, 2014 and 2013, respectively. There are no provisions for impairment losses recognized in 2014, 2013 and 2012 (see Note 21).

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.

The carrying values of inventories amounted to ₱70,405,867 and ₱121,137,973 as at December 31, 2014 and 2013, respectively. There are no provisions for impairment losses recognized in 2014, 2013 and 2012 (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.

The carrying values of its prepayments and other current assets amounted to ₱100,473,370 and ₱175,060,927 as at December 31, 2014 and 2013, respectively (see Note 8). The carrying values of other noncurrent assets amounted to ₱330,706,858 and ₱304,981,416 as at December 31, 2014 and 2013, respectively (see Note 13). There were no provisions for impairment losses on the Group's prepayments and other current assets and other noncurrent assets. Write-off of prepayments and other current assets amounted to ₱27,047,517 in 2014 and nil in 2013 and 2012, respectively (see Note 8).

Estimating Useful Lives of Property, Plant and Equipment and Investment Property

The Group estimates the useful lives of property, plant and equipment and investment property based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment and investment property are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property, plant and equipment and investment property is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. There is no change in the estimated useful lives of the property, plant and equipment and investment properties as at December 31, 2014 and 2013.

The aggregate net book values of property, plant and equipment amounted to ₱856,125,512 and ₱1,107,647,001, net of accumulated depreciation of ₱346,162,262 and ₱242,105,578 as at December 31, 2014 and 2013, respectively (see Note 9).

Estimating Impairment of Property, Plant and Equipment and Investment Property

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

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

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

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

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

An impairment loss is recognized and charged to earnings if the discounted expected future cash flows are less than the carrying amount. Fair value is estimated by discounting the expected future cash flows using a discount factor that reflects the market rate for a term consistent with the period of expected cash flows. No impairment loss was recognized on these assets in 2014 and 2013.

The carrying values of biological assets amounted to nil and ₱75,704,420 as at December 31, 2014 and 2013, respectively (see Note 7). The aggregate net book values of property, plant and equipment amounted to ₱856,125,512 and ₱1,107,647,001, net of accumulated depreciation of ₱346,162,262 and ₱242,105,578 as at December 31, 2014 and 2013, respectively (see Note 9).

Estimating Useful Lives of Computer Software and Franchise

The Group estimates the residual values and useful lives of its computer software and franchise 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 computer software and franchise 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.

There was no change in the estimated residual values and useful life of computer software and franchise in 2014 and 2013. The carrying values of computer software amounted to ₱1,373,877 and ₱3,353,550 as at December 31, 2014 and 2013, respectively, while the carrying values of franchise amounted to ₱5,429,850 and ₱9,049,750 as at December 31, 2014 and 2013, respectively (see Note 10).

Estimation of Impairment of Goodwill and Trademarks

The Group reviews the carrying values of goodwill and 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 long-term commodity prices, discount rates, future capital requirements, exploration potential 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 recognized in 2014 amounted to ₱312.62 million while the impairment of trademarks recognized in 2014 amounted to ₱50.68 million (see Note 10).

Estimating Fair Value of Biological Assets

In the absence of an active market, the Group measures biological assets at fair value less estimated costs to sell based on the expected future cash flows at each reporting date. 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. While management believes that the assumptions are reasonable and appropriate, significant differences in the Group's actual results of operations or significant changes in the assumptions may materially affect the carrying value of the biological assets.

The Group uses the income approach, which reflects the expectations about the cash flows from the biological assets - standing crops for the next nine months, the normal crop cycle from the reporting date. The cash inflow would typically be the forecasted gross revenue from export sales of harvested bananas, which is a function of the price, foreign exchange rate, quantity (productive hectareage) and quality (Class A and Class B). This forecasted gross revenue is reduced by the forecasted costs of operating the plantation like, among others, cost of bud injection, spraying, fruit bagging, harvesting, packing, hauling and stevedoring. The excess of the forecasted gross cash inflow over the forecasted costs of operating the plantation is the fair value of the biological assets - standing crops.

The increase (decrease) in the price, depreciation (appreciation) of ₱ against US\$, increase (decrease) in quantity and improvement (deterioration) of quality of harvested bananas would significantly result to a higher (lower) fair value.

The carrying values of biological assets amounted to nil and ₱75,704,420 as at December 31, 2014 and 2013, respectively (see Note 7).

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 country.

Pension costs amounted to ₱7,972,061 and ₱2,888,361 in 2014 and 2013, respectively, while pension liability amounted to ₱13,033,257 and ₱6,977,199 as at December 31, 2014 and 2013, 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 ₱63,957,785 and ₱59,836,178 as at December 31, 2014 and 2013, respectively (see Note 23).

The Group has temporary difference amounting to ₱374,894,856 and ₱287,232,970 as at December 31, 2014 and 2013, 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

	2014	2013
Cash on hand	₱8,272,959	₱5,084,379
Cash with banks	75,330,008	334,226,450
	₱83,602,967	₱339,310,829

Cash with banks earn interest at the respective bank deposit rates. Interest income earned from cash with banks amounted to ₱295,985, ₱2,366,896 and ₱234,785 in 2014, 2013 and 2012, respectively.

5. Trade and Other Receivables

	2014	2013
Trade receivables	₱278,085,831	₱646,006,784
Deposits to suppliers	3,811,741	69,792,136
Others	17,921,610	14,298,703
	299,819,182	730,097,623
Less allowance for impairment losses	5,783,670	14,856,558
	₱294,035,512	₱715,241,065

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:

	2014	2013
Beginning balances	₱14,856,558	₱14,775,382
Provision	–	812,907
Write-off	(9,072,888)	(731,731)
Ending balances	₱5,783,670	₱14,856,558

Provision is charged in 'Other expenses' under other income (expense) - net (see Note 19).
Receivables that were written-off directly from the accounts amounted to ₱370,512,593 and nil in 2014 and 2013, respectively.

6. Inventories

	2014	2013
At cost:		
Vegetables and fruits	₱26,976,096	₱102,102,425
Packaging materials and other supplies	43,429,771	19,035,548
	₱70,405,867	₱121,137,973

The cost of inventories recognized and included in “cost of sales and services” in the consolidated statements of income amounted to ₱2,563,669,595, ₱2,328,651,842 and ₱1,916,936,557 in 2014, 2013 and 2012, respectively (see Note 18).

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 December 31, 2014 and 2013. Accordingly, there were no provisions for impairment losses that were recognized in 2014, 2013 and 2012.

7. Biological Assets

On December 17, 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. Accordingly, the Group’s biological assets, which, in 2013, were held mostly by TRAIN, were deconsolidated in 2014 as a result of the divestment.

The Group’s biological assets as of December 31, 2014 and 2013 are as follows:

	2014	2013
Beginning balance	₱75,704,420	₱186,074,287
Additional contribution	106,019,732	73,636,055
Harvested and transferred to inventory	–	(186,074,287)
Gain on changes on fair value of biological assets	6,206,474	2,068,365
Write-off of biological assets	(18,568,365)	–
Deconsolidation due to loss of control	(169,362,261)	–
	₱–	₱75,704,420

Movements in the Group's biological assets as at December 31, 2014 and 2013 are as follows:

	2014		
	Consumable	Bearer	Total
Beginning balances	₱57,136,055	₱18,568,365	₱75,704,420
Additional	106,016,732	–	106,016,732
Changes on fair value of biological assets	6,206,474	–	6,206,474
Deconsolidation due to loss of control	(169,359,261)	–	(169,359,261)
Write-off of biological assets	–	(18,568,365)	(18,568,365)
	₱–	₱–	₱–

	2013		
	Consumable	Bearer	Total
Beginning balances	₱98,775,349	₱87,298,938	₱186,074,287
Additional	52,947,682	20,688,373	73,636,055
Harvested and transferred to inventory	(98,775,349)	(87,298,938)	(186,074,287)
Changes on fair value of biological assets	4,188,373	(2,120,008)	2,068,365
	₱57,136,055	₱18,568,365	₱75,704,420

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

	2014		
	Consumable	Bearer	Total
Fair value of biological assets	₱222,251,702	₱–	₱222,251,702
Estimated point-of-sale costs	(52,889,441)	–	(52,889,441)
Fair value less estimated point-of-sale costs	169,362,261	–	169,362,261
Previous fair value	(163,155,787)	–	(163,155,787)
Gain on changes in fair value	₱6,206,474	₱–	₱6,206,474

	2013		
	Consumable	Bearer	Total
Fair value of biological assets	₱19,610,466	₱3,599,990	₱23,210,456
Estimated point-of-sale costs	(3,922,093)	(719,998)	(4,642,091)
Fair value less estimated point-of-sale costs	15,688,373	2,879,992	18,568,365
Initial costs/transfers from advances to projects during the year	(11,500,000)	(5,000,000)	(16,500,000)
Gain on changes in fair value	₱4,188,373	(₱2,120,008)	₱2,068,365

The Group has written-off biological assets amounting to ₱18,568,365 and ₱60,358,938 in 2014 and 2013, respectively, as management has assessed that the said biological assets are deemed unrecoverable.

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

Consumables	Utilized Area (ha)	
	2014	2013
Banana	–	455
Lowland vegetables	–	115

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

Bearer Biological Assets	Utilized Area (ha)	
	2014	2013
Highland vegetables	–	5

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

The bananas, which are the agricultural produce of the standing crops, are harvested when the fruits are in a desired state of maturity, which is typically nine months after planting.

There are no biological assets that are pledged as security for liabilities and whose title is restricted as at December 31, 2014 and 2013.

8. Prepayments and Other Current Assets

	2014	2013
Input value-added tax (VAT)	₱57,041,738	₱39,754,481
Deposits	24,500,224	73,550,908
Prepaid insurance	13,947,275	20,102,688
Creditable withholding taxes (CWTs)	3,519,739	2,679,666
Prepaid rent and other current assets	1,464,394	38,973,184
	₱100,473,370	₱175,060,927

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.

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

9. Property, Plant and Equipment

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	–	(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	–	(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

December 31, 2013:

	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	₱82,442,830	₱102,551,745	₱99,073,894	₱62,674,604	₱526,474,762	₱27,600,144	₱133,328,674	₱–	₱1,034,146,653
Additions	66,709,500	33,181,892	57,021,269	6,601,531	74,121,340	5,952,693	5,868,886	–	249,457,111
Disposals	–	–	–	(12,187,150)	–	–	–	–	(12,187,150)
Restatement (Note 28)	–	–	–	–	–	–	–	78,335,965	78,335,965
Balances at December 31	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
Accumulated depreciation:									
Balances at January 1	–	11,417,910	27,407,629	16,053,063	65,567,931	10,267,819	40,384,574	–	171,100,926
Depreciation and amortization (Note 20)	–	6,500,959	6,891,888	8,324,624	23,707,898	3,225,939	22,355,344	–	71,006,652
Balances at December 31	–	17,918,869	34,299,517	24,377,687	89,275,829	13,493,758	62,739,918	–	242,105,578
Net book values	₱149,152,330	₱117,814,768	₱121,795,646	₱32,711,298	₱511,320,273	₱20,059,079	₱76,457,642	₱78,335,965	₱1,107,647,001

Fully depreciated property and equipment are retained in the books until they are no longer in use. As at December 31, 2014 and 2013, the cost of fully depreciated property and equipment still being used in operations amounted to ₱22,192,803 and ₱16,025,444, respectively. Certain assets are covered by insurance such as delivery and transportation equipment, buildings and etc. Cost of land and building located in Pulilan, Bulacan amounting to ₱187,674,048 is used as a collateral for certain loans and borrowings (see Note 15). Cost of machinery and equipment amounting to ₱101,991,392 is under finance lease.

Machinery and equipment under finance lease arrangements in which the Group is a lessee has carrying amounts amounting to ₱42,670,303, net of accumulated depreciation of ₱7,285,174 and ₱46,833,260, net of accumulated depreciation of ₱3,122,217 as at December 31, 2014 and 2013, respectively.

10. Goodwill and Other Intangible Assets

December 31, 2014:

	Trademark	Computer software	Franchise	Goodwill (Note 27)	Total
Costs:					
Beginning balances	₱250,868,550	₱4,369,525	₱9,049,750	₱535,972,702	₱800,260,527
Additions	–	2,537,382	–	–	2,537,382
Impairment	(50,684,011)	–	–	(312,615,014)	(363,299,025)
Effect of deconsolidation due to loss of control	–	–	–	(146,606,134)	(146,606,134)
Ending balances	200,184,539	6,906,907	9,049,750	76,751,554	292,892,750
Accumulated amortization and impairment:					
Beginning balances	–	1,015,975	–	–	1,015,975
Amortization	–	4,517,055	3,619,900	–	8,136,955
Ending balances	–	5,533,030	3,619,900	–	9,152,930
	₱200,184,539	₱1,373,877	₱5,429,850	₱76,751,554	₱283,739,820

December 31, 2013 (as restated, Note 28):

	Trademark	Computer software	Franchise	Goodwill (Note 27)	Total
Costs:					
Beginning balances	₱200,184,539	₱1,899,244	₱9,049,750	₱29,989,414	₱241,122,947
Additions	50,684,011	2,470,281	–	359,377,154	412,531,446
Restatement (Note 28)	–	–	–	146,606,134	146,606,134
Ending balances	250,868,550	4,369,525	9,049,750	535,972,702	800,260,527
Accumulated amortization and impairment:					
Beginning balances	–	508,277	–	–	508,277
Amortization	–	507,698	–	–	507,698
Ending balances	–	1,015,975	–	–	1,015,975
	₱250,868,550	₱3,353,550	₱9,049,750	₱535,972,702	₱799,244,552

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. Furthermore, the Group shall pay continuity fees equivalent to 5% of net revenues of each coffee house.

During the acquisition of TBC, net assets acquired includes trademark for the use of “The Big Chill” brand, amounting to ₱200,000,000 which was included in the purchase price.

In 2014, the Group has impaired Trademark and Goodwill amounting to ₱50,684,011 and ₱312,615,014, respectively, which was included in the consolidated statements of income (see Note 19).

11. Investment Property

	2014	2013
Cost at beginning and end of year	₱13,608,000	₱13,608,000
Accumulated depreciation:		
Beginning balances	3,175,200	2,268,000
Depreciation (Note 19)	907,200	907,200
Ending balances	4,082,400	3,175,200
Net book values	₱9,525,600	₱10,432,800

Investment property represents commercial condominium units being rented out to third parties. The Parent Company applies the cost model in recognizing the investment properties.

The fair value of the investment property amounted to ₱21,520,000 as at December 31, 2014 and 2013. The fair valuation was estimated through the direct market comparison approach; categorized as Level 3 which is a comparative approach that considers the sales of similar or substitute assets and related market data.

The rental income generated by investment properties amounted to ₱4,718,052, ₱2,989,841 and ₱797,588 in 2014, 2013 and 2012, respectively (see Note 19). Direct operating expenses related to the investment properties are as follows:

	2014	2013	2012
Real property tax	₱44,124	₱42,314	₱40,494
Utilities	12,209	8,850	6,750
Association dues	–	166,592	122,350
Balances at end of year	₱56,333	₱217,756	₱169,594

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.

12. 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 29). 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 29).

13. Other Noncurrent Assets

	2014	2013
Advances and deposits	₱173,572,669	₱148,834,006
Advances for land acquisition	120,097,785	120,097,785
Rental deposits and others	30,032,488	30,022,488
Deferred input VAT	7,003,916	6,027,137
	₱330,706,858	₱304,981,416

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 to ₱13.00 million and nil in 2014 and 2013, respectively.

14. Trade and Other Payables

	2014	2013
Trade payables	₱490,024,536	₱337,675,491
Nontrade payable	124,041,771	153,066,180
Current portion of the other long term liability	79,319,375	61,800,698
Accrued expenses	16,449,361	21,067,878
Customers' deposits	13,690,332	23,270,382
Accrued interest payable	16,188,533	220,000
Withholding tax payable	4,169,036	865,950
Others	21,933,797	19,325,557
	₱765,816,741	₱617,292,136

Trade payables are noninterest-bearing transactions in the ordinary course of business.

Nontrade payables pertain to outstanding liabilities to nontrade suppliers, which includes printing, transportation, and supplies.

Accrued expenses consist of accrued salaries, rentals, utilities 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.

Accrued interest payable pertains to interest in loans and redeemable and convertible loans that are usually payable on demand.

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.

Other Long Term Liability

On November 20, 2012, the Group 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, 2014 and 2013 are as follows:

	2014	2013
Payable to Tetra Pak	₱117,079,683	₱117,079,683
Less long-term portion	37,760,308	55,278,985
Current portion	₱79,319,375	₱61,800,698

15. Loans and Borrowings and Redeemable Convertible Loan

	2014	2013
<i>Foreign Currency</i>		
Loan 1	₱110,776,393	₱156,409,197
Loan 2	106,634,630	86,700,690
Others	23,382,654	–
<i>Peso Currency</i>		
Loan 3	349,950,266	318,325,000
Loan 4	218,793,000	279,300,000
Loan 5	100,000,000	100,000,000
Loan 6	75,450,000	99,122,130
Loan 7	50,000,000	50,000,000
ACEF Loan	12,554,976	13,048,625
Others (Note 21)	64,887,579	57,678,341
	1,112,429,498	1,160,583,983
Less long-term portion	(60,000,000)	(120,000,000)
Current portion	₱1,052,429,498	₱1,040,583,983

Foreign Currency Loans

The Group acquired Loan 1 with interest of 2.25 to 4% per annum payable monthly. This loan is secured by corporate guarantee amounting to ₱80,000,000 and ₱30,000,000 from FCAC and IMEX which are issued by the respective companies.

The Group availed Loan 2 bearing interest of 4% per annum payable monthly, broken down into the following credit facilities: omnibus line, domestic bills purchased lines, FX settlement line and FX pre-settlement risk line. Loan in omnibus used to finance working capital requirements regional and regional integrated checks covered by PCHC/BSP clearing in domestic bills in FX pre-settlement risk line for forward transactions to cover forward purchases/ sales of foreign currency up to a maximum of 6 months.

Other foreign loans consist of short term loans and long term bank loans such as loans with 0.55% flat rate per month secured with a personal guarantee by the Group's Director, loans with 0.4% flat rate per month and a tenor of 60 months with unlimited personal guarantee of the Group's Director and loans with 2.4% per annum over HIBOR secured with a personal guarantee by a major stockholder.

Peso Currency Loans

Loan 3 are secured by cross suretyship executed among Agninurture, Inc., First Class Agriculture Corporation, Lucky Fruit & Vegetable Products Inc and The Big Chill, Inc. and continuing suretyship executed by Best Choice Harvest Agricultural Corp. and a major stockholder. The loans bear 4.55% interest per annum which is payable monthly.

Loan 4 pertains to Short-term Loan Line (STLL), Export Packing Credit Line (EPCL), Trust Receipt Lines (TR Lines) and long-term loans currently maturing during the reporting period. These loans bears interest rates which ranges from 5% to 6.75% per annum, subject to various collaterals. These loans are used to partially finance working capital requirements and to facilitate trade transactions for fruit export and vegetable trading business of the Group. Long-term loans currently maturing during the reporting period are secured by the existing real estate mortgage as well as additional mortgage over real properties. The cost of the said real properties amounted to ₱187,674,048.

Loan 5 consists of Omnibus Line which is composed of a short term loan line, letters of credit or trust receipt, export packing credit line and stand-by letters of credit line. Term loan line is subject to the prevailing bank rate, to be re-priced and payable monthly in arrears which are for the financing of the Group's working capital requirements with a tenor up to ninety (90) days. Letters of credit is subject to the prevailing bank rate, to be re-priced and payable monthly, in arrears which is for financing the Group's importation requirements with a maximum tenor up to one hundred eighty (180) days inclusive of issuance period. Export packing credit lines subject at prevailing bank rate to be re-priced monthly or as agreed upon and payable, in arrears which is to finance the Group's export requirements with a tenor not exceeding ninety (90) days. The maximum tenor of the loans is up to three hundred sixty (360) days while the stand-by letter of credit line is subject to standard bank charges has a tenor of a maximum of three hundred and sixty (360) days. Interest rate per annum is 5% payable monthly. Loans are secured by the continuing surety to be executed by a stockholder.

Loan 6 consists of revolving credit lines such as omnibus line, domestic bills purchased line, FX settlement line and FX pre-settlement risk line. This is for the purpose of financing working capital requirements. The loan has securities such as the Joint Surety Security (JSS) by a major stockholder and Corporate Guaranty of Agrinurture, Inc. Interest is to be paid at the end of every month. Interest on dollar loan is based on LIBOR plus 2% divided by 0.9 while peso loan is based on the prevailing market rate.

Loan 7 pertains to promissory note availed that was granted last September 16, 2014. Interest of the loan is at the rate of 8.50% per annum. If the Group defaults in the payment of installment and interest, the entire amount shall be immediately become due and payable. In case of non-payment when due, the Group will pay as penalty an additional sum equivalent to thirty six (36%) per annum of the amount due, until fully paid, exclusive of judicial and extra-judicial expenses. The loan is secured with a pledge of 25,000,000 shares of stock of Agrinurture, Inc. equivalent to 2:1.

The Group assumed a noninterest-bearing loan during the acquisition of Fruitilicious, Inc., from the Agricultural Competitiveness Enhancement Fund (ACEF) of the Department of Agriculture through the chosen conduit bank, Land Bank of the Philippines for the additional working capital and expansion of fruit processing facilities. The loan is payable quarterly within five (5) years starting September 2005 to June 2009. Due to unfavorable effects of economic conditions, the Group proposed to pay the ACEF loan with quarterly payments of ₱100,000. The Department of Agriculture subsequently approved the proposal in September 2012.

The schedule of future principal payments are as follows:

	2014	2013
2014	₱-	₱1,040,583,983
2015	1,052,429,498	60,000,000
2016	60,000,000	60,000,000
	₱1,112,429,498	₱1,160,583,983

Interest expense incurred on the above loans amounted to ₱70,213,033 and ₱56,554,415 and ₱35,564,234 in 2014, 2013 and 2012, respectively.

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”):

- Common shares of ANI at the applicable conversion price depending on the net income of the Group.
- 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 from 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.

Interest expense incurred on the above loan amounted to ₱11,275,000 in 2014.

16. Capital Stock

	2014		2013	
	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	535,693,037	535,693,037

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

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

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

- b. On July 3, 2014, the Group executed a subscription agreement with Greenery Holdings, Inc. (GHI) for 85,990,533 primary common shares of the Group at the issue price of ₱3 per share or a total subscription price of ₱257,971,599 payable in full upon execution. The subscription was approved by the BOD on May 26, 2014.

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

Subscriber	Nationality	Number of shares	Subscribed Amount	Amount paid-in capital	Premium
Greenery Holdings, Inc.	Filipino	85,990,533	₱257,971,599	₱85,990,533	₱171,981,066

The following shows the movement of the capital stock and additional paid-in capital during the year:

	Number of shares	Capital stock	Additional paid-in capital, net of transaction cost
Issued and subscribed shares at beginning of the year	535,693,037	₱535,693,037	₱2,158,742,461
Subscribed on July 3, 2014	85,990,533	85,990,533	171,981,066
Issued and subscribed shares at end of the year	621,683,570	₱621,683,570	₱2,330,723,527

17. 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.

	2014	2013	2012
Net loss shown in the statements of income under continuing operations	(P1,216,989,899)	(P78,494,099)	(P798,346,293)
Net loss shown in the statements of income	(P1,194,032,967)	(P78,494,099)	(P798,346,293)
Weighted average number of common shares	578,688,304	535,693,037	535,693,037
Basic and diluted loss per share from continuing operations	(P2.10)	(P0.15)	(P1.49)
Basic and diluted loss per share	(P2.06)	(P0.15)	(P1.49)

18. Cost of Sales and Services

	2014	2013	2012
Inventories at January 1	P121,137,973	P134,863,797	P155,442,289
Harvested agricultural produce (Note 7)	–	186,074,286	283,717,202
Purchases and conversion cost	2,512,937,489	2,128,851,732	1,612,640,863
Cost of goods available for sale	2,634,075,462	2,449,789,815	2,051,800,354
Inventories at December 31 (Note 6)	(70,405,867)	(121,137,973)	(134,863,797)
Cost of sales	2,563,669,595	2,328,651,842	1,916,936,557
Cost of services	24,283,031	19,421,580	27,788,221
	P2,587,952,626	P2,348,073,422	P1,944,724,778

Depreciation included as part of cost of services amounted to P4,936,102, P2,084,523 and P1,908,327 as at December 31, 2014, 2013 and 2012, respectively.

19. Other Income (Expense) - net

	2014	2013	2012
<i>Other operating expense</i>			
Impairment and write-off (Notes 5, 7, 8, 10 and 13)	P792,427,500	P–	P–
Foreign exchange losses	7,860,386	–	–
Loss on sale of property and equipment	272,986	–	–
Other expenses	35,084,014	4,030,713	374,005,508
	835,644,886	4,030,713	374,005,508

(Forward)

	2014	2013	2012
<i>Other operating income</i>			
Interest income	₱19,232,774	₱24,151,884	₱2,025,211
Gain as a result of loss of control on a subsidiary (Note 29)	5,435,000	—	—
Rental income (Note 11)	4,718,052	2,989,841	797,588
Gain in change in fair value of biological assets	—	2,068,365	26,197,643
Gain on sale of property and equipment	—	5,043,898	—
Foreign currency gains	—	10,019,437	720,270
Other income	232,205	16,306,790	4,745,509
	29,618,031	60,580,215	34,486,221
Other income (expenses) - net	(₱806,026,855)	₱56,549,502	(₱339,519,287)

20. General and Administrative Expenses

	2014	2013	2012
Salaries, wages and other employee benefits	₱312,132,334	₱227,115,062	₱57,261,608
Depreciation and amortization (Notes 9, 10 and 11)	119,605,543	70,337,027	67,180,424
Freight and handling cost	107,769,137	100,287,608	45,115,511
Rentals (Note 26)	96,289,460	61,151,307	38,073,704
Supplies	35,840,514	35,413,163	20,597,902
Transportation and travel	28,719,192	9,111,394	29,361,161
Communication, light and water	26,897,913	24,322,122	20,585,915
Professional fees	26,602,448	28,529,135	4,866,831
Contracted services	21,958,980	47,284,054	46,235,555
Repairs and maintenance	17,352,801	9,241,695	7,146,530
Commissions	15,934,932	14,379,610	1,345,392
Taxes and licenses	12,828,781	18,006,940	14,450,180
Advertising	11,739,545	9,699,426	28,632,303
Representation and entertainment	8,483,704	3,189,630	6,785,085
Insurance	5,489,721	4,801,641	5,654,237
Bank charges	4,130,738	1,469,497	4,523,390
Dues and subscription	2,741,247	2,370,589	1,901,695
Others	22,945,035	11,994,401	1,440,000
	₱877,462,025	₱678,704,301	₱401,157,423

Salaries, wages and other employee benefits include pension cost amounting to ₱5,680,313, ₱2,899,424 and ₱1,618,591 in 2014, 2013 and 2012, respectively.

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, 2014 and 2013 are as follows:

Category	Amount/ Volume	Outstanding Balances	Terms	Conditions
<i>Advances to related parties</i>				
<i>Stockholder</i>				
Advances to a stockholder			Collectible in cash and on demand,	Unsecured,
2014	₱551,936,577	₱1,605,282,582	noninterest-bearing	not guaranteed
2013	—	1,179,908,125		no impairment
<i>Officers and employees</i>				
Advances to officers and employees			Collectible in cash and on demand,	Unsecured,
2014	7,946,826	7,946,826	noninterest-bearing	not guaranteed
2013	—	171,000		no impairment
<i>Under common control</i>				
Earthright Holdings, Phils Inc.			Collectible in cash and on demand,	Unsecured,
2014	4,420,000	4,220,000	noninterest bearing-	not guaranteed
2013	—	—	Collectible in cash and on demand,	Unsecured,
			noninterest bearing-	not guaranteed
Agricultural Bank of the Philippines, Inc.			Collectible in cash and on demand,	Unsecured,
2014	4,094,305	4,094,305	noninterest bearing-	not guaranteed
2013	—	—	Collectible in cash and on demand,	Unsecured,
			noninterest bearing	not guaranteed
Total 2014	₱568,397,708	₱1,621,543,713		
Total 2013	—	1,180,079,125		
<i>Advances from related parties</i>				
<i>Greenergy Holdings, Inc.</i>				
2014	₱41,756,368	₱43,005,618	Payable in cash and on demand	Unsecured,
2013	—	1,249,250	noninterest bearing	not guaranteed
<i>Stockholder</i>				
2014	30,000,000	30,000,000	Payable in cash and on demand	Unsecured,
2013	—	—	noninterest bearing	not guaranteed
Total 2014	₱71,756,368	₱73,005,618		
Total 2013	—	1,249,250		

Category	Amount/ Volume	Outstanding Balances	Terms	Conditions
<i>Loans and borrowings</i>				
Loans from stockholders			Payable in cash and on demand noninterest bearing	Unsecured, not guaranteed
2014	₱15,000,000	₱15,000,000		
2013	—	—	Payable in cash and on demand noninterest bearing	Unsecured, not guaranteed
Loans from stockholders			Payable in cash, 3% interest bearing	Unsecured, not guaranteed
2014	4,000,000	4,000,000		
2013	—	—	Payable in cash, 3% interest bearing	Unsecured, not guaranteed
Total 2014	₱19,000,000	₱19,000,000		
Total 2013	—	—		

a. Advances from a 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 from 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 15).

Interest expense related to this loan amounted to ₱120,000 for 2014, nil in 2013 and 2012.

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 comprehensive income amounted to ₱15,049,162 and ₱7,963,411 in 2014 and 2013, 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:

	2014	2013
<i>Charged to profit and loss:</i>		
Current service cost	₱3,948,377	₱2,297,854
Net interest cost	478,318	231,336
Adjustment due to curtailment	1,253,618	370,234
	5,680,313	2,899,424
<i>Charged (credited) to other comprehensive income:</i>		
Net actuarial loss (gain) - defined benefit obligation	2,291,748	(11,063)
	₱7,972,061	₱2,888,361

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

	2014	2013
Balances at beginning of year	₱6,977,199	₱5,249,535
Pension costs	5,680,313	2,899,424
Benefits paid by the Group	(1,916,003)	(1,160,697)
Amount recognized in other comprehensive income	2,291,748	(11,063)
Pension liability	₱13,033,257	₱6,977,199

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:

	2014	2013
Discount rate	4.60%	6.00%
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%	(P65,166)
	-0.50%	65,166
Rate of salary increase	+0.50%	65,166
	-0.50%	(65,166)

The Group's latest actuarial valuation report is as at and for the year ended December 31, 2014.

23. Income Taxes

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

	2014	2013 (As restated, Note 28)	2012
Current	P4,917,021	P30,064,245	P18,517,139
Deferred	12,459,893	(49,556,642)	(65,691,007)
	P17,376,914	(P19,492,397)	(P47,173,868)

- b. The reconciliation of provision for (benefit from) income tax for 2014 and 2013 applicable to income before income tax computed at the statutory income tax rates to provision for deferred income tax follows:

	2014	2013 (As restated, Note 28)	2012
Provision for income tax computed at the statutory tax rate	(P359,883,896)	(P29,395,949)	(P253,656,048)
Tax effects of:			
Changes in unrecognized deferred income tax assets	57,439,232	31,396,696	208,021,816
Nontaxable income	(15,851,907)	(29,808,055)	(1,501,511)
Nondeductible expenses	335,762,281	9,187,410	39,482
Interest income subject to final tax	(88,796)	(710,069)	(70,436)
Royalty income subject to final tax	–	(161,607)	–
Income subject to income tax holiday	–	(823)	(7,171)
	P17,376,914	(P19,492,397)	(P47,173,868)

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

	2014	2013
Deferred income tax assets:		
NOLCO	₱46,159,842	₱48,170,049
Excess MCIT over RCIT	11,662,345	8,000,032
Impairment of assets	486,412	–
Unrealized franchise fee	187,500	187,500
Pension cost	5,461,686	3,478,597
	63,957,785	59,836,178
Deferred income tax liabilities:		
Gain on changes in fair value of biological assets	–	39,222,418
Remeasurement of pension liability	687,524	11,284
	687,524	39,233,702
Net deferred income tax assets	₱63,270,261	₱20,602,476

- d. The components of unrecognized deferred income tax assets as at December 31, 2014 and 2013 are as follows:

	2014	2013
NOLCO	₱362,669,980	₱283,000,715
Excess MCIT	6,441,206	3,860,948
Impairment loss on trade receivables	5,783,670	–
Pension liability	–	371,307
	₱374,894,856	₱287,232,970

The Group reviews deferred income tax assets at each financial reporting date and recognized these to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Deferred income tax assets were recognized as at December 31, 2014 for the NOLCO amounting to ₱153,866,140 as management believes that the carry forward benefit would be realized in its future operations.

- e. As at December 31, 2014, 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
2014	2017	₱160,098,059	₱6,242,571
2013	2016	206,144,889	7,410,003
2012	2015	150,293,172	4,450,977
		₱516,536,120	₱18,103,551

Movements in NOLCO in 2014 and 2013 are as follows:

	2014	2013
Beginning balances	₱443,567,545	₱320,173,036
Additions	160,098,059	206,144,889
Expirations	(87,129,484)	(82,750,380)
Ending balances	₱516,536,120	₱443,567,545

Movements in MCIT in 2014 and 2013 are as follows:

	2014	2013
Beginning balances	₱11,860,980	₱5,234,958
Additions	6,242,571	7,410,003
Expirations	–	(783,981)
Ending balances	₱18,103,551	₱11,860,980

- f. The Group did not avail of the optional standard deduction in 2014 and 2013.

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 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 December 31, 2014 and 2013 based on undiscounted payments:

2014	Less than three months	Three to twelve months	One to five years	Total
<i>Loans and borrowings</i>				
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	667,333,373	400,780,590	61,946,250	1,130,060,213
Redeemable and convertible note	384,000,000	–	–	384,000,000
Other current liabilities	88,935,400	–	–	88,935,400
Lease payable	–	66,205,905	103,343,605	169,549,510
	₱1,736,667,440	₱691,550,819	₱165,289,855	₱2,593,508,114

*Loans payable inclusive of future interest.

2013	Less than three months	Three to twelve months	One to five years	Total
<i>Loans and borrowings</i>				
Trade and other payables	₱572,087,926	₱21,067,878	₱–	₱593,155,804
Advances from related parties	1,249,250	71,756,368	–	73,005,618
Loans payable	60,833,729	1,043,227,233	120,000,000	1,224,060,962
Redeemable and convertible note	–	335,000,000	–	335,000,000
Other current liabilities	36,452,707	–	–	36,452,707
Lease payable	–	54,225,259	90,699,441	144,924,700
	₱670,623,612	₱1,525,276,738	₱210,699,441	₱2,406,599,791

**Loans payable inclusive of future interest.*

The interest portion of loans payable and redeemable and convertible note which amounted to ₱4,913,533 and ₱220, 000 as at December 31, 2014 and 2013, 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, 2014 and 2013:

2014	Less than three months	Three to twelve months	One to five years	Total
Cash	₱83,602,967	₱–	₱–	₱83,602,967
Trade and other receivables	278,788,946	15,246,566	₱–	294,035,512
Advances to related parties	1,621,543,713	–	–	1,621,543,713
	₱1,983,935,626	₱15,246,566	₱–	₱1,999,182,192

2013	Less than three months	Three to twelve months	One to five years	Total
Cash	₱339,310,829	₱–	₱–	₱339,310,829
Trade and other receivables	660,305,487	69,792,136	₱–	730,097,623
Advances to related parties	1,009,504,125	370,575,000	–	1,380,079,125
	₱2,009,120,441	₱440,367,136	₱–	₱2,449,487,577

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 December 31, 2014 and 2013:

	2014	2013
Cash with banks	₱75,330,008	₱334,226,450
Trade and other receivables	294,035,512	715,241,065
Advances to related parties	1,621,543,713	1,180,079,125
	₱1,990,909,233	₱2,229,546,640

Except for the Group's trade and other receivables amounting to ₱15,246,566 and ₱69,792,136 and advances to related parties amounting to ₱370,575,000 and nil, which are past due but not impaired by 30-90 days, as at December 31, 2014 and 2013, respectively, all financial assets are classified as neither past due nor impaired.

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, 2014 and 2013:

2014	Neither past due nor impaired		Past due or impaired	Total
	High Grade	Standard Grade		
Cash with banks	₱75,330,008	₱–	₱–	₱75,330,008
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
Total	₱1,981,575,563	₱3,550,000	₱5,783,670	₱1,990,909,233

2013	Neither past due nor impaired		Past due or impaired	Total
	High Grade	Standard Grade		
Cash with banks	₱334,226,450	₱–	₱–	₱334,226,450
Trade and other receivables	58,597,709	641,786,797	14,856,559	715,241,065
Advances to related parties	1,180,079,125	–	–	1,180,079,125
Total	₱1,572,903,284	₱641,786,797	₱14,856,559	₱2,229,546,640

- 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 US Dollar denominated financial assets and financial liabilities:

2014										
	AUD	Peso Equivalent	Euro €	Peso Equivalent	RMB\$	Peso Equivalent	HKD	Peso Equivalent	US\$	Peso Equivalent
Financial Assets:										
Cash with banks	AU\$526,376	P19,058,145	€43,961	P2,388,813	SG\$–	P–	HK\$3,665,836	P21,074,526	US\$232,990	P10,419,292
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)	(P174,912,006)	(€214,843)	(P11,674,370)	SG\$–	P–	(HK\$75,091,124)	(P431,691,365)	US\$673,578	P30,122,387
2013										
	AUD	Peso Equivalent	Euro €	Peso Equivalent	RMB\$	Peso Equivalent	HKD	Peso Equivalent	US\$	Peso Equivalent
Financial Assets:										
Cash with banks	AU\$72,784	P5,305,145	€–	P–	SG\$–	P–	HK\$6,492,026	P2,752,619	US\$781,943	P34,714,348
Trade and other receivables	899,331	65,551,237	–	–	–	–	–	–	3,440,878	152,757,799
	972,115	70,856,382	–	–	–	–	6,492,026	2,752,619	4,222,821	187,472,147
Loans and borrowings										
Trade and other payables	18	1,312	1,102,606	67,056,086	59,572	2,084,960	90,000	38,160	420,859	18,684,035
Bank loans	–	–	–	–	–	–	–	–	6,312,000	280,221,240
Loans payable	–	–	–	–	–	–	–	–	34,190,000	1,517,865,050
	18	1,312	1,102,606	67,056,086	59,572	2,084,960	90,000	38,160	40,922,859	1,816,770,325
Net Financial Liabilities	AU\$972,097	P70,855,070	(€1,102,606)	(P67,056,086)	(SG\$59,572)	(P2,084,960)	HK\$6,402,026	P2,714,459	(US\$36,700,038)	(P1,629,298,178)

The equivalent exchange rates of one foreign currency in Philippine peso as at December 31, 2014 and 2013 are as follow:

	2014	2013
AUD	₱36.21	₱39.46
Euro €	54.34	60.82
RMB\$	7.18	7.31
HKD	5.75	5.73
US\$	44.72	44.39

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 2014 and 2013 are as follows:

	2014		2013	
Currency	Philippine peso strengthens (weakens) by	Increase (decrease) in pre-tax income	Philippine peso strengthens (weakens) by	Increase (decrease) in pre-tax loss
AUD	1.28 (0.92)	(₱6,183,658) 4,444,504	0.93 (0.88)	(₱894,329) 855,445
Euro €	0.84 (0.65)	180,468 (139,647)	1.04 (0.81)	1,146,710 (893,110)
RMB\$	— —	— —	0.12 (0.13)	7,148 (7,744)
HKD	0.04 (0.08)	3,003,644 (6,007,289)	0.09 (0.09)	(576,182) 576,182
US\$	0.33 (0.40)	152,902 (338,809)	0.55 (0.66)	572,469 (686,963)

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, 2014 and 2013 are as follow:

	2014	2013
Advances from related parties	₱73,005,618	₱1,249,250
Capital stock	621,683,570	535,693,037
Additional paid-in capital	2,330,723,527	2,158,742,461
Total Capital	₱3,025,412,715	₱2,695,684,748

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.

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).

The fair value of biological assets as at December 31, 2013 was classified under Level 3. No transfers between any level of the fair value hierarchy took place in the equivalent comparative period.

26. Lease Agreements

Operating Lease Commitments

The Group leases the office spaces and store branches under lease agreements usually for a period ranging from one (1) to five (5) years, renewable. Renewals are subject to the mutual consent of the lessor and the lessee.

Rent expense pertaining to these leases amounted to ₱96,289,460, ₱61,151,307 and ₱38,073,704 in 2014, 2013 and 2012, respectively.

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

	2014	2013
Within one (1) year	₱22,823,388	₱24,658,307
After 1 year but not more than five (5) years	10,717,246	26,761,583
	₱33,540,634	₱51,419,890

Finance Lease Commitments

The Group has a long-term lease agreements for vehicles and machineries. The lease agreements bear interest rates ranging from 5% to 10% and terms ranging from three (3) to five (5) years.

The components of the lease obligations as at December 31, 2014 and 2013 are as follows:

	2014	2013
Gross finance lease obligation		
Less than one year	₱53,839,806	₱49,428,140
Between one and five years	120,081,062	133,861,404
	173,920,868	183,289,544
Less interest	4,371,358	38,364,844
Present value of future minimum lease payments	169,549,510	144,924,700
Less current portion	66,205,905	54,225,259
	₱103,343,605	₱90,699,441

27. 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	<u>₱9,075,224</u>
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

(Forward)

	Fair Values	Carrying Values
Deferred income tax liability	(P30,742,617)	P-
Total identifiable net assets	667,566,403	891,943,388
Percentage acquired	51%	51%
Share on net assets acquired	340,458,866	P454,891,128
Goodwill arising on acquisition	146,606,134	
Purchase consideration transferred	P487,065,000	

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	P16,691,693	P16,691,693
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)	(P65,305,876)
Goodwill arising on acquisition	167,930,876	
Cash consideration transferred	P102,625,000	

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, LFPVI acquired one hundred percent (100%) interest in GANA, a company registered in the Philippines, primarily engaged in the business of manufacturing, importing, bartering, distributing, selling on wholesale or retail, and otherwise dealing in all kinds of goods, commodities, merchandise and wares.

Acquisition of 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 and ₱535,972,702 as at December 31, 2014 and 2013, 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.

28. Restatement and Reclassification

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. This acquisition transaction, including the asset contributed into TRAIN, constitute a business acquisition under PFRS 3, *Business Combinations*. The accounting for the net assets acquired including goodwill for this business combination was determined provisionally as the Group is still finalizing the fair valuation of the said net assets. In 2014, the fair valuation of the net assets acquired was finalized, including the goodwill, as presented in Note 27. The business combination has been applied retrospectively and accordingly, the following restatements and reclassification were effected on the 2013 consolidated financial statements:

- a. Recognition of noncontrolling interest from the business combination in TRAIN amounting to ₱213.31 million in 2013.
- b. Recognition of goodwill from the business combination in TRAIN amounting to ₱146.61 million in 2013.
- c. Derecognition of unrealized gain in fair value movement of biological assets amounting to ₱144.20 million in 2013.
- d. Reclassification of advances made by a noncontrolling owner to noncontrolling interest amounting to ₱86.23 million in 2013.
- e. Recognition of leasehold rights from the contribution of co-owner in TRAIN amounting to ₱78.34 million in 2013.
- f. Reclassification of advances made previously recorded as biological assets amounting to ₱48.78 million in 2013.
- g. Derecognition of deferred income tax liabilities from the unrealized gain in fair value movement of biological assets amounting to ₱43.26 million in 2013.
- h. Recognition of deferred income tax liabilities from the business combination in TRAIN amounting to ₱30.74 million in 2013.
- i. Reclassification of current income tax and deferred income tax amounting to ₱19.35 million in 2013.
- j. Recognition of biological assets amounting to ₱19.11 million in 2013.

The prior period adjustments have no impact in the 2012 consolidated financial statements.

Addition in the 2013 basic and diluted loss per share from the above prior period restatements amounted to ₱0.18.

29. Discontinued Operations

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 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 17, 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 closing date for the acquisition was on December 19, 2014, accordingly, the TRAIN accounts were deconsolidated from the Group, as a result of the divestment.

Results of Discontinued Operations

The results of TRAIN for the period ended December 19, 2014 follows:

	2014
REVENUES	
Sales	₱314,845,709
Change in fair value less estimated costs to sell of biological assets	6,206,474
	321,052,183
Direct cost and expenses	(197,127,529)
Gross profit	123,924,654
General and administrative expenses	(90,749,224)
Interest expense	(821,918)
Unrealized foreign exchange gain	284,219
Interest income	19,177
Others	133,881
Income before income tax from discontinued operations	32,790,789
Provision from income tax	(9,833,857)
NET INCOME	₱22,956,932
Net income attributable to:	
Equity holders of the parent company	₱11,708,035
Noncontrolling interest	11,248,897
	₱22,956,932

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

	2014	2013
Net income from discontinued operations attributable to equity holders of the Parent Company	₱11,708,035	₱-
Weighted average number of outstanding common shares	578,688,304	535,693,037
Basic earnings per share	₱0.02	₱-

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

	2014	2013
Net income from discontinued operations attributable to equity holders of the Parent Company	₱11,708,035	₱-
Weighted average number of outstanding common shares	578,688,304	280,577,263
Diluted earnings per share	₱0.02	₱-

Cash Flows of Discontinued Operations

The cash flows generated from (used in) discontinued operations of TRAIN for the period ended December 17, 2014 and for the year ended December 31, 2013 follows:

	2014	2013
Net cash flows from operating activities	₱212,929,354	₱-
Net cash flows used in investing activities	(454,443,379)	(44,281,341)
Net cash flows from financing activities	245,599,616	86,781,341
Net cash inflow	₱4,085,591	₱42,500,000

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

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

	2014
Current Assets	
Cash	₱46,585,591
Trade and other receivables	82,671,638
Inventories	3,327,817
Biological assets	169,477,061
Other current assets	9,386,667
Noncurrent Assets	
Property and equipment	628,551,115
Goodwill	100,310,936
Current Liabilities	
Accounts and other payables	(393,188,854)
Notes payable	(18,000,000)
Noncurrent Liability	
Deferred income tax liabilities	(51,543,539)
NET ASSETS	577,578,432
NONCONTROLLING INTEREST	(283,013,432)
NET ASSETS DISPOSED OF	294,565,000
CONSIDERATION	300,000,000
GAIN FROM SALE OF TRAIN (Note 19)	₱5,435,000
NET CASH OUTFLOW FROM DISPOSAL	
Cash consideration already received	₱25,000,000
Cash disposed of	(46,585,591)
	(₱21,585,591)

The consideration includes cash received of ₱25.00 million.

Net gain on sale arising from the transaction amounted to ₱5.38 million, net of applicable tax of ₱54,230.

30. 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, 2014							
	Sourcing	Exports	Distribution	Retail	Foreign Trading	Others	Eliminations	Total
External customers	₱6,765,909	₱493,554,033	₱210,157,153	₱106,923,127	₱2,172,669,274	₱162,951,073	₱-	₱3,153,020,569
Inter-segment revenues	36,448	71,024,909	20,675,728	-	-	10,025,958	(101,763,043)	-
Total revenues	6,802,357	564,578,942	230,832,881	106,923,127	2,172,669,274	172,977,031	(101,763,043)	3,153,020,569
Cost of sales	9,429,755	402,174,579	172,383,861	42,213,408	1,712,068,421	123,636,528	101,763,043	2,563,669,595
Cost of services	-	-	-	-	(653,478)	24,936,509	-	24,283,031
Segment operating earnings (loss)	(₱2,627,398)	₱162,404,363	₱58,449,020	₱64,709,719	₱461,254,331	₱24,403,994	(₱203,526,086)	₱565,067,943
General and administrative	₱10,713,088	₱149,932,807	₱110,221,217	₱89,949,006	₱442,057,797	₱74,588,110	-	₱877,462,025
Finance income	248,967	14,471	13,987	309	6	18,245	-	295,985
Finance expense	5,207,964	50,790,047	25,194,832	-	-	295,190	-	81,488,033
Other operating income (expense)	(1,047,351,088)	(240,950,940)	(112,993,223)	4,491,570,794	(10,098,609,243)	(113,452,900)	6,315,759,742	(806,026,855)
Provision for (benefit from) income tax	12,609,774	422,720	1,029,801	75,447	(516,462)	352,170	3,403,464	17,376,914
Net loss attributable to equity holders of the parent	(116,252,773)	(301,748,289)	(147,406,593)	(56,095,774)	(155,759,303)	(12,149,940)	(375,053,597)	(1,164,466,269)
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	₱-	₱513,831,942
Depreciation and amortization	13,496,121	62,524,573	7,618,523	23,644,158	12,203,287	5,054,983	-	124,541,645

December 31, 2013 (As restated, Note 28)

	Farming and sourcing	Exports	Distribution	Retail	Foreign Trading	Others	Eliminations	Total
External customers	₱232,193,506	₱390,674,889	₱199,113,048	₱180,122,314	₱1,875,571,893	₱48,753,594	₱–	₱2,926,429,244
Inter-segment revenues	–	–	398,318,897	–	–	75,055,210	(473,374,107)	–
Total revenues	232,193,506	390,674,889	597,431,945	180,122,314	1,875,571,893	123,808,804	(473,374,107)	2,926,429,244
Cost of sales	222,392,522	264,145,704	446,274,839	92,213,421	1,681,319,266	89,279,401	(466,973,311)	2,328,651,842
Cost of services	–	–	–	–	–	19,421,580	–	19,421,580
Segment operating earnings	₱9,800,984	₱126,529,185	₱151,157,106	₱87,908,893	₱194,252,627	₱15,107,823	(₱6,400,796)	₱578,355,822
General and administrative	₱29,544,869	₱139,399,681	₱136,495,732	₱151,298,574	₱199,592,126	₱31,151,469	(₱8,778,150)	₱678,704,301
Finance income	2,153,581	45,262	18,145	9,037	127,860	13,011	–	2,366,896
Finance expense	2,742,695	24,677,415	27,927,699	102,720	769,065	334,821	–	56,554,415
Other operating income (expense)	2,221,536	5,145,984	7,759,366	2,017,561	42,024,604	804,838	(3,424,387)	56,549,502
Provision for (benefit from) income tax	(3,602,903)	(6,436,693)	(1,091,887)	(12,227,357)	7,170,192	(3,095,463)	(208,286)	(19,492,397)
Net income (loss) attributable to equity holders of the parent	(75,800,251)	59,268,531	(16,742,929)	(79,614,486)	(15,109,966)	32,863,036	–	(95,136,065)
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	₱–	₱9,498,137	₱–	₱302,611,403
Depreciation and amortization	3,062,024	7,188,706	1,865,525	13,159,334	45,879,850	1,266,111	–	72,421,550

December 31, 2012

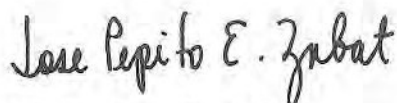
	Farming and sourcing	Exports	Distribution	Retail	Foreign Trading	Others	Eliminations	Total
External customers	₱432,822,603	₱512,553,624	₱1,068,147,851	₱110,265,778	₱56,111,050	₱150,046,079	₱-	₱2,329,946,985
Inter-segment revenues	-	-	503,042,312	-	-	70,808,974	573,851,286	-
Total revenues	432,822,603	512,553,624	1,571,190,163	110,265,778	56,111,050	220,855,053	573,851,286	2,329,946,985
Cost of sales	416,191,594	411,972,599	891,044,521	69,625,324	36,197,134	91,905,385	-	1,916,936,557
Cost of services	-	-	-	-	-	27,788,221	-	27,788,221
Segment operating earnings	₱16,631,009	₱100,581,025	₱680,145,642	₱40,640,454	₱19,913,916	₱101,161,447	(₱573,851,286)	₱385,222,207
General and administrative	₱33,244,995	₱101,070,468	₱189,433,396	₱32,043,502	₱12,454,569	₱32,910,493	₱-	₱401,157,423
Finance income	-	108,874	68,775	24,189	-	32,947	-	234,785
Finance expense	6,268,144	17,531,692	11,744,653	-	19,745	-	-	35,564,234
Gain (loss) on biological assets	(454,736,209)	-	-	-	-	-	-	(454,736,209)
Other operating income (expense)	(109,634,588)	(232,746,787)	928,204	1,188,639	733,645	11,600	-	(339,519,287)
Provision for (benefit from) income tax	(42,271,179)	(4,265,300)	(935,443)	157,305	140,749	-	-	(47,173,868)
Net income (loss) attributable to equity holders of the parent	(550,878,497)	(240,496,999)	(22,142,297)	9,652,475	8,173,248	37,219,058	-	(758,473,012)
Segment assets	667,613,703	1,786,490,241	569,706,298	266,755,452	55,432,244	183,959,035	-	3,529,956,973
Deferred income tax assets – net	8,135,802	6,123,803	3,615,260	1,523,389	-	1,594,645	-	20,992,899
Total assets	₱675,749,505	₱1,792,614,044	₱573,321,558	₱268,278,841	₱55,432,244	₱185,553,680	₱-	₱3,550,949,872
Segment liabilities	₱398,376,986	₱295,391,992	₱365,771,408	₱158,506,201	(₱42,107,645)	₱57,860,803	₱-	₱1,233,799,745
Deferred income tax liabilities – net	7,859,292	-	-	-	-	-	-	7,859,292
Total liabilities	₱406,236,278	₱295,391,992	₱365,771,408	₱158,506,201	(₱42,107,645)	₱57,860,803	₱-	₱1,241,659,037
Capital expenditures	₱35,014,992	₱67,292,962	₱-	₱26,066,210	₱-	₱4,815,121	₱-	₱133,189,285
Depreciation and amortization	12,880,799	31,719,177	6,955,282	9,577,506	-	7,955,987	-	69,088,751

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, 2014 and 2013 and for the years then ended, included in this Form 17-A, and have issued our report thereon dated April 29, 2015. 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 III
Partner
CPA Certificate No. 85501
SEC Accreditation No. 0328-AR-2 (Group A),
March 1, 2012, valid until April 30, 2015
Tax Identification No. 102-100-830
BIR Accreditation No. 08-001998-60-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 4751344, January 5, 2015, Makati City

April 29, 2015



AGRINURTURE, INC. AND SUBSIDIARIES

INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

- Schedule I: Supplementary schedules required by Annex 68-E
Schedule II: Reconciliation of Retained Earnings Available for Dividend Declaration (Part 1, 4C; Annex 68-C)
Schedule III: Map of the relationships of the companies within the group (for investments houses that are part of a conglomerate; Part 1, 4H)
Schedule IV: Schedule of all effective standards and interpretation (Part 1, 4J)



AGRINURTURE, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2014

Schedule A. Financial Assets

Loans and receivables

	Beginning balance	Additions	Collections	Amounts written-off	Ending balance
Cash	₱339,310,829	₱1,947,550,198	(₱2,203,258,060)	₱—	₱83,602,967
Trade and other receivables	515,241,065	3,153,020,569	(2,997,929,859)	(370,512,593)	299,819,182
Advances to related parties	1,380,079,125	241,464,588	—	—	1,621,543,713
Refundable deposits included in “Other current assets”	73,550,908	—	(49,050,684)	—	24,500,224
	₱2,308,181,927	₱5,342,035,355	(₱5,250,238,603)	(₱370,512,593)	₱2,029,466,086



AGRINURTURE, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2014

Schedule B. Amounts Receivable from Directors, Officers, Employees, and Principal Stockholders (Other than Related Parties)

Name and designation of debtor	Beginning balances	Additions	Amounts collected	Amounts written off	Current	Not current	Ending balances
Advances to Officers and Employees	₱171,000	₱16,090,131	₱-	₱-	₱-	₱-	₱16,261,131
Advances to a Stockholder	1,178,658,875	551,936,577	-	-	-	-	1,730,595,452



AGRINURTURE, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2014

Schedule C. Amounts Receivable from Related Parties which are eliminated during the Consolidation of Financial Statements

Name and designation of debtor	Beginning balances	Additions	Amounts collected	Amounts written-off	Current	Not current	Ending balances
IMEX	P-	P22,395,815	P-	P-	P-	P-	P22,395,815
ANI	-	4,187,839	-	-	-	-	4,187,839
TBC	-	1,463,610	-	-	-	-	1,463,610
FFCI	11,067,680	19,171,342	(28,828,297)	-	-	-	1,410,725
FI	2,679,267	4,092,479	(6,771,746)	-	-	-	-
QLTS	8,343,454	13,028,703	(21,372,157)	-	-	-	-
	P22,090,401	P64,339,788	(P56,972,200)	P-	P-	P-	P29,457,989



AGRINURTURE, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2014

Schedule D. Intangible Assets - Other Noncurrent Assets

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other charges additions (deductions)	Ending balance
Trademark	₱250,868,550	₱—	(₱50,684,011)	₱—	₱—	₱200,184,539
Computer software	4,369,525	2,537,382	(5,533,030)	—	—	1,373,877
Franchise	9,049,750	—	(3,619,900)	—	—	5,429,850
Goodwill	535,972,702	—	(312,615,014)	—	(146,606,134)	76,751,554
	₱800,260,527	₱2,537,382	(₱372,451,955)	₱—	(₱146,606,134)	₱283,739,820



AGRINURTURE, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2014

Schedule E. Long Term Debt

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption 'Current position of long term debt' in related statement of financial position	Amount shown under caption 'Long Term Debt' in related statement of financial position
Loans	P126,263,416	P66,263,416	P60,000,000



AGRINURTURE, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2014

Schedule F. Indebtedness to Related Parties (Long-Term Loans from Related Companies)

Name of related party	Balance at beginning of period	Balance at end of period
- Not applicable -		



AGRINURTURE, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2014

Schedule G. Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the Group for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by a person for which statement is filed	Nature of guarantee
--	---	---	---	---------------------

- Not applicable -



AGRINURTURE, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2014

Schedule H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial condition		No of shares held by		
		caption	Number of shares reserved for options, warrants, conversion and other rights	Employees	Directors and Officers	Others
Common shares	1,000,000,000	621,683,570	-	10,631,467	501,831,868	109,220,235



AGRINURTURE, INC. AND SUBSIDIARIES**SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS****AVAILABLE FOR DIVIDEND DECLARATION (Part 1, 4C; Annex 68-C)****DECEMBER 31, 2014**

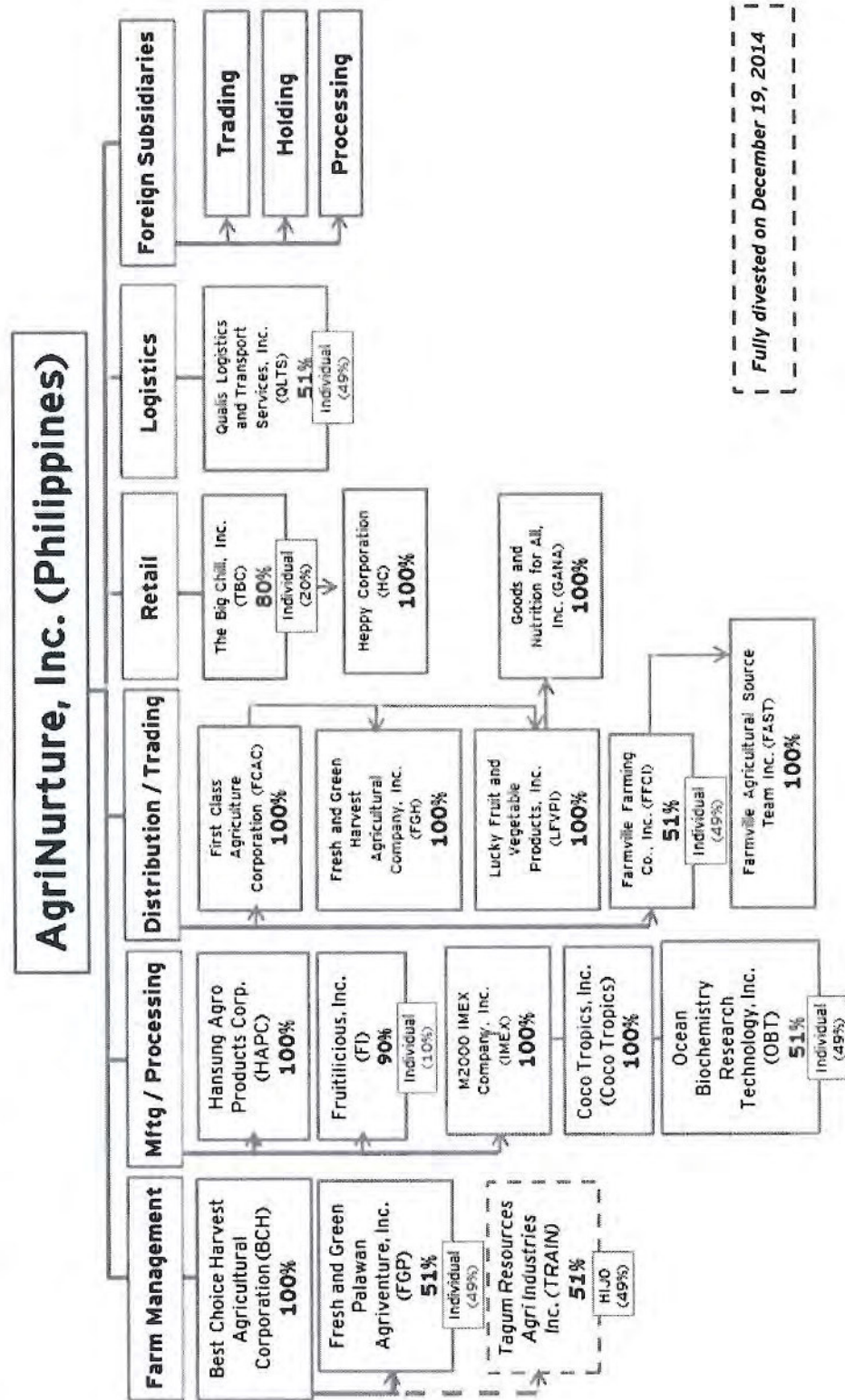
Unappropriated deficit, beginning	(₱515,388,736)
Fair value adjustment of investment property	—
Unappropriated deficit, as adjusted, beginning	(515,388,736)
Net loss during the period closed to retained earnings	(1,205,281,866)
Less: Non-actual/unrealized income net of tax	
Equity in net income of associate/joint venture	—
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	—
Fair value adjustment (M2M gains)	—
Fair value adjustment of investment property resulting to gain	—
Adjustment due to deviation from PFRS/GAAP - gain	—
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	—
Subtotal	(1,205,281,866)
Add: Non-actual losses	—
Depreciation on revaluation increment (after tax)	—
Adjustment due to deviation from PFRS/GAAP - loss	—
Subtotal	(1,205,281,866)
Net Loss Actual/Realized	(1,205,281,866)
Add (Less):	
Dividend declarations during the period	—
Appropriations of retained earnings based on 10% of December 31, 2014 audited net income	—
Reversals of appropriations	—
Treasury shares	—
Subtotal	—
Unappropriated deficit, as adjusted, ending	(₱1,720,670,602)



AGRINURTURE, INC. AND SUBSIDIARIES

MAP OF THE RELATIONSHIPS OF THE COMPANIES
WITHIN THE GROUP (PART 1, 4H)
DECEMBER 31, 2014

ANI Group Structure (Philippines)



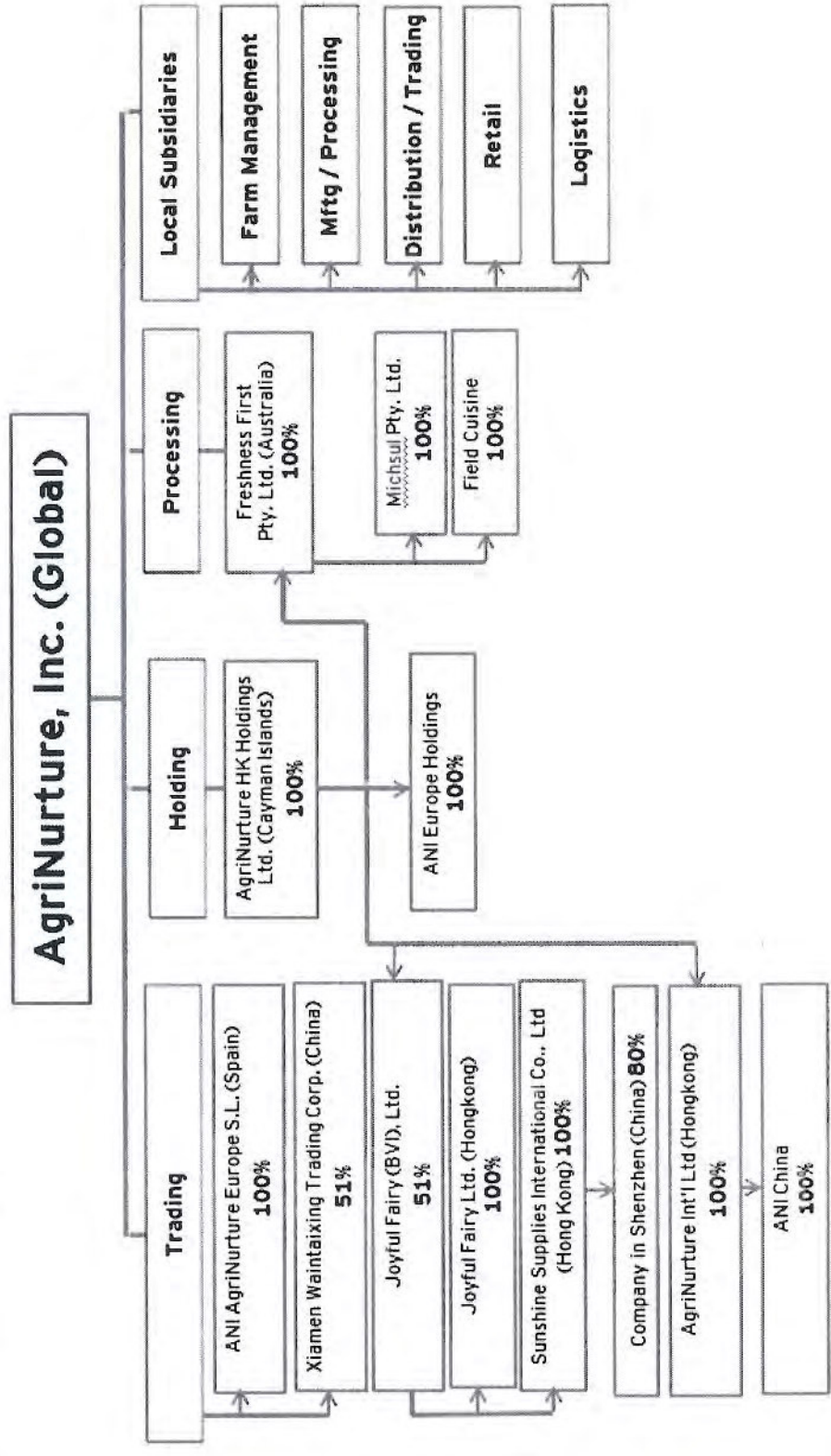
Fully divested on December 19, 2014



AGRINURTURE, INC. AND SUBSIDIARIES

MAP OF THE RELATIONSHIPS OF THE COMPANIES
WITHIN THE GROUP (PART 1, 4H)
DECEMBER 31, 2014

ANI Group Structure (Foreign)



AGRINURTURE, INC. AND SUBSIDIARIES**SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS****AVAILABLE FOR DIVIDEND DECLARATION (Part 1, 4C; Annex 68-C)****DECEMBER 31, 2014**

List of Philippine Financial Reporting Standards (PFRS) [which consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations] and Philippine Interpretations Committee (PIC) Q&A's effective as of December 31, 2014:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
	Guarantee Contracts			
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	✓		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Balance Sheet Date	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
PAS 19 (Amended)	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Amended)	Separate Financial Statements			✓
PAS 28	Investments in Associates			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture	✓		



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

The Company has not early adopted any PFRSs, PAS and Philippine Interpretations effective January 1, 2015 onwards.



COVER SHEET

for
QUARTERLY 17-Q

SEC Registration Number

A	1	9	9	7	0	1	8	4	8
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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

1	7	-	Q
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Department requiring the report

C	R	M
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Secondary License Type, If Applicable

N	A
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COMPANY INFORMATION

Company's Email Address

www.ani.com.ph

Company's Telephone Number/s

(02) 551-0772

Mobile Number

NA

No. of Stockholders

34

Annual Meeting
Month/Day

3 rd Monday of May

Fiscal Year
Month/Day

12/31/2014

CONTACT PERSON INFORMATION

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

Name of Contact Person

Mr. Romeo Bato

Email Address

romeo.bato@ani.com.ph

Telephone Number/s

(02) 551 0774

Mobile Number

0917-825-2530

Contact Person's Address

11 th Floor, Salcedo Tower, 169 Dela Costa St. Makati 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, 2015
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,	<u>621,683,570</u> shares (Authorized 1,000,000,000 shares P 1.00 Par value)

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

Yes ☒ [X] No []

The company's common shares are listed in the Philippine Stock Exchange.

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period the registrant was required to file such report)

Yes ☒ [X] No []

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

Yes ☒ [X] No []

SIGNATURES

Pursuant to the requirements of the Securities 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:


PABLO B. CAPATI, JR.

President and CEO

Date:

May 20, 2015

Signature and Title:


ROMEO L. BATO

Chief Financial Officer

Date:

May 20, 2015

AGRINURTURE, INC. AND SUBSIDIARIES
Securities and Exchange Commission Form 17 - Q

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, 2015 (with comparative figures as of December 31, 2014 and for the period ended March 31, 2014) 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, 2015.

Business Overview

AgriNurture, Inc. (the “Company” or ANI), formerly known as Mabuhay 2000 Enterprises, Inc., was founded in 1997 as an importer, trader and fabricator of post-harvest agricultural machineries. The Company eventually diversified into various agro-commercial businesses specifically focusing on the export trading of fresh Philippine carabao mangoes. At present, ANI also supplies other home-grown fruits such as bananas and pineapple to customers in Hong Kong, mainland China, the Middle East and to different European regions.

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

REVENUE

(Philippine Pesos)	Mar 31, 2015	Mar 31, 2014
Philippine Operations		
Export	88,892,958	130,107,516
Local Distribution	3,226,603	64,061,725
Banana Plantation / Farming	-	12,568,479
Retail & Franchising	20,608,966	29,745,577
Others	23,543,990	12,183,849
Sub-total	136,272,518	248,667,146
Foreign Operations		
Hong Kong / China	402,787,601	510,327,573
Australia	119,719,608	229,855,331
Europe	29,396,053	-
Sub-total	551,903,263	740,182,903
Total	688,175,781	988,850,050

Results of Operations

Three Months ended March 31, 2015 versus March 31, 2014

Net Sales

ANI Group generated a consolidated sale of goods and services of Php 688.2 million for the three months ended March 31, 2015, 30% decrease over same period last year. For the first three months of 2014, Philippine operations contributed 20% while sales from Foreign operations accounted for 80% of consolidated sales. Sale of goods and services by business segment follows:

- Export sales posted a decrease of 41% quarter-to-quarter to Php 88.9 million for the first quarter of fiscal year 2015 from Php 130.1 million for the same period 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 64.1 million for the same period in 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 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 for same period in 2014, primarily due to rationalization of operations by closing certain outlets which incurred significant losses.
- Combined Foreign trading operations posted a decrease of 25% to Php 551.9 million for the first quarter 2015 from Php 740.2 million for same period last year, due to the decrease in sales of 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 2015 up by 93% from Php 12.2 million for the same period of 2014 due to improved operations.

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, 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 the lower amount of purchases and decline of harvested agricultural produce as the company discontinues rice farming and distribution.

Gross Profit

Consolidated gross profit fell by Php 103.7 million or 49% to Php106.7 million for the three months ended March 31, 2015 from Php 210.4 million for same period last year. 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 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 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 Costs 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.

Financial Condition

Assets

ANI Group's consolidated total assets as of March 31, 2015 amounted to ₱ 3.7 billion a decrease of 5% from ₱ 3.9 billion at December 31, 2014. The following explain the significant movements in the asset accounts:

- The Group's cash balance decreased by ₱ 4.3 million primarily due to day to day operations of the company.
- Receivables increased by 4% mainly due foreign operations.
- Advances to related parties decreased from Php 1.622 billion in December 2014 to Php 1.582 billion in March 2015 due to payments.
- Inventory balance increased from a year end 2014 balance of ₱ 70.4 million to ₱ 96.2 million, which is an expected trend due to build-up of stocks for the summer season.

Liabilities

Consolidated liabilities amounted to ₱ 2.5 billion .

Total current liabilities is ₱ 2.4 billion and ₱ 2.3 billion as of December 31, 2014 and March 31, 2015 respectively. The 6% decrease is mainly due to decrease in loans and borrowings.

Total non-current liabilities is ₱ 214.8 million for both December 31, 2014 and March 31, 2015.

Equity

Consolidated stockholders' equity as of March 31, 2015 amount to ₱ 1.2 billion with insignificant movements.

Liquidity and Capital Resources

Net cash flow from operating activities for the first 3 months of 2015 was ₱ 9.02 million, which improved by 126%.

Net cash flow from investing activities is ₱ 191.8 million mainly in relation to the selling of BCH shares in TRAIN.

Net cash used in financing activities is ₱ 187.6 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

		Mar 31, 2015	Dec 31, 2014
Liquidity:			
Current ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	0.94	0.96
Financial Leverage:			
Debt-to-equity ratio	$\frac{\text{Total Liabilities (Current+Non-current)}}{\text{Stockholder's Equity}}$	2.09	2.13
Asset to Equity Ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$	3.09	3.13
Profitability:			
Return on average equity	$\frac{\text{Net Income}}{\text{Average Stockholder's Equity of the company}}$	(0.03)	(0.64)
Operating efficiency:			
Revenue growth	$\left[\frac{\text{Current period Net Sales}}{\text{Prior period Net Sales}} \right] - 1$	0.30	0.08

Agrinurture, Inc. and Subsidiaries

**Consolidated Financial Statements
March 31, 2015 and December 31, 2014
and for the Three Months Ended
March 31, 2015 and 2014**

AGRINURTURE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MARCH 1, 2015 AND DECEMBER 1, 2014

	March 31, 2015	December 1, 2014
ASSETS		
Current Assets		
Cash (Note 4)	₱79,268,823	₱83,602,967
Trade and other receivables (Note 5)	306,737,438	294,035,512
Advances to related parties (Note 21)	1,581,682,472	1,621,543,713
Inventories (Note 6)	96,243,638	70,405,867
Biological assets (Note 7)	—	—
Prepayments and other current assets (Note 8)	103,186,459	100,473,370
	2,167,118,830	2,170,061,429
Asset classified as held for sale (Note 12)	—	175,000,000
Total Current Assets	2,167,118,830	2,345,061,429
Noncurrent Assets		
Property, plant and equipment (Note 9)	835,007,476	856,125,512
Investment property (Note 11)	9,298,800	9,525,600
Goodwill and other intangible assets (Note 10)	282,633,777	283,739,820
Deferred income tax assets (Note 23)	71,298,415	63,957,785
Other noncurrent assets (Note 13)	348,609,577	330,706,858
Total Noncurrent Assets	1,546,848,045	1,544,055,575
TOTAL ASSETS	3,713,966,875	₱3,889,117,004
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 14)	850,564,915	₱765,816,741
Loans and borrowings (Note 15)	1,011,539,269	1,052,429,498
Redeemable and convertible loan (Note 15)	234,000,000	384,000,000
Advances from related parties (Note 21)	76,295,159	73,005,618
Lease payable (Note 26)	61,902,194	66,205,905
Income tax payable	1,072,211	—
Other current liabilities	60,536,737	88,935,400
Total Current Liabilities	2,295,910,485	2,430,393,162
Noncurrent Liabilities		
Loans and borrowings - net of current portion (Note 15)	60,000,000	60,000,000
Pension liability (Note 22)	13,033,257	13,033,257
Lease payable- net of current portion (Note 26)	103,343,605	103,343,605
Deferred income tax liabilities (Note 23)	687,524	687,524
Other long term liability (Note 14)	37,760,308	37,760,308
Total Noncurrent Liabilities	214,824,694	214,824,694
Total Liabilities	2,510,735,179	2,645,217,856
Equity Attributable to Equity Holders of the Parent		
Capital stock (Note 16)	621,683,570	621,683,570
Additional paid-in capital (Note 16)	2,330,723,527	2,330,723,527
Foreign currency translation reserve	22,129,689	21,084,882
Deficit	(1,716,904,818)	(1,681,459,229)
	1,257,631,968	1,292,032,750
Non-controlling Interests	(54,400,272)	(48,133,602)
Total Equity	1,203,231,696	1,243,899,148
TOTAL LIABILITIES AND EQUITY	₱3,713,966,875	₱3,889,117,004

See accompanying Notes to Consolidated Financial Statements.

AGRINURTURE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2015 AND 2014

	Three Months Ended March 31	
	2015	2014
REVENUES	₱688,175,781	₱988,850,050
COST OF SALES AND SERVICES (Note 18)	(581,452,294)	(778,452,133)
GROSS PROFIT	106,723,487	210,397,916
General and administrative (Note 20)	(153,691,352)	(234,566,548)
Other income (expense) - net (Note 19)	14,384,673	37,547,268
OPERATING INCOME (LOSS)	(32,583,192)	13,378,636
Finance income (Note 4)	5,315	7,036
Finance costs (Notes 15)	(17,603,653)	(19,143,581)
LOSS BEFORE INCOME TAX	(50,181,530)	(5,757,909)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 23)		
Current	1,043,873	13,398
Deferred	(9,513,148)	8,916,505
	(8,469,275)	8,929,903
NET LOSS	(₱41,712,255)	(₱14,687,812)
OTHER COMPREHENSIVE INCOME (LOSS)	—	—
TOTAL COMPREHENSIVE LOSS	(₱41,712,255)	(₱14,687,812)
Net loss attributable to:		
Equity holders of the parent	(₱35,445,585)	(₱26,274,305)
Non-controlling interests	(6,266,670)	11,586,494
	(₱41,712,255)	(14,687,812)
Basic and diluted loss per share attributable to equity holders of the parent (Note 17)	(₱0.06)	(₱0.05)

See accompanying Notes to Consolidated Financial Statements.

AGRINURTURE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2015 and 2014

	Equity Attributable to Equity Holders of the Parent							
	Capital Stock (Note 16)	Additional Paid-in Capital (Note 16)	Revaluation Surplus	Translation Reserve	Retained Earnings (Deficit)	Subtotal	Non-controlling Interests	Total
Balances at January 1, 2014, as restated	₱535,693,037	₱2,158,742,461	₱–	(₱6,068,727)	(₱515,388,736)	₱2,172,978,035	₱310,443,389	₱2,483,421,424
Issuance of common shares	–	–	–	–	–	–	–	–
Foreign currency translation reserve	–	–	–	6,335,319	–	6,335,319	–	6,335,319
Total comprehensive loss	–	–	–	–	(26,274,305)	(26,274,305)	11,586,494	(14,687,811)
Balances at March 31, 2014	₱535,693,037	₱2,158,742,461	₱–	266,592	(541,663,041)	2,153,039,049	322,029,883	2,475,068,932
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

See accompanying Notes to Consolidated Financial Statements.

AGRINURTURE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss from continuing operations before income tax	(₱50,181,710)	(₱5,757,909)
Adjustments for:		
Depreciation and amortization (Notes 9, 10 and 11)	23,263,074	22,940,472
Interest expense (Notes 15)	17,603,653	19,143,581
Interest income (Notes 4 and 19)	(5,135)	(7,036)
Gain on changes on fair value of biological assets (Note 7)	–	(29,721,683)
Operating losses before working capital changes	(9,320,118)	6,597,425
Decrease (increase) in:		
Trade and other receivables	(12,701,926)	(42,268,868)
Biological assets	–	(31,439,912)
Inventories	(25,837,771)	(35,972,563)
Prepayments and other current assets	(2,713,090)	(6,579,699)
Increase (decrease) in:		
Trade and other payables	84,748,175	15,495,023
Other current liabilities	(28,398,663)	58,776,985
Net cash generated from (used in) operations	5,776,607	(35,391,610)
Income tax benefit	3,244,729	
Interest received	5,135	7,036
Net cash flows from (used in) operating activities	9,026,471	(35,384,574)

(Forward)

	Three Months Ended March 31	
	2015	2014
CASH FLOWS FROM INVESTING ACTIVITIES		
Changes in:		
Property, plant and equipment (Note 9)	(₱183,942)	(₱555,014,912)
Intangible assets (Note 10)	(682,253)	-
Lease payable	(4,303,712)	17,314,636
Changes in:		
Advances to related parties	39,861,242	-
Other noncurrent assets	(17,902,718)	(13,910,753)
Net cash inflow from assets held for sale	175,000,000	-
Net cash flows used in investing activities	191,842,617	(551,611,029)
CASH FLOWS FROM FINANCING ACTIVITIES		
Availment/ (repayment) of loans and borrowings	(40,890,229)	41,748,619
Interest paid	(17,603,653)	(19,143,581)
Reduction of convertible bonds	(150,000,000)	-
Changes in:		
Advances from related parties	3,290,651	-
Other noncurrent liabilities	-	316,400,000
Net cash flows from financing activities	(187,599,578)	339,005,038
NET INCREASE (DECREASE) IN CASH	(4,334,144)	(248,301,093)
CASH AT BEGINNING OF YEAR	83,602,967	339,310,829
EFFECT OF EXCHANGE RATE CHANGES IN CASH	-	-
CASH AT END OF YEAR (Note 4)	₱79,268,823	₱91,009,736

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.

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

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

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

On March 31, 2014, the Parent Company's Board of Directors (BOD) approved the plan to increase the Parent Company's authorized capital stock from ₱1,000,000,000 divided into 1,000,000,000 common shares at ₱1 per share to ₱2,000,000,000 divided into 2,000,000 common shares at ₱1 per share. As at December 31, 2014, the Parent Company is still in the process of applying the said increase with the SEC.

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 corporation.

The consolidated financial statements as at and for the period ended March 31, 2015 and 2014 were authorized for issuance by the Parent Company's BOD on May 20, 2015.

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

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for biological assets in 2013 that have been measured at fair value less estimated point of sale costs. The consolidated financial statements and these notes are presented in Philippine peso, the Parent

Company's functional and presentation currency. All amounts are rounded to the nearest peso, unless otherwise indicated.

Statement of Compliance

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

Basis of Consolidation

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	2013
First Class Agriculture Corporation (FCAC)	Philippines	Trading (Agricultural goods)	100%	100%	100%
M2000 IMEX Company, Inc. (IMEX)	Philippines	Manufacturing and export	100%	100%	100%
Hansung Agro Products Corporation (HAPC)	Philippines	Processing (Agricultural goods)	100%	100%	100%
Best Choice Harvest Agricultural Corp. (BCHAC)	Philippines	Farm management	100%	100%	100%
*Fresh and Green Harvest Agricultural Company, Inc. (FG)	Philippines	Trading (Agricultural goods)	100%	100%	100%
*Lucky Fruit & Vegetable Products, Inc. (LFVPI)	Philippines	Trading (Agricultural goods)	100%	100%	100%
Fruitilicious Company, Inc. (FI)	Philippines	Manufacturing/processing/trading frozen agricultural products	90%	90%	90%
Qualis Logistics and Transport Services, Inc. (QLTS)	Philippines	Logistics	51%	51%	51%
Farmville Farming Co., Inc. (FFCI)	Philippines	Trading (Agricultural goods)	51%	51%	51%
*Ocean Biochemistry Technology Research, Inc. (OBT)	Philippines	Farm management	51%	51%	51%
*Fresh and Green Palawan Agri ventures, Inc. (FGP)	Philippines	Farm management	51%	51%	51%
The Big Chill (TBC)	Philippines	Food and beverage retailing and franchising	80%	80%	80%
*Heppy Corporation (HC)	Philippines	Food and beverage retailing and franchising	80%	80%	80%
*Goods and Nutrition for All, Inc. (GANA)	Philippines	Retail and wholesale	100%	100%	100%
**Tagum Resources Agri-Industrial Inc. (TRAIN)	Philippines	Farming	-	30%	51%
Agrinurture HK Holdings Ltd. (Cayman Islands) (ANI HK)	Hong Kong	Holding Company	100%	100%	100%
*Sunshine Supplies International Co., Ltd. (SSIC)	Hong Kong	Trading (Agricultural goods)	51%	51%	51%
*Joyful Fairy HK (JF HK)	Hong Kong	Trading (Agricultural goods)	51%	51%	51%
*Agrinurture Int'l Ltd. (ANI IL)	Hong Kong	Trading and retail	100%	100%	100%
Xiamen Waintaixing Trading Corp. (XWT)	China	Trading (Agricultural goods)	51%	51%	51%
*ANI China	China	Trading (Agricultural goods)	100%	100%	100%
*Freshness First Pty. Ltd. (FFPL)	Australia	Processing and trading	100%	100%	100%
*BSK Pty. Ltd. (BSK)	Australia	Retail	100%	100%	100%
*Michsul Pty. Ltd. (MPL)	Australia	Wholesale	100%	100%	100%
*ANI AgriNurture Europe S.L. (ANI ESL)	Spain	Trading (Agricultural goods)	100%	100%	100%
*Joyful Fairy (Fruits) Limited (JF BVI)	British Virgin Islands	Trading (Agricultural goods)	51%	51%	51%
*Company in Shenzhen	China	Trading (Agricultural goods)	51%	51%	51%

*Direct and indirect ownership

**The 30% TRAIN investment qualified as Asset classified as held for sale in 2014

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 Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2014. The nature and impact of each new standard and amendment is described below:

- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*)
These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The amendments must be applied retrospectively, subject to certain transition relief. These

amendments have no impact to the Group, since none of the entities within the Group qualifies to be an investment entity under PFRS 10.

- *PAS 32, Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)*
These amendments clarify the meaning of ‘currently has a legally enforceable right to set-off’ and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively. The Group currently offsets certain balances with the same counterparties as the Group has legal rights to set off the amounts and intends to settle on a net basis.
- *PAS 39, Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)*
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Group as the Group has no derivatives during the current or prior periods.
- *PAS 36, Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments)*
These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. The application of these amendments has no material impact on the disclosure in the Group’s consolidated financial statements.
- *Philippine Interpretation IFRIC 21, Levies (IFRIC 21)*
IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Group as it has applied the recognition principles under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, consistent with the requirements of IFRIC 21 in prior years.
- *Annual Improvements to PFRS (2010-2012 cycle)*
In the 2010 - 2012 annual improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13. The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment has no impact on the Group.
- *Annual Improvements to PFRS (2011-2013 cycle)*
In the 2011 - 2013 annual improvements cycle, four amendments to four standards were issued, which included an amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards—First-time Adoption of PFRS*. The amendment to PFRS 1 is effective immediately. It clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity’s first PFRS financial

statements. This amendment has no impact on the Group as it is not a first time PFRS adopter.

Standards Issued but Not Yet Effective

The Group will adopt the 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 PFRS, PAS and Philippine Interpretations to have significant impact on its consolidated financial statements. The relevant disclosures will be included in the notes to the consolidated financial statements when these become effective.

- PFRS 9, *Financial Instruments* - Classification and Measurement (2010 version)
PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Philippine Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA).

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the FRSC have deferred the effectivity of this interpretation until the final revenue standard is issued by the IASB and an evaluation of the requirements of the final revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the consolidated financial statements of the Group.

Effective 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. This amendment is effective for annual periods beginning on or after January 1, 2015. It is not expected that this amendment would be relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.
- *Annual Improvements to PFRS (2010-2012 cycle)*
The Annual Improvements to PFRS (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on 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.

PFRS 3, Business Combinations - Accounting for Contingent Consideration in a Business Combination

The amendment is applied 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 whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments*, if early adopted). The Group shall consider this amendment for future business combinations.

PFRS 8, Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets

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.

This amendment will affect disclosures only and will not have an effect in the amounts in the consolidated 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.

This amendment will affect disclosures only and will not have an effect in the amounts in the consolidated financial statements.

- *Annual Improvements to PFRSs (2011-2013 cycle)*

The Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group. They include:

PFRS 3, Business Combinations - Scope Exceptions for Joint Arrangements

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.

PAS 40, Investment 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). This amendment will affect disclosures only and will not have an effect in the amounts in the consolidated financial statements.

Effective January 1, 2016

- *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 impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

- *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 impact to the Group as the Group does not have any bearer plants anymore.
- *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 impact on the Group's consolidated financial statements.
- *PFRS 10, Consolidated Financial Statements and PAS 28, Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016.
- *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.

- *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 profit or loss 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.
- *Annual Improvements to PFRS (2012-2014 cycle)*
The Annual Improvements to PFRS (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on 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 Amendments to PFRS 7 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 January 1, 2018

- PFRS 9, *Financial Instruments* - Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)
PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

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

- PFRS 9, *Financial Instruments* (2014 or final version)
In July 2014, the final version of PFRS 9, *Financial Instruments*, 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 consolidated financial statements.

The following new standard issued by the IASB has not yet been adopted by the FRSC

- **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, 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

Summary of Significant Accounting Policies

Foreign Currency Translation

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

The functional and presentation currency of the entities in the Group (except for XWT, SSIC, ANI HK, ANI IL, JF HK and JF BVI with functional currency of Hong Kong Dollar, FFPL with functional currency of Australian Dollar and ANI ESL with functional currency of Euro) 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 separately the items of recognized income and expense and other comprehensive income in consolidated statement of income and consolidated statement comprehensive income, respectively.

Cash

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

Financial Instruments

Date of Recognition

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

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

Initial Recognition and Measurement of Financial Instruments

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

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

Financial Assets

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

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

Financial Liabilities

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

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

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

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, 2015 and December 31, 2014, the Group’s loans and receivables include cash with banks, trade and other receivables and advances to related parties in the consolidated statement of financial position (see Notes 4, 5 and 21).

Loans and Borrowings

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

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

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

This accounting policy applies primarily to the Group’s trade and other payables, loans and borrowings, 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 14, 15, 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 data (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.

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 starting January 1, 2010

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

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

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through the consolidated statement of income. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PAS 39 either in consolidated statement of income or as change to other income. If the contingent consideration is classified as equity, it shall not be remeasured until it is

finally settled within equity. If the Parent Company loses control of its subsidiary, it recognize any investments retained in the former subsidiary at its fair value at the date when control is loss.

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

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

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

Business Combination Prior to January 1, 2010

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

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

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

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

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.

Biological Assets

Biological assets or agricultural produce are recognized only when the Group controls the assets as a result of past events, it is probable that future economic benefits associated with the assets will flow to the Group and the fair value or cost of the assets can be measured reliably.

The Group uses the income approach, particularly the present value method, in computing for the fair value of the biological assets - standing crops as of reporting date. This approach reflects the expectations about the cash flows from the biological assets - standing crops for the next nine months, the normal crop cycle from the reporting date. Because of the short-term nature of the expected net cash flows, the expected net cash flows is not discounted. This fair value measurement is categorized as level 3, which uses inputs that are not based on observable market data.

There were no transfers between Levels 1 to 3 of the fair value hierarchy for the assets and liabilities which are recorded at fair value.

Costs to sell are the incremental costs directly attributable to the disposal of banana fruits, excluding finance costs and income taxes. Subsequent gains or losses arising from changes in fair value less cost to sell of the assets, resulting from fluctuations in population, growth, price and other factors, are credited or charged to income for the period. Costs incurred in maintaining or enhancing the biological assets - standing crops are recognized as expenses when incurred.

Gains or losses arising from the changes in fair value less estimated point-of-sale costs of a biological asset are included in the Group's consolidated statement of income for the period in which they arise.

Prepayments and Other Current Assets

Prepayments and other current assets include input-valued added tax (VAT), creditable withholding taxes (CWTs), deposits, prepaid rent, prepayments 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.

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, 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:

<u>Category</u>	<u>Number of Years</u>
Building	15
Store and warehouse equipment	3 - 5
Delivery and transportation equipment	3 - 12
Machinery and equipment	3 - 12
Office furniture and fixtures	3 - 12
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 derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the 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 any accumulated impairment losses. The Group has assessed that the trademarks have indefinite life and being assessed 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 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.

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 unit 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 advances and deposits in which the Group expects to realize or consume the assets beyond twelve (12) months after the end of the reporting period.

Assets Held for Sale from 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, Intangible Assets with Definite Useful Lives 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.

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.

Dividend

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

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 the consolidated statement of income.

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

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

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

Basic/Diluted Earnings Per Share

Basic Earnings Per Share (EPS)

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

Diluted EPS

Diluted EPS amounts are calculated by dividing the net income attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding, adjusted for any stock dividends declared during the year plus weighted average number of ordinary shares that would be issued on the conversion of all the dilutive ordinary shares into ordinary shares, excluding treasury shares. Diluted EPS is computed similar to the computation of the basic earnings (loss) per share except that the net income attributable to the equity holders of the parent and the weighted average number of shares outstanding should be adopted for the effects of all dilutive potential ordinary 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.

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:

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 11).

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 12).

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 collectability 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.

The carrying values of trade and other receivables amounted to ₱306,737,438 and ₱294,035,512, net of allowance for impairment losses of ₱5,783,670 as at March 31, 2015 and December 31, 2014, respectively. No provision for impairment losses on receivables in 2015 and 2014, respectively.

The carrying values of advances to related parties amounted to ₱1,581,682,472 and ₱1,621,543,713 as at March 31, 2015 and December 31, 2014, respectively. There are no provisions for impairment losses recognized in 2015 and 2014 (see Note 21).

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.

The carrying values of inventories amounted to ₱96,243,638 and ₱70,405,867 as at March 31, 2015 and December 31, 2014, respectively. There are no provisions for impairment losses recognized in 2015 and 2014 (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.

The carrying values of its prepayments and other current assets amounted to ₱103,186,459 and ₱100,473,370 as at March 31, 2015 and December 31, 2014, respectively (see Note 8). The carrying values of other noncurrent assets amounted to ₱348,609,577 and ₱330,706,858 as at March 31, 2015 and December 31, 2014, respectively (see Note 13). There were no provisions for

impairment losses on the Group's prepayments and other current assets and other noncurrent assets.

Estimating Useful Lives of Property, Plant and Equipment and Investment Property

The Group estimates the useful lives of property, plant and equipment and investment property based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment and investment property are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property, plant and equipment and investment property is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. There is no change in the estimated useful lives of the property, plant and equipment and investment properties as at March 31, 2015 and December 31, 2014.

The aggregate net book values of property, plant and equipment amounted to ₱ 835,007,476 and ₱856,125,512, net of accumulated depreciation of ₱367,464,240 and ₱346,162,262 as at March 31, 2015 and December 31, 2014, respectively (see Note 9).

Estimating Impairment of Property, Plant and Equipment and Investment Property

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

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

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

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

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

An impairment loss is recognized and charged to earnings if the discounted expected future cash flows are less than the carrying amount. Fair value is estimated by discounting the expected future cash flows using a discount factor that reflects the market rate for a term consistent with the period of expected cash flows. No impairment loss was recognized on these assets in 2015 and 2014.

The carrying values of biological assets amounted to nil as at March 31, 2015 and December 31, 2014, respectively (see Note 7). The aggregate net book values of property, plant and equipment amounted to ₱835,007,476 and ₱856,125,512, net of accumulated depreciation of

₱367,464,240 and ₱346,162,262 as at March 31, 2015 and December 31, 2014, respectively (see Note 9).

Estimating Useful Lives of Computer Software and Franchise

The Group estimates the residual values and useful lives of its computer software and franchise 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 computer software and franchise 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.

There was no change in the estimated residual values and useful life of computer software and franchise in 2015 and 2014. The carrying values of computer software amounted to ₱1,172,809 and ₱1,373,877 as at March 31, 2015 and December 31, 2014, respectively, while the carrying values of franchise amounted to ₱4,524,875 and ₱5,429,850 as at March 31, 2015 and December 31, 2014, respectively (see Note 10).

Estimation of Impairment of Goodwill and Trademarks

The Group reviews the carrying values of goodwill and 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 long-term commodity prices, discount rates, future capital requirements, exploration potential 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.

Estimating Fair Value of Biological Assets

In the absence of an active market, the Group measures biological assets at fair value less estimated costs to sell based on the expected future cash flows at each reporting date. 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. While management believes that the assumptions are reasonable and appropriate, significant differences in the Group's actual results of operations or significant changes in the assumptions may materially affect the carrying value of the biological assets.

The Group uses the income approach, which reflects the expectations about the cash flows from the biological assets - standing crops for the next nine months, the normal crop cycle from the reporting date. The cash inflow would typically be the forecasted gross revenue from export sales of harvested bananas, which is a function of the price, foreign exchange rate, quantity (productive hectare) and quality (Class A and Class B). This forecasted gross revenue is reduced by the forecasted costs of operating the plantation like, among others, cost of bud injection, spraying, fruit bagging, harvesting, packing, hauling and stevedoring. The excess of the forecasted gross

cash inflow over the forecasted costs of operating the plantation is the fair value of the biological assets - standing crops.

The increase (decrease) in the price, depreciation (appreciation) of ₱ against US\$, increase (decrease) in quantity and improvement (deterioration) of quality of harvested bananas would significantly result to a higher (lower) fair value.

The carrying values of biological assets both amounted to nil as at March 31, 2015 and December 31, 2014, respectively (see Note 7).

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 ₱7,972,061 in 2014, respectively, while pension liability amounted to ₱13,033,257 as at March 31, 2015 and December 31, 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 ₱71,298,415 and ₱63,957,785 as at March 31, 2015 and December 31, 2014, respectively (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	₱1,943,716	₱8,272,959
Cash with banks	77,325,107	75,330,008
	₱79,268,823	₱83,602,967

Cash with banks earn interest at the respective bank deposit rates. Interest income earned from cash with banks amounted to ₱1,519,443 and ₱7,036 in 2015, 2014, respectively.

5. Trade and Other Receivables

	2015	2014
Trade receivables	₱288,784,902	₱278,085,831
Others	23,736,206	21,733,351
	312,521,108	299,819,182
Less allowance for impairment losses	5,783,670	5,783,670
	₱306,737,438	₱294,035,512

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:

	2015	2014
Beginning balances	₱5,783,670	₱14,856,558
Provision	-	-
Write-off	-	(9,072,888)
Ending balances	₱5,783,670	₱5,783,670

Provision is charged in 'Other expenses' under other income (expense) - net (see Note 19).

6. Inventories

	2015	2014
At cost:		
Vegetables, fruits and goods	₱45,594,618	₱26,976,096
Packaging materials and other supplies	50,649,020	43,429,771
	₱96,243,638	₱70,405,867

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, 2015 and December 31, 2014. Accordingly, there were no provisions for impairment losses that were recognized in 2015 and 2014.

7. Biological Assets

On December 17, 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. Accordingly, the Group's biological assets, which, in 2013, were held mostly by TRAIN, were deconsolidated in 2014 as a result of the divestment.

The Group's biological assets as at December 31, 2014 is as follows:

	2014
Beginning balance	₱75,704,420
Additional contribution	106,019,732
Harvested and transferred to inventory	—
Gain on changes on fair value of biological assets	6,206,474
Write-off of biological assets	(18,568,365)
Deconsolidation due to loss of control	(169,362,261)
	₱—

Movements in the Group's biological assets as at December 31, 2014 are as follows:

	2014		
	Consumable	Bearer	Total
Beginning balances	₱57,136,055	₱18,568,365	₱75,704,420
Additional	106,016,732	—	106,016,732
Changes on fair value of biological assets	6,206,474	—	6,206,474
Deconsolidation due to loss of control	(169,359,261)	—	(169,359,261)
Write-off of biological assets	—	(18,568,365)	(18,568,365)
	₱—	₱—	₱—

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

	2014		
	Consumable	Bearer	Total
Fair value of biological assets	₱222,251,702	₱—	₱222,251,702
Estimated point-of-sale costs	(52,889,441)	—	(52,889,441)
Fair value less estimated point-of-sale costs	169,362,261	—	169,362,261
Previous fair value	(163,155,787)	—	(163,155,787)
Gain on changes in fair value	₱6,206,474	₱—	₱6,206,474

The Group has written-off biological assets amounting to nil and ₱18,568,365 in 2015 and 2014, respectively, as management has assessed that the said biological assets are deemed unrecoverable.

Consumable biological assets include banana, corn, pineapple, and mushroom. Aside from producing crops, the Group is also engaged in production, field testing and commercialization of new and imported crop varieties that are high yielding.

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

The bananas, which are the agricultural produce of the standing crops, are harvested when the fruits are in a desired state of maturity, which is typically nine months after planting.

8. Prepayments and Other Current Assets

	2015	2014
Input value-added tax (VAT)	₱55,790,530	₱57,041,738
Deposits	23,578,414	24,500,224
Prepaid insurance	14,632,913	13,947,275
Creditable withholding taxes (CWTs)	3,673,589	3,519,739
Prepaid rent and other current assets	5,511,013	1,464,394
	₱103,186,459	₱100,473,370

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.

9. Property, Plant and Equipment

March 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	₱403,504,139	₱147,914,078	₱58,309,610	₱564,944,577	₱49,255,383	₱129,207,657	₱-	₱1,202,287,774
Additions	-	-	172,677	-	-	11,266	-	-	183,942
Disposals	-	-	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-	-	-
Balances at March 31	149,152,330	103,504,139	148,086,755	58,309,610	564,944,577	49,266,649	129,207,657	-	1,202,471,716
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 20)	-	1,546,652	5,754,229	933,844	7,111,472	1,335,146	4,620,635	-	21,301,978
Disposals	-	-	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-	-	-
Balances at March 31	-	23,856,768	60,428,591	30,793,435	136,147,111	32,095,264	83,963,071	-	367,464,240
Net book values	₱149,152,330	₱79,647,371	₱87,658,164	₱27,336,175	₱428,797,466	₱17,171,384	₱ 45,244,586	₱-	₱835,007,476

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	—	(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	—	(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

Fully depreciated property and equipment are retained in the books until they are no longer in use. As at March 31, 2015 and December 31, 2014, the cost of fully depreciated property and equipment still being used in operations amounted to nil and ₱22,192,803, respectively. Certain assets are covered by insurance such as delivery and transportation equipment, buildings and etc. Cost of land and building located in Pulilan, Bulacan amounting to ₱187,674,048 is used as a collateral for certain loans and borrowings (see Note 15). Cost of machinery and equipment amounting to ₱101,991,392 is under finance lease.

10. Goodwill and Other Intangible Assets

March 31, 2015:

	Trademark	Computer software	Franchise	Goodwill (Note 27)	Total
Costs:					
Beginning balances	₱200,184,539	₱6,906,907	₱9,049,750	₱76,751,554	₱292,892,750
Additions	–	628,253	–	–	628,253
Impairment	–	–	–	–	–
Ending balances	200,184,539	7,535,160	9,049,750	76,751,554	293,521,003
Accumulated amortization and impairment:					
Beginning balances	–	5,533,030	3,619,900	–	9,152,930
Amortization	–	829,321	904,975	–	1,734,296
Ending balances	–	6,362,351	4,524,875	–	10,887,226
	₱200,184,539	₱1,172,809	₱4,524,875	₱76,751,554	₱282,633,777

December 31, 2014

	Trademark	Computer software	Franchise	Goodwill (Note 27)	Total
Costs:					
Beginning balances	₱250,868,550	₱4,369,525	₱9,049,750	₱535,972,702	₱800,260,527
Additions	–	2,537,382	–	–	2,537,382
Impairment	(50,684,011)	–	–	(312,615,014)	(363,299,025)
Effect of deconsolidation due to loss of control	–	–	–	(146,606,134)	(146,606,134)
Ending balances	200,184,539	6,906,907	9,049,750	76,751,554	292,892,750
Accumulated amortization and impairment:					
Beginning balances	–	1,015,975	–	–	1,015,975
Amortization	–	4,517,055	3,619,900	–	8,136,955
Ending balances	–	5,533,030	3,619,900	–	9,152,930
	₱200,184,539	₱1,373,877	₱5,429,850	₱76,751,554	₱283,739,820

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.

Furthermore, the Group shall pay continuity fees equivalent to 5% of net revenues of each coffee house.

During the acquisition of TBC, net assets acquired includes trademark for the use of “The Big Chill” brand, amounting to ₱200,000,000 which was included in the purchase price.

11. 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 19)	226,800	907,200
Ending balances	4,309,200	4,082,400
Net book values	₱9,298,800	₱9,525,600

Investment property represents commercial condominium units being rented out to third parties. The Parent Company applies the cost model in recognizing the investment properties.

The fair value of the investment property amounted to ₱21,520,000 as at March 31, 2015 and December 31, 2014. The fair valuation was estimated through the direct market comparison approach; categorized as Level 3 which is a comparative approach that considers the sales of similar or substitute assets and related market data.

The rental income generated by investment properties amounted to ₱230,252, and ₱215,831 in 2015 and 2014, respectively (see Note 19). Direct operating expenses related to the investment properties are as follows:

	2015	2014
Real property tax	₱12,694	₱44,124
Association dues	46,462	185,848
Utilities	3,052	12,209
Balances at end of year	₱62,208	₱242,181

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.

12. 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.

13. Other Noncurrent Assets

	2015	2014
Advances and deposits	₱194,696,479	₱195,179,990
Advances for land acquisition	120,097,785	120,097,785
Rental deposits and others	23,832,027	8,425,167
Deferred input VAT	9,983,286	7,003,916
	₱348,609,577	₱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.

14. Trade and Other Payables

	2015	2014
Trade payables	₱569,079,193	₱490,024,536
Nontrade payable	130,420,695	124,041,771
Current portion of the other long term liability	79,319,375	79,319,375
Accrued expenses	19,419,089	16,449,361
Customers' deposits	12,789,032	13,690,332
Accrued interest payable	4,589,014	4,668,533
Withholding tax payable	2,661,997	4,169,036
Others	32,286,520	33,453,797
	₱850,564,915	₱765,816,741

Trade payables are noninterest-bearing transactions in the ordinary course of business.

Nontrade payables pertain to outstanding liabilities to nontrade suppliers, which includes printing, transportation, and supplies.

Accrued expenses consist of accrued salaries, rentals, utilities 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.

Accrued interest payable pertains to interest in loans and redeemable and convertible loans that are usually payable on demand.

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.

Other Long Term Liability

On November 20, 2012, the Group 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, 2014 and 2013 are as follows:

	2015	2014
Payable to Tetra Pak	₱117,079,683	₱117,079,683
Less long-term portion	37,760,308	37,760,308
Current portion	₱79,319,375	₱79,319,375

15. Loans and Borrowings and Redeemable Convertible Loan

	2015	2014
<i>Foreign Currency</i>		
Loan 1	₱109,887,563	₱110,776,393
Loan 2	105,639,510	106,634,630
Others	29,888,548	23,382,654
<i>Peso Currency</i>		
Loan 3	349,800,000	349,950,266
Loan 4	171,281,093	218,793,000
Loan 5	99,000,000	100,000,000
Loan 6	73,700,000	75,450,000
Loan 7	50,000,000	50,000,000
ACEF Loan	12,454,976	12,554,976
Others (Note 21)	69,887,579	64,887,579
	1,071,539,269	1,112,429,498
Less long-term portion	(60,000,000)	(60,000,000)
Current portion	₱1,011,539,269	₱1,052,429,498

Foreign Currency Loans

The Group acquired Loan 1 with interest of 2.25 to 4% per annum payable monthly. This loan is secured by corporate guarantee amounting to ₱80,000,000 and ₱30,000,000 from FCAC and IMEX which are issued by the respective companies.

The Group availed Loan 2 bearing interest of 4% per annum payable monthly, broken down into the following credit facilities: omnibus line, domestic bills purchased lines, FX settlement line and FX pre-settlement risk line. Loan in omnibus used to finance working capital requirements regional and regional integrated checks covered by PCHC/BSP clearing in domestic bills in FX pre-settlement risk line for forward transactions to cover forward purchases/ sales of foreign currency up to a maximum of 6 months.

Other foreign loans consist of short term loans and long term bank loans such as loans with 0.55% flat rate per month secured with a personal guarantee by the Group's Director, loans with 0.4% flat rate per month and a tenor of 60 months with unlimited personal guarantee of the Group's Director and loans with 2.4% per annum over HIBOR secured with a personal guarantee by a major stockholder.

Peso Currency Loans

Loan 3 are secured by cross suretyship executed among Agrinurture, Inc., First Class Agriculture Corporation, Lucky Fruit & Vegetable Products Inc. and The Big Chill, Inc. and continuing suretyship executed by Best Choice Harvest Agricultural Corp. and a major stockholder. The loans bear 4.55% interest per annum which is payable monthly.

Loan 4 pertains to Short-term Loan Line (STLL), Export Packing Credit Line (EPCL), Trust Receipt Lines (TR Lines) and long-term loans currently maturing during the reporting period. These loans bears interest rates which ranges from 5% to 6.75% per annum, subject to various collaterals. These loans are used to partially finance working capital requirements and to facilitate trade transactions for fruit export and vegetable trading business of the Group. Long-term loans currently maturing during the reporting period are secured by the existing real estate mortgage as well as additional mortgage over real properties. The cost of the said real properties amounted to ₱187,674,048.

Loan 5 consists of Omnibus Line which is composed of a short term loan line, letters of credit or trust receipt, export packing credit line and stand-by letters of credit line. Term loan line is subject to the prevailing bank rate, to be re-priced and payable monthly in arrears which are for the financing of the Group's working capital requirements with a tenor up to ninety (90) days. Letters of credit is subject to the prevailing bank rate, to be re-priced and payable monthly, in arrears which is for financing the Group's importation requirements with a maximum tenor up to one hundred eighty (180) days inclusive of issuance period. Export packing credit lines subject at prevailing bank rate to be re-priced monthly or as agreed upon and payable, in arrears which is to finance the Group's export requirements with a tenor not exceeding ninety (90) days. The maximum tenor of the loans is up to three hundred sixty (360) days while the stand-by letter of credit line is subject to standard bank charges has a tenor of a maximum of three hundred and sixty (360) days. Interest rate per annum is 5% payable monthly. Loans are secured by the continuing surety to be executed by a stockholder.

Loan 6 consists of revolving credit lines such as omnibus line, domestic bills purchased line, FX settlement line and FX pre-settlement risk line. This is for the purpose of financing working capital requirements. The loan has securities such as the Joint Surety Security (JSS) by a major stockholder and Corporate Guaranty of Agrinurture, Inc. Interest is to be paid at the end of every month. Interest on dollar loan is based on LIBOR plus 2% divided by 0.9 while peso loan is based on the prevailing market rate.

Loan 7 pertains to promissory note availed that was granted last September 16, 2014. Interest of the loan is at the rate of 8.50% per annum. If the Group defaults in the payment of installment and interest, the entire amount shall be immediately become due and payable. In case of non-payment when due, the Group will pay as penalty an additional sum equivalent to thirty six (36%) per annum of the amount due, until fully paid, exclusive of judicial and extra-judicial expenses. The loan is secured with a pledge of 25,000,000 shares of stock of Agrinurture, Inc. equivalent to 2:1.

The Group assumed a noninterest-bearing loan during the acquisition of Fruitilicious, Inc., from the Agricultural Competitiveness Enhancement Fund (ACEF) of the Department of Agriculture through the chosen conduit bank, Land Bank of the Philippines for the additional working capital and expansion of fruit processing facilities. The loan is payable quarterly within five (5) years starting September 2005 to June 2009. Due to unfavorable effects of economic conditions, the Group proposed to pay the ACEF loan with quarterly payments of ₱100,000. The Department of Agriculture subsequently approved the proposal in September 2012.

The schedule of future principal payments are as follows:

	2015	2014
	₱-	₱-
2014		
2015	1,011,539,269	1,052,429,498
2016	60,000,000	60,000,000
	₱1,071,539,269	₱1,112,429,498

Interest expense incurred on the above loans amounted to ₱17,603,653 and ₱19,143,581 in 2015 and 2014, respectively.

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”):

- Common shares of ANI at the applicable conversion price depending on the net income of the Group.
- 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 from 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 12).

16. 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

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

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

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

- b. On July 3, 2014, the Group executed a subscription agreement with Greenergy Holdings, Inc. (GHI) for 85,990,533 primary common shares of the Group at the issue price of ₱3 per share or a total subscription price of ₱257,971,599 payable in full upon execution. The subscription was approved by the BOD on May 26, 2014.

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

Subscriber	Nationality	Number of shares	Subscribed Amount	Amount paid-in capital	Premium
Greenergy Holdings, Inc.	Filipino	85,990,533	₱257,971,599	₱85,990,533	₱171,981,066

The following shows the movement of the capital stock and additional paid-in capital during the period:

	Number of shares	Capital stock	Additional paid-in capital, net of transaction cost
Issued and subscribed shares at beginning of the year	535,693,037	₱535,693,037	₱2,158,742,461
Subscribed on July 3, 2014	85,990,533	85,990,533	171,981,066
Issued and subscribed shares at end of the year	621,683,570	₱621,683,570	₱2,330,723,527

17. 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
Net loss shown in the statements of income	(P41,712,255)	(P14,687,811)
Weighted average number of common shares	621,683,570	535,693,037
Basic and diluted loss per share from continuing operations	(P0.07)	(P0.03)
Basic and diluted loss per share	(P0.07)	(P0.03)

18. Cost of Sales and Services

	2015	2014
Inventories at January 1	P146,321,655	P121,137,973
Harvested agricultural produce (Note 7)	–	34,621,416
Purchases and conversion cost	527,154,343	767,508,762
Cost of goods available for sale	673,475,998	923,268,151
Inventories at end of period (Note 6)	(96,243,638)	(146,321,655)
Cost of sales	577,232,360	776,946,496
Cost of services	4,219,934	1,505,637
	P581,452,294	P778,452,133

19. Other Income (Expense) - net

	2015	2014
<i>Other operating expense</i>		
Other expenses	P928,123	P–
<i>Other operating income</i>		
Interest income	P1,519,443	P35,160
Gain as a result of loss of control on a subsidiary		
Rental income (Note 11)	340,000	192,275
Gain in change in fair value of biological assets		29,721,683
Gain on sale of property and equipment		
Foreign currency gains	3,823,420	145,223
Other income	9,629,933	7,452,927
	15,312,796	37,547,268
Other income (expenses) - net	P14,384,673	P37,547,268

20. General and Administrative Expenses

	2015	2014
Salaries, wages and other employee benefits	₱57,870,276	₱69,030,791
Depreciation and amortization (Notes 9, 10 and 11)	23,263,074	22,940,472
Rentals (Note 26)	21,850,013	21,121,960
Freight and handling cost	8,044,281	52,550,397
Professional fees	6,165,840	6,020,869
Contracted services	5,834,686	16,642,262
Supplies	4,203,339	7,734,663
Communication, light and water	4,991,060	7,195,138
Transportation and travel	3,420,879	2,644,651
Advertising	3,320,569	207,397
Taxes and licenses	3,279,154	4,100,051
Repairs and maintenance	2,196,949	7,186,253
Others	9,251,232	17,191,642
	₱153,691,352	₱234,566,546

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 March 31, 2015 and December 31, 2014 are as follows:

Category	Amount/ Volume	Outstanding Balances	Terms	Conditions
<i>Advances to related parties</i>				
<i>Stockholder</i>				
Advances to a stockholder			Collectible in cash and on demand, noninterest-bearing	Unsecured, not guaranteed no impairment
2015	(P26,617,056)	P1,566,041,251		
2014	551,936,577	1,605,282,582		
<i>Officers and employees</i>				
Advances to officers and employees			Collectible in cash and on demand, noninterest-bearing	Unsecured, not guaranteed no impairment
2015	(619,910)	7,326,916		
2014	7,946,826	7,946,826		
<i>Under common control</i>				
Earthright Holdings, Phils Inc.			Collectible in cash and on demand, noninterest bearing-	Unsecured, not guaranteed no impairment
2015	—	4,220,000		
2014	4,420,000	4,220,000	Collectible in cash and on demand, noninterest bearing-	Unsecured, not guaranteed no impairment
Agricultural Bank of the Philippines, Inc.			Collectible in cash and on demand, noninterest bearing-	Unsecured, not guaranteed no impairment
2015	—	4,094,305		
2014	4,094,305	4,094,305	Collectible in cash and on demand, noninterest bearing	Unsecured, not guaranteed no impairment
Total 2015	(P27,236,966)	P1,581,682,472		
Total 2014	568,397,708	1,621,543,713		
<i>Advances from related parties</i>				
<i>Greenergy Holdings, Inc.</i>				
2015	P3,253,541	P46,259,159	Payable in cash and on demand noninterest bearing	Unsecured, not guaranteed
2014	41,756,368	43,005,618		
<i>Stockholder</i>				
2015	—	30,000,000	Payable in cash and on demand noninterest bearing	Unsecured, not guaranteed
2014	30,000,000	30,000,000		
Total 2015	P	P76,259,159		
Total 2014	71,756,368	73,005,618		

Category	Amount/ Volume	Outstanding Balances	Terms	Conditions
<i>Loans and borrowings</i>				
Loans from officer			Payable in cash and on demand noninterest bearing	Unsecured, not guaranteed
2015	P=	P15,000,000		
2014	15,000,000	15,000,000	Payable in cash and on demand noninterest bearing	Unsecured, not guaranteed
Loans from stockholders			Payable in cash, 3% interest bearing	Unsecured, not guaranteed
2015				
2014	4,000,000	4,000,000	Payable in cash, 3% interest bearing	Unsecured, not guaranteed
Total 2015	P=	P19,000,000		
Total 2014	19,000,000	19,000,000		

a. Advances from a 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 from a Stockholder

The Group obtained a short term, non-interest bearing, loan from an officer for working capital requirements, amounting to P15,000,000, payable on demand. Also, the Group obtained loans amounting to P4,000,000 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 15).

Interest expense related to this loan amounted to P30,000 and P120,000 in 2015 and 2014.

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 comprehensive income amounted to P6,273,718 and P7,524,580 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:

	2014
<i>Charged to profit and loss:</i>	
Current service cost	₱3,948,377
Net interest cost	478,318
Adjustment due to curtailment	1,253,618
	5,680,313
<i>Charged (credited) to other comprehensive income:</i>	
Net actuarial loss (gain) - defined benefit obligation	2,291,748
	₱7,972,061

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

	2014
Balances at beginning of year	₱6,977,199
Pension costs	5,680,313
Benefits paid by the Group	(1,916,003)
Amount recognized in other comprehensive income	2,291,748
Pension liability	₱13,033,257

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:

	2014
Discount rate	4.60%
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%	(₱65,166)
	-0.50%	65,166
Rate of salary increase	+0.50%	65,166
	-0.50%	(65,166)

The Group's latest actuarial valuation report is as at and for the year ended December 31, 2014.

23. Income Taxes

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

	2015	2014
Current	₱1,043,873	(₱13,398)
Deferred	(9,513,148)	(8,916,505)
	(₱8,469,275)	(₱8,929,903)

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

	2015	2014
Deferred income tax assets:		
NOLCO	₱53,500,472	₱46,159,842
Excess MCIT over RCIT	11,662,345	11,662,345
Impairment of assets	486,412	486,412
Unrealized franchise fee	187,500	187,500
Pension cost	5,461,686	5,461,686
	71,298,415	63,957,785
Deferred income tax liabilities:		
Gain on changes in fair value of biological assets	-	-
Remeasurement of pension liability	687,524	687,524
	687,524	687,524
Net deferred income tax assets	₱70,610,891	₱63,270,261

- c. As at December 31, 2014, 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
2014	2017	₱160,098,059	₱6,242,571
2013	2016	206,144,889	7,410,003
2012	2015	150,293,172	4,450,977
		₱516,536,120	₱18,103,551

Movements in NOLCO in 2014 are as follows:

	2014
Beginning balances	₱443,567,545
Additions	160,098,059
Expirations	(87,129,484)
Ending balances	₱516,536,120

Movements in MCIT in 2014 are as follows:

	2014
Beginning balances	₱11,860,980
Additions	6,242,571
Expirations	–
Ending balances	₱18,103,551

- d. The Group did not avail of the optional standard deduction in 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 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, 2015 and December 31, 2014 based on undiscounted payments:

2015	Less than three months	Three to twelve months	One to five years	Total
<i>Loans and borrowings</i>				
Trade and other payables	₱453,531,647	₱381,582,239	₱–	₱835,113,886
Advances from related parties	76,295,159	–	–	76,295,159
Loans payable	610,758,679	400,780,590	60,000,000	1,071,539,269
Redeemable and convertible note	234,000,000	–	–	234,000,000
Other current liabilities	60,536,737	–	–	60,536,737
Lease payable	–	61,902,194	103,343,605	165,245,799
	₱1,435,122,222	₱844,265,023	₱163,343,605	₱2,442,730,850

**Loans payable inclusive of future interest.*

2014	Less than three months	Three to twelve months	One to five years	Total
<i>Loans and borrowings</i>				
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

**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, 2015 and December 31, 2014:

2015	Less than three months	Three to twelve months	One to five years	Total
Cash	₱79,268,823	₱-	₱-	₱79,268,823
Trade and other receivables	291,490,872	15,246,566	₱-	306,737,438
Advances to related parties	1,581,682,472	-	-	1,581,682,472
	₱1,952,442,167	₱15,246,566	₱-	₱1,967,688,733

2014	Less than three months	Three to twelve months	One to five years	Total
Cash	₱83,602,967	₱-	₱-	₱83,602,967
Trade and other receivables	278,788,946	15,246,566	₱-	294,035,512
Advances to related parties	1,621,543,713	-	-	1,621,543,713
	₱1,983,935,626	₱15,246,566	₱-	₱1,999,182,192

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, 2015 and December 31, 2014:

	2015	2014
Cash with banks	₱77,325,107	₱75,330,008
Trade and other receivables	306,737,438	294,035,512
Advances to related parties	1,581,682,472	1,621,543,713
	₱1,965,745,017	₱1,990,909,233

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, 2015 and December 31, 2014:

2015	Neither past due nor impaired		Past due or impaired	Total
	High Grade	Standard Grade		
Cash with banks	₱77,325,107	₱-	₱-	₱77,325,107
Trade and other receivables	297,403,768	3,550,000	5,783,670	306,737,438
Advances to related parties	1,581,682,472	-	-	1,581,682,472
Total	₱1,956,411,347	₱3,550,000	₱5,783,670	₱2,005,969,191

2014	Neither past due nor impaired		Past due or impaired	Total
	High Grade	Standard Grade		
Cash with banks	₱75,330,008	₱–	₱–	₱75,330,008
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
Total	₱1,981,575,563	₱3,550,000	₱5,783,670	₱1,990,909,233

- 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:

2015							
	AUD	Peso Equivalent	Euro €	Peso Equivalent	RMB\$	Peso Equivalent	HKD
Financial Assets:							
Cash with banks	AU\$618,572	P21,178,166	€144,557	P7,010,447	SG\$–	P–	HK\$3,945,756
Trade and other receivables	1,397,366	47,481,883	477,107	23,137,829	–	–	24,317,829
	2,015,937	69,020,049	621,664	30,148,276	–	–	28,262,878
Loans and borrowings:							
Trade and other payables	4,247,915	145,436,721	227,331	11,024,648	–	–	49,357,826
Loans payable	–	–	50,461	2,447,158	–	–	5,144,073
Advances from related parties	2,881,079	98,640,068	263,010	12,754,952	–	–	60,074,033
	7,128,994	244,076,789	540,801	26,226,758	–	–	114,575,931
Net Financial Asset (Liabilities)	(AU\$5,113,057)	(P175,056,740)	€80,863	P3,921,518	SG\$–	P–	(HK\$86,313,053)
2014							
	AUD	Peso Equivalent	Euro €	Peso Equivalent	RMB\$	Peso Equivalent	HKD
Financial Assets:							
Cash with banks	AU\$526,376	P19,058,145	€43,961	P2,388,813	SG\$–	P–	HK\$3,665,836
Trade and other receivables	1,427,691	51,691,426	411,335	22,351,526	–	–	12,193,564
	1,954,067	70,749,571	455,296	24,740,339	–	–	15,859,400
Loans and borrowings:							
Trade and other payables	4,466,311	161,708,608	637,624	34,647,874	–	–	32,120,967
Loans payable	–	–	32,515	1,766,835	–	–	4,067,327
Advances from related parties	2,318,739	83,952,969	–	–	–	–	54,762,230
	6,785,050	245,661,577	670,139	36,414,709	–	–	90,950,524
Net Financial Liabilities	(AU\$4,830,983)	(P174,912,006)	(€214,843)	(P11,674,370)	SG\$–	P–	(HK\$75,091,124)

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

	2015	2014
AUD	₱34.24	₱36.21
Euro €	48.50	54.34
HKD	5.78	5.75
US\$	44.80	44.72

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, 2015 and December 31, 2014 are as follow:

	2015	2014
Advances from related parties	₱76,259,159	₱73,005,618
Capital stock	621,683,570	621,683,570
Additional paid-in capital	2,330,723,527	2,330,723,527
Total Capital	₱3,028,666,256	₱3,025,412,715

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.

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).

26. Lease Agreements

Operating Lease Commitments

The Group leases the office spaces and store branches under lease agreements usually for a period ranging from one (1) to five (5) years, renewable. Renewals are subject to the mutual consent of the lessor and the lessee.

Rent expense pertaining to these leases amounted to ₱7,332,896 and ₱24,072,365 in 2015 and 2014, respectively.

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

	2015	2014
Within one (1) year	₱15,490,492	₱22,823,388
After 1 year but not more than five (5) years	10,717,246	10,717,246
	₱26,207,738	₱33,540,634

Finance Lease Commitments

The Group has a long-term lease agreements for vehicles and machineries. The lease agreements bear interest rates ranging from 5% to 10% and terms ranging from three (3) to five (5) years.

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

	2015	2014
Gross finance lease obligation		
Less than one year	₱46,257,577	₱53,839,806
Between one and five years	120,081,062	120,081,062
	166,338,639	173,920,868
Less interest	1,092,840	4,371,358
Present value of future minimum lease payments	165,245,799	169,549,510
Less current portion	61,902,194	66,205,905
	₱103,343,605	₱103,343,605

27. 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	<u>₱9,075,224</u>
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 2012Acquisition of GANA

In 2012, LFPVI acquired one hundred percent (100%) interest in GANA, a company registered in the Philippines, primarily engaged in the business of manufacturing, importing, bartering, distributing, selling on wholesale or retail, and otherwise dealing in all kinds of goods, commodities, merchandise and wares.

Acquisition of 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.

28. Discontinued Operations

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 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 17, 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 closing date for the acquisition was on December 19, 2014, accordingly, the TRAIN accounts were deconsolidated from the Group, as a result of the divestment.

Results of Discontinued Operations

The results of TRAIN for the period ended December 19, 2014 follows:

	2014
REVENUES	
Sales	₱314,845,709
Change in fair value less estimated costs to sell of biological assets	6,206,474
	321,052,183
Direct cost and expenses	(197,127,529)
Gross profit	123,924,654
General and administrative expenses	(90,749,224)
Interest expense	(821,918)
Unrealized foreign exchange gain	284,219
Interest income	19,177
Others	133,881
Income before income tax from discontinued operations	32,790,789
Provision from income tax	(9,833,857)
NET INCOME	₱22,956,932
Net income attributable to:	
Equity holders of the parent company	₱11,708,035
Noncontrolling interest	11,248,897
	₱22,956,932

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

	2014	2013
Net income from discontinued operations attributable to equity holders of the Parent Company	₱11,708,035	₱—
Weighted average number of outstanding common shares	578,688,304	535,693,037
Basic earnings per share	₱0.02	₱—

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

	2014	2013
--	------	------

Net income from discontinued operations attributable to equity holders of the Parent Company	₱11,708,035	₱–
Weighted average number of outstanding common shares	578,688,304	280,577,263
Diluted earnings per share	₱0.02	₱–

Cash Flows of Discontinued Operations

The cash flows generated from (used in) discontinued operations of TRAIN for the period ended December 17, 2014 and for the year ended December 31, 2013 follows:

	2014	2013
Net cash flows from operating activities	₱212,929,354	₱–
Net cash flows used in investing activities	(454,443,379)	(44,281,341)
Net cash flows from financing activities	245,599,616	86,781,341
Net cash inflow	₱4,085,591	₱42,500,000

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

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

	2014
Current Assets	
Cash	₱46,585,591
Trade and other receivables	82,671,638
Inventories	3,327,817
Biological assets	169,477,061
Other current assets	9,386,667
Noncurrent Assets	
Property and equipment	628,551,115
Goodwill	100,310,936
Current Liabilities	
Accounts and other payables	(393,188,854)
Notes payable	(18,000,000)
Noncurrent Liability	
Deferred income tax liabilities	(51,543,539)
NET ASSETS	577,578,432
NONCONTROLLING INTEREST	(283,013,432)
NET ASSETS DISPOSED OF	294,565,000
CONSIDERATION	300,000,000
GAIN FROM SALE OF TRAIN (Note 19)	₱5,435,000
NET CASH OUTFLOW FROM DISPOSAL	
Cash consideration already received	₱25,000,000
Cash disposed of	(46,585,591)
	(₱21,585,591)

The consideration includes cash received of ₱25.00 million.

Net gain on sale arising from the transaction amounted to ₱5.38 million, net of applicable tax of ₱54,230.

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.

REVENUE		
(Philippine Pesos)	Mar 31, 2015	Mar 31, 2014
Philippine Operations		
Export	88,892,958	130,107,516
Local Distribution	3,226,603	64,061,725
Farming	–	12,568,479
Retail & Franchising	20,608,966	29,745,577
Others	23,543,990	12,183,849
Sub-total	136,272,518	248,667,146
Foreign Operations		
Hong Kong / China	402,787,601	510,327,573
Australia	119,719,608	229,855,331
Europe	29,396,053	-
Sub-total	551,903,263	740,182,903
Total	688,175,781	988,850,050