

COVER SHEET

for
QUARTERLY 17-Q

SEC Registration Number

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Company Name

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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) 997-5184

Mobile Number

NA

No. of Stockholders

36

Annual Meeting
Month/Day

3 rd Monday of May

Fiscal Year
Month/Day

12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Mr. Kenneth Tan

Email Address

kenneth.tan@ani.com.ph

Telephone Number/s

(02) 997-5184

Mobile Number

NA

Contact Person's Address

Unit 111 Cedar Mansion 2, #7 St. Jose Ma. Escriva Drive, Pasig City

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17 - Q

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

1. For the quarterly period ended September 30, 2016
2. SEC Identification Number 0199701848
3. BIR Tax Identification Code 200-302-092-000
4. Name of Issuer as specified in its charter AGRINURTURE, INC.
5. METRO MANILA, PHILIPPINES (NCR)
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code: _____ (SEC Use Only)
7. NO. 54 NATIONAL ROAD, DAMPOL II-A, PULILAN, BULACAN PHILIPPINES3005
Address of issuer's principal office _____ Postal Code
8. Issuer's telephone number, area code 044-815-6340
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)

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

Yes
No

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

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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
No
 - (b) has been subject to such filing requirements for the past 90 days

Yes
No
-

SIGNATURES

Pursuant to the requirements of the Securities Regulations Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer: **AGRINURTURE INC.**



Signature and Title: **ANTONIO L. TIU**
Chairman of the Board and President

Date: 11 November 2016



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

Date: 11 November 2016

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 September 30, 2016 (with comparative figures as of December 31, 2015 and for the period ended September 30, 2015) are filed as part of this Form 17-Q as Exhibit A.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The following Management Discussion and Analysis should be read in conjunction with the attached unaudited consolidated financial statements of AgriNurture, Inc. and subsidiaries as of and for the nine months ended September 30, 2016.

Business Overview

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

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

REVENUE

(Philippine Pesos)	September 30, 2016	September 30, 2015
Philippine Operations		
Export	86,785,015	239,748,781
Local Distribution and Others	158,293,451	114,806,649
Retail & Franchising	64,303,427	69,062,465
Sub-total	309,381,893	503,416,139
Foreign Operations		
Hong Kong / China	161,480,380	1,325,528,570
Australia	-	341,767,970
Europe	-	55,644,181
Sub-total	161,480,380	1,722,940,721
Total	470,862,273	2,226,356,860

Results of Operations

Nine Months ended September 30, 2016 versus September 30, 2015

Net Sales

ANI Group generated a consolidated sale of goods and services of Php 470.86 million for the nine months ended September 30, 2016, 78.85% decrease over same period last year. For the first nine months of 2016, Philippine operations contributed 66% while sales from Foreign operations accounted for 33% of consolidated sales. Sale of goods and services by business segment follows:

- Export sales posted a decrease of 63.80% quarter-to-quarter to Php 86.79 million for the third quarter of fiscal year 2016 from Php 239.75 million for the same period in 2015, primarily due to (i) reduction in supply of bananas due to decrease in supplies of bananas (ii) low selling price of banana in the international market with high purchase price from suppliers (iii) temporary discontinued export of mangoes and pineapple.
- Local distribution sales posted an increase of 37.89% to Php 158.29 million for the nine months ended September 30, 2016 from Php 114.81 million for the same period in 2015, mainly due to the addition of rice trading business and increase in profitability of business with supermarket outlets in the second quarter of the year.
- Retail and franchising sales registered a decline by 6.89% to Php 64.30 million for the third quarter 2016 from Php 69.02 million for same period in 2015, primarily due to rationalization of backroom and store operations.
- Combined Foreign trading operations posted a decrease of 90.63% to Php 161.48 million for the third quarter 2016 from Php 1,722.94 million for same period last year, due to divestment of the Australia and European operations in the last quarter of 2014 which contributed an average consolidated sales of 17% per quarter.

Cost of Sales

Cost of sales consists primarily of:

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

For the nine months ended September 30, 2016, ANI Group's cost of sales amounted to Php285.23 million down by 84.20% from Php 1,804.95 million for the same period in 2015, due to the lower amount of inventory purchases.

Gross Profit

Consolidated gross profit fell by Php 235.77 million or 55.95% to Php 185.64 million for the nine months ended September 30, 2016 from Php 421.40 million for same period last year. The decrease was due to the decrease in local and foreign sales as well as the closure of the farming operations and other retail outlets.

Operating Expenses

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

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

Consolidated operating expenses as of third quarter of 2016 amounted to Php 154.99 million down from Php 475.39 million for the same period last year, due mainly to the reduction of manpower cost for regular employees and contracted services, decrease in freight and handling relative to the decrease in sales during the quarter, reduction of office rental expense. The non-consolidation of Freshness First, Hansung, Qualis and Sunshine due to divestment also contributed to the decrease in overall expenses during the quarter.

Finance Costs

Finance Costs as of third quarter of 2016 amounted to Php 25.35 million down from Php 35.20 million for the same period last year due to the recapitalization and reduction of debt.

Financial Condition

Assets

ANI Group's consolidated total assets as of September 30, 2016 amounted to ₱ 2.80 billion a decrease of 2.97% from ₱ 2.89 billion at December 31, 2015. The following explain the significant movements in the asset accounts:

- The Group's cash balance decreased by ₱ 16.87 million primarily due to settlement of liabilities.
- Receivables increased by 49.37% mainly due increase of receivables from foreign subsidiaries.
- Advances to related parties/stockholder decreased from ₱1,426.67 million from December 2015 to ₱1,287.81 million in September 2016 due to payments.
- Inventory balance increased from a year end 2015 balance of ₱ 44.8 million to ₱ 50.03 million due to better inventory turnover this quarter.
- Property, plant and equipment including intangibles decreased from ₱860.19 million in December 31, 2015 to ₱819.44 million in September 30, 2016 due to amortization of depreciation.

Liabilities

Consolidated liabilities amounted to ₱ 2.09 billion.

Total current liabilities are ₱ 1.76 billion and ₱ 1.85 billion as of December 31, 2015 and September 30, 2016, respectively. The decrease is mainly due to payments of loans and borrowings and trade payables.

Total non-current liabilities are ₱ 324.33 and ₱ 326.93 million for December 31, 2015 and September 30, 2016.

Equity

Consolidated stockholders' equity as of September 30, 2016 amount to ₱ 712.72 million.

Liquidity and Capital Resources

Net cash used from operating activities for the first 9 months of 2016 was (₱89.17) million due to settlement of trade payables.

Net cash flow from investing activities is ₱130.39 million due to receipts of payments from advances to related parties.

Net cash used in financing activities is (₱58.10) 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

**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015**

FINANCIAL KEY PERFORMACE INDICATOR	DEFINITION	FOR THE YEAR ENDED	
		2016	2015
Current/Liquidity Ratio			
Current ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	0.58	0.58
Quick ratio	$\frac{\text{Current Assets} - \text{Inventory} - \text{Prepayments}}{\text{Current Liabilities}}$	0.50	0.51
Solvency ratio / Debt to equity ratio			
	$\frac{\text{Total Liabilities}}{\text{Equity}}$	2.93	3.06
Asset to equity ratio			
	$\frac{\text{Total Assets}}{\text{Equity}}$	3.93	4.06
Interest rate coverage ratio			
	$\frac{\text{Income Before Tax}}{\text{Finance Cost}}$	0.39	(1.14)
Profitability Ratio			
Return on assets	$\frac{\text{Net Income}}{\text{Average Total Assets}}$	0.00	(0.01)
Return on equity	$\frac{\text{Net Income}}{\text{Average Total Equity}}$	0.01	(0.03)

EXHIBIT A

Agrinurture, Inc. and Subsidiaries
Consolidated Financial Statements
September 30, 2016 and December 31, 2015
And for the Nine Months Ended
September 30, 2016 and 2015

AGRINURTURE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION SEPTEMBER 30, 2016 AND DECEMBER 31, 2015

	September 30, 2016	December 31, 2015
ASSETS		
Current Assets		
Cash (Note 4)	₱16,405,611	₱33,278,930
Trade and other receivables (Note 5)	272,360,550	182,335,197
Advances to related parties (Note 19)	8,889,594	8,889,594
Advances to stockholder (Note 19)	575,689,409	714,555,017
Inventories (Note 6)	50,032,861	44,820,529
Prepayments and other current assets (Note 7)	104,654,771	89,212,359
	1,028,032,796	1,073,091,626
Assets classified as held for sale (Note 10)	-	-
Total Current Assets	1,028,032,796	1,073,091,626
Noncurrent Assets		
Property, plant and equipment (Note 8)	627,214,835	666,925,826
Advances to stockholders - net of current portion (Note 19)	703,226,545	703,226,545
Intangible assets (Note 9)	192,222,077	193,266,995
Deferred income tax assets (Note 21)	8,506,694	7,300,732
Other noncurrent assets (Note 11)	241,427,879	242,327,095
	1,772,598,030	1,813,047,193
TOTAL ASSETS	2,800,630,826	₱2,886,138,819
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 12)	₱479,575,179	₱530,710,930
Loans and borrowings (Note 13)	793,583,866	803,033,866
Redeemable and convertible loan (Note 13)	234,000,000	234,000,000
Advances from related parties (Note 19)	153,803,196	177,101,534
Lease payable (Note 24)	27,929,869	30,508,369
Income tax payable	3,079,849	598,915
Other current liabilities	71,612,358	71,547,443
	1,763,584,317	1,847,501,057
Noncurrent Liabilities		
Loans and borrowings - net of current portion (Note 13)	220,797,845	220,797,845
Pension liability (Note 20)	8,767,447	8,767,447
Lease payable- net of current portion (Note 24)	75,414,093	75,414,093
Other long term liability (Note 24)	19,349,141	21,954,596
	324,328,526	326,933,981
Total Liabilities	2,087,912,843	2,174,435,038
Equity Attributable to Equity Holders of the Parent		
Capital stock (Note 14)	621,683,570	621,683,570
Additional paid-in capital (Note 14)	2,330,723,527	2,330,723,527
Foreign currency translation reserve	(67,127,147)	(60,792,816)
Deficit	(2,108,992,446)	(2,114,135,261)
	776,287,504	777,479,020
Non-controlling Interests	(63,569,521)	(65,775,239)
Total Equity	712,717,983	711,703,781
TOTAL LIABILITIES AND EQUITY	₱2,800,630,826	₱2,886,138,819

See accompanying Notes to Consolidated Financial Statements.

AGRINURTURE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

	For the quarter ended September 30		For the nine months ended Sept. 30	
	2016	2015	2016	2015
REVENUES	₱110,446,583	₱740,275,876	₱470,862,273	₱2,226,356,860
COST OF SALES AND SERVICES (Note 16)	(49,040,452)	(594,206,813)	(285,225,013)	(1,804,953,948)
GROSS PROFIT	61,406,131	146,069,063	185,637,260	421,402,912
General and administrative expense (Note 18)	(52,387,727)	(147,639,357)	(154,985,269)	(475,385,797)
Other income (expenses) - net (Note 17)	1,389,216	24,214,290	4,188,459	49,144,488
OPERATING INCOME (LOSS)	10,407,620	22,643,996	34,840,450	(4,838,397)
Finance income (Note 4)	274,422	3,173	276,423	10,160
Finance costs (Notes 15)	(8,370,058)	(13,653,695)	(25,352,609)	(35,201,163)
INCOME (LOSS) BEFORE INCOME TAX	2,311,984	8,993,474	9,764,264	(40,029,400)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 21)	2,014,841	2,771,182	2,485,399	(7,706,334)
NET INCOME (LOSS)	297,143	6,222,290	7,278,865	(32,323,066)
OTHER COMPREHENSIVE INCOME (LOSS)	-	-	-	-
TOTAL COMPREHENSIVE INCOME (LOSS)	297,143	6,222,290	7,278,865	(32,323,066)
Net income (loss) attributable to:				
Equity holders of the parent	₱631,154	₱5,640,324	₱5,142,815	(₱28,400,602)
Non-controlling interests	(334,011)	581,966	2,136,050	(3,922,464)
	297,143	6,222,290	7,278,865	(32,323,066)
Basic and diluted income (loss) per share attributable to equity holders of the parent (Note 15)	₱0.00	₱0.01	₱0.01	(₱0.05)

See accompanying Notes to Consolidated Financial Statements.

AGRINURTURE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 and 2015

	Equity Attributable to Equity Holders of the Parent						Non-controlling Interests		Total
	Capital Stock (Note 14)	Additional Paid-in Capital (Note 14)	Revaluation Surplus	Translation Reserve	Retained Earnings (Deficit)	Subtotal	Non-controlling Interests		
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)	1,243,899,146	
Issuance of common shares	-	-	-	-	-	-	-	-	
Foreign currency translation reserve	-	-	-	(5,675,742)	-	(5,675,742)	-	(5,675,742)	
Total comprehensive loss	-	-	-	-	(28,400,602)	(28,400,602)	(3,922,463)	(32,323,065)	
Balances at September 30, 2015	₱621,683,570	₱2,330,723,527	₱-	₱15,409,140	(₱1,709,859,831)	₱1,257,956,406	(₱52,056,065)	₱1,200,884,338	
Balance at January 1, 2016	₱621,683,570	₱2,330,723,527	₱-	(₱60,792,816)	(₱2,114,135,261)	₱777,479,020	(₱65,775,239)	₱711,703,781	
Issuance of common shares	-	-	-	-	-	-	-	-	
Foreign currency translation reserve	-	-	-	(6,334,331)	-	(6,334,331)	69,666	(6,264,665)	
Total comprehensive income	-	-	-	-	5,142,815	5,142,815	2,136,050	7,278,865	
Balances at September 30, 2016	₱621,683,570	₱2,330,723,527	₱-	(₱67,127,147)	(₱2,108,992,446)	₱776,287,504	(₱63,569,521)	₱712,717,983	

See accompanying Notes to Consolidated Financial Statements.

AGRINURTURE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

Nine Months Ended September 30

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (Loss) from continuing operations before income tax	₱9,764,264	(₱40,029,400)
Adjustments for:		
Depreciation and amortization (Notes 8 and 9)	46,702,492	61,240,695
Interest expense (Notes 13)	25,352,609	35,201,163
Interest income (Notes 4 and 19)	(276,423)	(10,160)
Operating losses before working capital changes	81,542,942	56,402,298
Decrease (increase) in:		
Trade and other receivables	(90,025,353)	28,832,314
Inventories	(5,212,332)	(27,168,875)
Prepayments and other current assets	(15,442,412)	(27,124,162)
Increase (decrease) in:		
Trade and other payables	(59,159,971)	(41,338,407)
Other current liabilities	64,915	(28,240,942)
Net cash used in operations	(88,232,211)	(38,637,775)
Income tax paid	(1,210,427)	(1,099,129)
Interest received	276,423	10,160
Net cash flows used in operating activities	(89,166,215)	(39,726,744)

(Forward)

Carryforward

Nine Months Ended September 30

	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES		
Changes in:		
Intangible assets (Note 9)	1,044,918	(628,253)
Lease payable	(2,578,500)	(14,296,786)
Changes in:		
Advances to related parties	138,865,608	84,365,522
Other noncurrent liabilities	(2,605,455)	–
Other noncurrent assets	899,216	(14,879,895)
Net changes in property, plant and equipment	(5,231,944)	(846,930)
Net cash inflow from assets held for sale	–	175,000,000
Net cash flows provided by investing activities	130,393,843	228,713,660
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of loans and borrowings	(9,450,000)	(13,388,559)
Interest paid	(25,352,609)	(38,814,451)
Reduction of convertible bonds	–	(150,000,000)
Changes in:		
Advances from related parties	(23,298,338)	(23,567,201)
Net cash flows used from financing activities	(58,100,947)	(225,770,211)
NET DECREASE IN CASH	(16,873,319)	(36,783,295)
CASH AT BEGINNING OF YEAR	33,278,930	83,602,967
CASH AT END OF PERIOD (Note 4)	₱16,405,611	₱46,819,672

See accompanying Notes to Consolidated Financial Statements.

AGRINURTURE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

AgriNurture, Inc. (the Parent Company) was registered with the Philippine Securities and Exchange Commission (SEC) on February 4, 1997 to engage in the manufacturing, producing, growing, buying, selling, distributing, marketing at wholesale only insofar as may be permitted by law, all kinds of goods, commodities, wares and merchandise of every kind and description and to enter into all kinds of contracts for the export, import, purchase, acquisition, sale at wholesale only and other disposition for its own account as principal or in representative capacity as manufacturer's representative, up consignment of all kinds of goods, wares, merchandise or products, whether natural or artificial. In 2009, the SEC approved the change in the Parent Company's primary purpose to engage in corporate farming, in all its branches for the planting, growing, cultivating and producing of crops, plants and fruit bearing trees, of all kinds and in connection to engage in agri-tourism and other pleasurable pursuits for the enjoyments and appreciation of mother nature and ecology and to engage in the establishment, operation and maintenance of equipment, structures and facilities for the preservation, conservation and storage of foods, grains and supplies, like cold storage and refrigeration plants. The Parent Company was listed on the Philippine Stock Exchange (PSE) in April 2009 with an initial listing by way of introduction of 178,536,602 common shares, with a par value of P1.00 per share in the Second Board of the PSE.

The Parent Company's registered principal office address is No. 54 National Road, Dampol II-A, Pulilan, Bulacan. The Parent Company's business address is at Unit 111 Cedar Mansion Phase II, #7 Escriba Drive, Ortigas Center, Barangay San Antonio, Pasig City.

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

The consolidated financial statements as at and for the period ended September 30, 2016 and December 31, 2015 were authorized for issuance by the Parent Company's BOD on November 11, 2016.

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

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis. The consolidated financial statements and these notes are presented in Philippine peso, the Parent Company's functional and presentation currency. All amounts are rounded to the nearest peso, unless otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS includes the statements named PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Financial Reporting Standards Council (FRSC).

Basis of Consolidation

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

	Country of Incorporation	Nature of Business	Effective Ownership	
			2016	2015
First Class Agriculture Corporation (FCAC)	Philippines	Trading (Agricultural goods)	100%	100%
M2000 IMEX Company, Inc. (IMEX)	Philippines	Manufacturing and export	100%	100%
Best Choice Harvest Agricultural Corp. (BCHAC)	Philippines	Farm management	100%	100%
*Fresh and Green Harvest Agricultural Company, Inc. (FG)	Philippines	Trading (Agricultural goods)	100%	100%
*Lucky Fruit & Vegetable Products, Inc. (LFVPI)	Philippines	Trading (Agricultural goods)	100%	100%
Fruitilicious Company, Inc. (FI)	Philippines	Manufacturing/processing/ trading frozen agricultural products	90%	90%
Farmville Farming Co., Inc. (FFCI)	Philippines	Trading (Agricultural goods)	51%	51%
*Ocean Biochemistry Technology Research, Inc. (OBT)	Philippines	Farm management	51%	51%
*Fresh and Green Palawan Agriventures, Inc. (FGP)	Philippines	Farm management	51%	51%
The Big Chill (TBC)	Philippines	Food and beverage retailing and franchising	80%	80%
*Heppy Corporation (HC)	Philippines	Food and beverage retailing and franchising	80%	80%
*Goods and Nutrition for All, Inc. (GANA)	Philippines	Retail and wholesale	100%	100%
Agrinurture HK Holdings Ltd. (ANI HK)	Hong Kong	Holding Company	100%	100%
*Agrinurture Int'l Ltd. (ANI IL)	Hong Kong	Trading and retail	100%	100%
*ANI China	China	Trading (Agricultural goods)	100%	100%
*ANI AgriNurture Europe S.L. (ANI ESL)	Spain	Trading (Agricultural goods)	100%	100%
*Joyful Fairy (Fruits) Limited (JFF)	British Virgin Islands	Trading (Agricultural goods)	51%	51%
**Freshness First Pty. Ltd. (FFPL)	Australia	Processing and trading	-	-
**BSK Pty. Ltd. (BSK)	Australia	Retail	-	-
**Michsul Pty. Ltd. (MPL)	Australia	Wholesale	-	-
**Sunshine Supplies International Co., Ltd. (SSIC)	Hong Kong	Trading (Agricultural goods)	-	-
**Hansung Agro Products Corporation (HAPC)	Philippines	Processing (Agricultural goods)	-	-
**Qualis Logistics and Transport Services, Inc. (QLTS)	Philippines	Logistics	-	-

Subsidiaries

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

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

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

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it:

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

Non-controlling Interest

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

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

Changes in Accounting Policies and Disclosures

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

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

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

Annual Improvements to PFRSs (2010-2012 cycle)

These improvements are effective for annual periods beginning on or after July 1, 2014 and are not expected to have a significant impact to the Group. They include:

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

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

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

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

The amendment is 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 (FVPL) whether or not it falls within the scope of PAS 39 (or PFRS 9, *Financial Instruments*, if early adopted).

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

The amendments are applied retrospectively and clarify that:

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

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

- *PAS 16, Property, Plant and Equipment, and PAS 38, Intangible Assets- Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*

The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

- *PAS 24, Related Party Disclosures - Key Management Personnel*

The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual Improvements to PFRSs (2011-2013 cycle)

These improvements are effective for annual periods beginning on or after July 1, 2014 and are not expected to have a significant effect to the Group. They include:

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Ventures*
The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
 - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
 - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.
- PFRS 13, *Fair Value Measurement - Portfolio Exception*
The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 or (PFRS 9, as applicable).
- PAS 40, *Investment Property - Clarifying the interrelationship of PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property*
The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

Standards and Interpretations Issued but not yet Effective

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

Effective January 1, 2016:

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidated Exception* (Amendments)
These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value and that the only subsidiary of an investment entity that is not an investment entity itself and that provide support services to the investment entity parent is consolidated. The amendments also allow that an investor (that is not an investment entity and has an investment entity associate or joint venture), when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interest in subsidiaries. These amendments are effective for annual periods beginning on or after January 1, 2016. These amendments are not applicable to the Group and will not have any effect on its financial statements.
- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These

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

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

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

- PAS 1, *Disclosure Initiative* (Amendments)
The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirement of PFRS. They clarify the following:
 - That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different nature or functions
 - That specific line items in the statement(s) of comprehensive income and OCI and the statement of financial position may be disaggregated
 - That entities have flexibility as to the order in which they present the notes to financial statements; and
 - That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

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

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

- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants* (Amendments)
The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any effect to the Group as it does not have any bearer plants.
- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any effect to the Group given that it does not use a revenue-based method to depreciate its non-current assets.

Annual Improvements to PFRSs (2012-2014 cycle)

These improvements are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a significant effect to the Group. They include:

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.
- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- *PFRS 7, Applicability of the Offsetting Disclosures to Condensed Interim Financial Statements*
This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.
- *PAS 19, Employee Benefits - regional market issue regarding discount rate*
This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
- *PAS 34, Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*
The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective Beginning January 1, 2018:

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

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

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

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

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

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

The new standard is effective for annual periods beginning on or after January 1, 2019.

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

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

Summary of Significant Accounting Policies

Foreign Currency Translation of Foreign Operations

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

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

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

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

Foreign Currency Translation

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

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

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

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

Presentation of Financial Statements

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

Cash

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

Financial Instruments

Date of Recognition

The Group recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date (i.e., the date that the Group commits to purchase or sell the asset).

Initial Recognition and Measurement of Financial Instruments

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

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

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

The Group's financial instruments are in the nature of loans and receivables and other financial liabilities. As at September 30, 2016 and December 31, 2015, the Group has no financial assets and liabilities classified as at FVPL, HTM and AFS financial assets and derivatives designated as hedging instruments in an effective hedge, as appropriate.

Subsequent Measurement

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

Loans and Receivables

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

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

As at September 30, 2016 and December 31, 2015, the Group's loans and receivables include cash with banks, trade and other receivables, advances to a stockholder and advances to related parties in the consolidated statement of financial position (see Notes 4, 5 and 19).

Other Financial Liabilities

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

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

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

Offsetting of Financial Instruments

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

Determination of Fair Values of Financial Instruments

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

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

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

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

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

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

- Level 1 - Quoted prices in active markets for identical asset or liability
- Level 2 - Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
- Level 3 - Those with inputs for asset or liability that are not based on observable market 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 23.

Impairment of Financial Assets

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

Loans and Receivables

For financial assets carried at amortized cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar

credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment. When the Group determines that a specific account or group of accounts continue to be impaired or can no longer be recovered based on its regular review and assessment and after exhausting all actions and means to recover, these specifically identified accounts are written-off.

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

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

Derecognition of Financial Instruments

Financial Assets

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

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

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

Financial Liabilities

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

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

Business Combinations and Goodwill

Business combinations, except for business combination between entities under common control, are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any NCI in the acquiree. For each business combination, the acquirer measures the NCI in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed and included in general and administrative expenses.

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

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and any gain or loss on remeasurement is recognized in the consolidated statement of income. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with PAS 39 either in the consolidated statement of income, or in the consolidated statement of comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

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

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

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

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

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

Inventories

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

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

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

Prepayments and Other Current Assets

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

VAT

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

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

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

Deposits

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

CWTs

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

Prepaid Expense

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

Property, Plant and Equipment

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

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

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

<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 de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of income when the asset is derecognized.

Trademarks

Trademarks acquired separately are recognized at cost. Following initial recognition, trademarks are carried at cost less accumulated amortization and any impairment losses. The Group assesses for impairment whenever there is an indication that these assets may be impaired. The Group has assessed that certain trademark acquired in a business combination in the past has indefinite useful lives, thus are not amortized, but tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. The remaining trademark at current year has finite useful life and is amortized over straight line basis over its estimated useful life of twenty years. The amortization period and the amortization method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as

appropriate, and are treated as changes in accounting estimates. The amortization expense is recognized in the consolidated statement of income under “Depreciation and amortization” account in the expense category consistent with the function of the intangible asset.

Computer Software

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

Goodwill

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

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

Franchise

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

Other Noncurrent Assets

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

Assets Held for Sale and Discontinued Operations

The Group classifies assets as held for sale (disposal group) when their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset and an active program to locate a buyer and complete the plan must have been initiated. Furthermore, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification. Assets held for sale are measured at the lower of their carrying amount or fair value less costs to sell. Impairment

losses are recognized for any initial or subsequent write-down of the assets held for sale to the extent that these have not been previously recognized at initial recognition. Reversals of impairment losses for any subsequent increases in fair value less cost to sell of the assets held for sale are recognized as a gain, but not in excess of the cumulative impairment loss that has been previously recognized.

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

Impairment of Nonfinancial Assets

Inventories

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

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

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

Nonfinancial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or CGU is written down to its recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators. Impairment losses are recognized in the consolidated statement of income.

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

Impairment of Goodwill and Trademark

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

Interest-bearing Loans and Borrowings

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

Other Comprehensive Income (OCI)

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

Capital Stock and Additional Paid-in Capital

Capital stock is classified as equity.

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

Dividends

Dividend distribution to the Parent Company's stockholders is recognized as a liability in the consolidated financial statements in the period in which the dividends are approved or declared by the Parent Company's BOD. Dividends are recognized as a liability and deducted from equity when they are approved by the stockholders of the Group. Dividends for the year that are approved after the reporting period are dealt with as an event after the reporting period.

Cumulative Translation Adjustments

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

Retained Earnings (Deficit)

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

Revenue Recognition

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

Sale of Goods

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

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

Rendering of Services

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

Interest

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

Rental

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

Expenses

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

Costs of Sales and Services

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

General, Administrative and Selling Expenses

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

Discontinued Operations

The related results of operations and cash flows of the disposal group that qualify as discontinued operations are separated from the results of those that would be recovered principally through

continuing use, and the prior years' profit or loss in the consolidated statement of comprehensive income and consolidated statement of cash flows are re-presented. Results of operations and cash flows of the disposal group that qualify as discontinued operations are presented in profit or loss in the consolidated statement of comprehensive income and consolidated statement of cash flows as items associated with discontinued operations.

Borrowing Cost

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

Leases

Determination of Whether an Arrangement Contains a Lease

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

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

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

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

Finance Lease Commitments - Group as a Lessee

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

Group as a Lessee

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

Group as a Lessor

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

Pension Liability

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

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

Defined benefit costs comprise the following:

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

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

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

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

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

Basic/Diluted Earnings Per Share

Basic Earnings Per Share (EPS)

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

Diluted EPS

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

Income Taxes

Current Income Tax

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

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

Deferred Income Tax

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

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

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

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

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

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

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

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

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

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

Business Segments

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

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are made by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

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

Contingencies

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

Events after the Reporting Period

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

3. Significant Accounting Judgments, Estimates and Assumptions

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

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcome can differ from these estimates.

Judgments

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

Going Concern

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

Determining Functional Currency

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

Classification of Investment Properties

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

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 P294,565,000 to the Fund and to HRC (see Note 10).

Classification of Financial Instruments

The Group classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the

contractual agreement and the definitions of a financial asset, a financial liability or an equity instrument, rather than its legal form, governs its classification in the statement of financial position.

Determining Finance Lease Commitments - Group as a Lessee

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

Determining Operating Lease Commitments - Group as a Lessee

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

Determining Operating Lease Commitments - Group as a Lessor

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

Estimates and Assumptions

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

Estimating Allowance for Impairment Losses on Trade and Other Receivables and Advances to Related Parties

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

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

Provision for impairment losses on receivables amounted to nil and ₱64,527,983 in 2016 and 2015, respectively. The carrying values of trade and other receivables amounted to ₱272,360,550 and ₱182,335,197, net of allowance for impairment losses of ₱70,311,652 as at September 30, 2016 and December 31, 2015, respectively (see Note 5).

There were no provisions for impairment losses recognized in advances to related parties in 2016 and 2015. The carrying values of advances to related parties under common control amounted to ₱8,889,594 as at September 30, 2016 and December 31, 2015, respectively.

The carrying values of current portion of advances to stockholder amounted to ₱575,689,409 and ₱714,555,017 as at September 30, 2016 and December 31, 2015, respectively, while the noncurrent portion amounted to ₱703,226,545 for September 30, 2016 and December 31, 2015.

Estimating Allowance for Impairment Losses on Inventory

The Group maintains allowance for inventory losses at a level considered adequate to reflect the excess of cost of inventories over their NRV. Increase in the NRV of inventories will increase the cost of inventories but only to the extent of their original production costs.

There were no provisions for impairment losses recognized in 2016 and 2015. The carrying values of inventories amounted to ₱50,032,861 and ₱44,820,529 as at September 30, 2016 and December 31, 2015, respectively (see Note 6).

Estimating Impairment Losses on Other Current and Noncurrent Assets

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

There were no provisions for impairment losses on the Group's prepayments and other current assets in 2016 and 2015. The carrying values of its prepayments and other current assets amounted to ₱104,654,771 and ₱89,212,359 as at September 30, 2016 and December 31, 2015, respectively (see Note 7).

There were no provision for impairment losses on the Group's other noncurrent assets in 2016 and 2015. The carrying values of other noncurrent assets amounted to ₱241,427,879 and ₱242,327,095 as at September 30, 2016 and December 31, 2015, respectively (see Note 11).

Estimating Useful Lives of Property and Equipment and Investment Property

The Group estimates the useful lives of property and equipment and investment property based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and investment property are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property, plant and equipment and investment property is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. There is no change in the estimated useful lives of the property and equipment and investment properties as at September 30, 2016 and December 31, 2015.

The aggregate net book values of property and equipment amounted to ₱627,214,835 and ₱666,925,826, net of accumulated depreciation of ₱414,120,716 and ₱369,177,781 as at September 30, 2016 and December 31, 2015, respectively (see Note 8).

Estimating Impairment of Property and Equipment and Investment Property

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

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

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

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

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

An impairment loss is recognized and charged to earnings if the discounted expected future cash flows are less than the carrying amount. Fair value is estimated by discounting the expected future cash flows using a discount factor that reflects the market rate for a term consistent with the period of expected cash flows.

The aggregate net book values of property and equipment amounted to ₱627,214,835 and ₱666,925,826, net of accumulated depreciation of ₱414,120,716 and ₱369,177,781 as at September 30, 2016 and December 31, 2015, respectively (see Note 8).

Estimating Useful Lives of Intangible Assets

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

The carrying values of computer software amounted to ₱875,934 and ₱1,242,120 as at September 30, 2016 and December 31, 2015, respectively (see Note 9).

Estimation of Impairment of Goodwill and Certain Trademarks

The Group reviews the carrying values of goodwill and certain trademarks for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill and other intangible assets by assessing the recoverable amount of the CGU or group of CGUs to which the goodwill and trademarks relates. Assessments require the use the estimates and assumptions such as market evaluation and trends, discount rates, future capital requirements and operating performance. If the recoverable amount of the unit exceeds the carrying amount of the CGU, the CGU and the goodwill and trademarks allocated to that CGU shall be regarded as not impaired. Where the recoverable

amount of the CGU or group of CGUs is less than the carrying amount of the CGU or group of CGUs to which goodwill and trademarks has been allocated, an impairment loss is recognized. Impairment of goodwill amounted to nil and ₱312.62 million were recognized in 2016 and 2015, respectively, while the impairment of trademarks amounted to nil and ₱50.68 million were recognized in 2016 and 2015, respectively (see Note 9).

Estimating Pension Costs

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

Pension costs amounted to nil and ₱3,088,731 in 2016 and 2015, respectively, while pension liability amounted to ₱8,767,447 as at September 30, 2016 and December 31 2015, respectively (see Note 20).

Assessing Recoverability of Deferred Income Tax Assets

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

Deferred income tax assets recognized by the Group amounted to ₱8,506,694 and ₱7,300,732 as at September 30, 2016 and December 31, 2015, respectively (see Note 21).

The Group has temporary difference amounting to ₱293,473,500 as at September 30, 2016 and December 31, 2015, respectively, for which no deferred income tax asset was recognized because it is more likely than not that the carryforward benefit will not be realized on or prior to its expiration (see Note 21).

Determining Fair Values of Financial Instruments

Where the fair values of financial assets and liabilities recorded in the consolidated statements of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility and correlation (see Note 23).

Contingencies

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

4. Cash

	2016	2015
Cash on hand	₱ 1,789,208	₱1,145,825
Cash with banks	14,616,403	32,133,105
	₱16,405,611	₱33,278,930

Cash with banks earn interest at the respective bank deposit rates. Interest income earned from cash with banks amounted to ₱276,423 and ₱10,160 in 2016 and 2015, respectively.

5. Trade and Other Receivables

	2016	2015
Trade receivables	₱284,125,151	₱201,617,992
Others	58,547,052	51,028,858
	342,672,203	252,646,850
Less allowance for impairment losses	70,311,653	70,311,653
	₱272,360,550	₱182,335,197

Trade receivables are noninterest-bearing. These are generally settled through cash payment or application of customer's deposit for receivables from third party, or offsetting with corresponding payable accounts for receivables from related parties.

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

Movements in allowance for impairment losses are as follows:

	2016	2015
Beginning balances	₱70,311,653	₱5,783,670
Provision	-	64,527,983
Write-off	-	-
Ending balances	₱70,311,653	₱70,311,653

Provision is charged in 'Other expenses' under other income (expense) - net (see Note 17).

6. Inventories

	2016	2015
At cost:		
Vegetables, fruits and goods	₱31,426,098	₱26,546,825
Packaging materials and other supplies	18,606,763	18,273,704
	₱50,032,861	₱44,820,529

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

Management believes that the Group's inventories are not impaired as at September 30, 2016 and December 31, 2015. Accordingly, there were no provisions for impairment losses that were recognized in 2016 and 2015.

7. Prepayments and Other Current Assets

	2016	2015
Input value-added tax (VAT)	₱65,163,639	₱61,507,195
Deposits	25,731,731	9,595,121
Prepaid insurance	8,984,365	13,704,796
Prepaid rent and other current assets	3,711,545	2,788,482
Creditable withholding taxes (CWTs)	1,063,491	1,616,765
	₱104,654,771	₱89,212,359

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

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

Prepaid insurance and prepaid rent are paid in advance which will be amortized within twelve (12) months after the end of the financial reporting date.

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

8. Property, Plant and Equipment

September 30, 2016:

Cost:	Land		Store and warehouse equipment	Delivery and transportation equipment	Machinery and equipment	Office furniture and fixtures	Leasehold improvement	Total
	Land	Building						
Balances at January 1	149,152,330	117,141,942	110,880,435	33,491,893	490,860,660	31,970,379	102,605,968	1,036,103,607
Additions	-	2,468,094	331,457	-	-	-	5,476,756	8,276,307
Disposals	-	-	-	(535,000)	-	(637,101)	(1,872,262)	(3,044,363)
Effect of deconsolidation due to loss of control	-	-	-	-	-	-	-	-
Write-off	-	-	-	-	-	-	-	-
Balances at September 30	149,152,330	119,610,036	111,211,892	32,956,893	490,860,660	31,333,278	106,210,462	1,041,335,551
Accumulated depreciation:								
Balances at January 1	-	30,543,902	59,904,241	21,619,623	145,423,952	27,085,430	84,600,633	369,177,781
Depreciation and amortization	-	5,375,932	6,208,533	2,725,792	25,521,876	1,745,856	3,364,946	44,942,935
Disposals	-	-	-	-	-	-	-	-
Effect of deconsolidation due to loss of control	-	-	-	-	-	-	-	-
Write-off	-	-	-	-	-	-	-	-
Balances at September 30	-	35,919,834	66,112,774	24,345,415	170,945,828	28,831,286	87,965,579	414,120,716
Net book values	₱149,152,330	₱83,690,202	₱45,099,118	₱8,611,478	₱319,914,832	₱2,501,992	₱18,244,883	₱627,214,835

December 31, 2015

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

Fully depreciated property and equipment are retained in the books until they are no longer in use. As at September 30, 2016, the cost of fully depreciated property and equipment still being used in operations amounted to ₱100,900,422. Certain assets are covered by insurance such as delivery and transportation equipment and buildings. Cost of land and building located in Pulilan, Bulacan amounting to ₱23.85 million is used as a collateral for certain loans and borrowings (see Note 13).

As at September 30, 2016 and December 31, 2015, property and equipment held under finance lease amounted to ₱28,943,230 and ₱30,231,610, respectively.

9. Intangible Assets

Computer Software

The compositions of computer software are as follows:

	2016	2015
Cost:		
Beginning balances	₱7,535,160	₱6,906,907
Additions	–	628,253
Ending balances	7,535,160	7,535,160
Accumulated depreciation:		
Beginning balances	6,293,040	5,533,030
Amortization (Note 18)	366,186	760,010
Ending balances	6,659,226	6,293,040
Net book values	₱875,934	₱1,242,120

Franchise

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

The net book values of the franchise account amounted to ₱3,846,143 and ₱4,524,875 as of September 30, 2016 and December 31, 2015, respectively, net of accumulated amortization of ₱5,203,606 and ₱4,524,875, in September 30, 2016 and December 31, 2015, respectively.

Trademark

The trademark includes that related to the acquisition of TBC, Inc. in 2011. During the acquisition of TBC, net assets acquired includes trademark for the use of “The Big Chill” brand, amounting to ₱200 million which was included in the purchase price. The net carrying value of the Group’s trademark account amounted to ₱187,500,000 as of September 30, 2016 and December 31, 2015, net of amortization and impairment amounting to ₱12,864,539 in September 30, 2016 and December 31, 2015.

10. Assets Classified as Held For Sale

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

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

On February 3, 2015, the sale transaction with the Fund was completed using a portion of the redeemable and convertible note amounting to ₱150,000,000 as part of the settlement.

11. Other Noncurrent Assets

	2016	2015
Rental deposits and others	₱14,053,138	₱14,952,354
Advances and deposits	132,041,113	132,041,113
Advances for land acquisition	95,333,628	95,333,628
	₱241,427,879	₱242,327,095

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

12. Trade and Other Payables

	2016	2015
Trade payables	₱262,717,219	₱349,107,929
Current portion of the other long term liability	95,125,087	95,125,087
Accrued expenses	50,298,165	50,219,049
Customers' deposits	49,163,890	12,094,869
Withholding tax payable	4,007,872	3,553,479
Others	18,262,946	20,610,517
	₱479,575,179	₱530,710,930

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

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

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

Withholding tax payable includes taxes withheld from salaries of employees which will be remitted in the next month.

Others represent other operating expenses that are payable to various suppliers and contractors.

13. Loans and Borrowings and Redeemable Convertible Loan

	2016	2015
<i>Foreign Currency</i>		
Loan 1	₱110,366,108	₱110,366,108
Loan 2	101,547,445	101,547,445
Others	-	-
<i>Peso Currency</i>		
Loan 3	349,800,000	349,800,000
Loan 4	213,408,158	213,408,158
Loan 5	90,000,000	90,000,000
Loan 6	54,100,000	63,350,000
Loan 7	44,000,000	44,000,000
ACEF Loan	11,360,000	11,560,000
Others	39,800,000	39,800,000
	1,014,381,711	1,023,831,711
Less long-term portion	220,797,845	220,797,845
Current portion	₱793,583,866	₱803,033,866

Foreign Currency Loans

Bank 1

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

Bank 2

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

Peso Currency Loans

Bank 3

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

Bank 4

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

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

Bank 5

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

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

Bank 6

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

Bank 7

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

Redeemable and Convertible Loan

The Group has entered into a convertible 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 conditions in which Black River has the option (the “Conversion Option”), which may be exercised at any time, and from time to time, after December 19, 2015, to convert the note in part or in full, into either (the “Subscription Option”):

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

In, addition, Black River shall have the option to require the Group to redeem the note, in part or in full for the redemption price (sum of the principal plus the interest accrued on the note 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 convertible note agreement amounting to ₱49,000,000 with the same party, terms and conditions.

On February 3, 2015, Black River Capital Partners Food Fund assigned its rights and interests on the ₱150,000,000 of the redeemable and convertible note as part of the settlement for the purchase of 29.75% BCH shares in TRAIN (see Note 13).

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

14. Capital Stock

	2016		2015	
	Number of Shares	Amount	Number of shares	Amount
Authorized - ₱1 par value per share	1,000,000,000	₱1,000,000,000	1,000,000,000	₱1,000,000,000
Issued and outstanding	621,683,570	621,683,570	621,683,570	621,683,570

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

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

As at September 30, 2016, the Parent Company's total stockholders is 36. There was no additional subscription and issuance of shares in 2016.

15. Basic and Diluted Loss Per Share

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

	2016	2015
Net income (loss) shown in the statements of income	7,278,865	(₱32,323,066)
Weighted average number of common shares	621,683,570	621,683,570
Basic and diluted income (loss) per share	₱0.01	(₱0.05)

16. Cost of Sales and Services

	2016	2015
Inventories at January 1	₱44,820,529	₱70,405,867
Purchases and conversion cost	290,179,449	1,819,529,676
Cost of goods available for sale	334,999,978	1,889,935,543
Inventories at end of period (Note 6)	(50,032,861)	(97,574,742)
Cost of sales	284,967,117	1,792,360,801
Cost of services	257,896	12,593,147
	₱285,225,013	₱1,804,953,948

17. Other Income (Expense) - net

	2016	2015
<i>Other operating expense</i>		
Other expenses	₱209,405	₱4,991,347
<i>Other operating income</i>		
Rental income (Note 11)	221,855	1,135,785
Foreign currency gains	117,640	-
Other income	4,058,369	53,000,050
	4,397,864	54,135,835
Other income (expenses) - net	₱4,188,459	₱49,144,488

18. General and Administrative Expenses

	2016	2015
Depreciation and amortization (Note 8)	₱46,702,492	₱57,833,317
Salaries, wages and other employee benefits	40,731,139	173,164,624
Rentals (Note 24)	36,309,280	58,101,644
Communication, light and water	5,993,008	12,687,531
Freight and handling cost	5,599,156	62,309,116
Taxes and licenses	5,367,856	14,983,648
Supplies	3,452,195	7,168,511
Transportation and travel	2,465,555	6,667,869
Advertising	1,372,257	19,909,360
Repairs and maintenance	1,273,067	5,615,149
Professional fees	1,026,566	13,721,808
Contracted services	442,284	22,321,194
Others	4,250,414	20,902,026
	₱154,985,269	₱475,385,797

19. Related Party Transactions

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

The Group's significant transactions and outstanding balances with its related parties as at September 30, 2016 and December 31, 2015 are as follows:

Category	Amount/ Volume	Outstanding Balances	Terms	Conditions
<i>Advances to related parties</i>				
<i>Stockholder</i>				
Advances to a stockholder:				
Current				
2016	(₱138,865,608)	₱575,689,409		
2015	-	714,555,017		
			Refer to note "b" below.	Refer to note "b" below.
Non-current				
2016	-	703,226,545		
2015	-	703,226,545		
<i>Officers and employees</i>				
Advances to officers and employees				
			Collectible in cash and on demand, noninterest-bearing	Unsecured, not guaranteed, no impairment
2016	₱-	₱8,889,594		
2015	-	8,889,594		
Total 2016	(₱138,865,608)	₱1,287,805,548		
Total 2015	-	1,426,671,156		
<i>Advances from related parties</i>				
Greenergy Holdings, Inc.				
2016	₱-	₱18,532,387	Payable in cash and on demand noninterest bearing	Unsecured, not guaranteed
2015	-	18,542,107		
Earthright Holdings, Phils Inc.				
2016	-	8,223,875	Payable in cash and on demand noninterest-bearing	Unsecured, not guaranteed
2015	-	8,223,875		
Agricultural Bank of the Philippines, Inc				
2016	-	12,000,000	Payable in cash and on demand noninterest-bearing	Unsecured, not guaranteed
2015	-	12,000,000		
Officers and Employees				
2016	(₱23,288,618)	₱115,046,934	Payable in cash and on demand noninterest-bearing	Unsecured, not guaranteed
2015	-	138,335,552		
Total 2016	(₱19,140,481)	₱153,803,196		
Total 2015	-	177,101,534		

a. Advances from Related Parties

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

b. Advances to a Stockholder

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

Compensation of Key Management Personnel

The Group considers its President, Executive Vice President and Chief Finance Officer as key management personnel. Total remuneration of key management personnel, composed mainly of short-term employee benefits and provision for retirement benefits for executive officers, were included under “Personnel costs” in the statements of income amounted to ₱2,465,802 and ₱7,883,505 in 2016 and 2015, respectively. There were no other benefits aside from the salaries and other short- term benefits.

20. Pension Liability

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

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

	2015
<i>Charged to profit and loss:</i>	
Current service cost	₱2,652,570
Net interest cost	436,161
Adjustment due to curtailment	-
	3,088,731
<i>Charged (credited) to other comprehensive income:</i>	
Net actuarial loss (gain) - defined benefit obligation	(7,354,541)
	(₱4,265,810)

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

	2015
Balances at beginning of year	₱13,033,257
Pension costs	3,088,731
Benefits paid by the Group	-
Amount recognized in other comprehensive income	(7,354,541)
Pension liability	₱8,767,447

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

	2015
Discount rate	5.00 %
Projected salary increase rate	5.00 %

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

Assumptions	Change in assumption - increase (decrease)	Effect on defined benefit liability
Discount rates	+0.50%	(P438,372)
	-0.50%	438,372
Rate of salary increase	+0.50%	(78,459)
	-0.50%	78,459

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

21. Income Taxes

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

	2016	2015
Current	₱2,725,360	(₱7,706,334)
Deferred	(239,961)	-
	₱2,485,399	(₱7,706,334)

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

	2016	2015
Deferred income tax assets:		
NOLCO	₱4,571,888	₱-
Unrealized foreign exchange loss	4,670,498	4,670,498
Pension cost	947,271	947,271
	10,189,657	5,617,769
Deferred income tax liabilities:		
Remeasurement of pension liability	1,682,963	1,682,963
Net deferred income tax assets	₱8,506,694	₱7,300,732

- c. As at December 31, 2015, the Group has available NOLCO and excess MCIT that can be claimed as deductions from future taxable income and income tax due, respectively, as follows:

Year Incurred	Available Until	NOLCO	Excess MCIT
2015	2018	₱127,162,922	₱2,271,846
2014	2017	166,310,578	5,354,117
2013	2016	81,446,164	6,421,540
		₱374,919,664	₱14,047,503

Movements of NOLCO in 2015 are as follows:

	2015
Beginning balances	₱166,310,578
Additions	127,162,922
Ending balances	₱293,473,500

Movements of MCIT in 2015 are as follows:

	2015
Beginning balances	₱5,354,117
Additions	2,271,846
Ending balances	₱7,625,963

- d. The Group did not avail of the optional standard deduction in 2015.

22. Financial Risk Management and Capital Management Objectives and Policies

Financial Risk Management Objectives and Policies

The Group's principal financial instruments consist of cash and advances from a related party. The main purpose of these financial instruments is to finance the Group's normal course of its operating activities. The Group has various other financial assets and financial liabilities such as receivables, refundable deposits under "Other current assets" and trade payables and other liabilities which arise directly from its operations.

The Group is exposed to liquidity risk, credit risk and foreign currency risk. The main objective of the Group's financial risk management is to identify and monitor said risks in an ongoing basis and to minimize and mitigate such risks.

Liquidity Risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit the risk, the Group maintains sufficient cash to meet operating capital requirements. The Group also monitors the maturities of its financial assets and financial liabilities and ensures that it has sufficient current assets to settle the current liabilities.

The tables below summarize the maturity profile of the Group's financial liabilities as at September 30, 2016 and December 31, 2015 based on undiscounted payments:

2016	Less than three months	Three to twelve months	One to five years	Total
<i>Loans and borrowings</i>				
Trade and other payables	₱345,287,674	₱134,287,505	₱-	₱479,575,179
Advances from related parties	153,803,196	-	-	153,803,196
Loans payable	793,583,866	-	220,797,845	1,014,381,711
Redeemable and convertible note	234,000,000	-	-	234,000,000
Other current liabilities	71,612,358	-	-	71,612,358
Lease payable	-	27,929,869	75,414,093	103,343,962
	₱1,598,287,094	₱162,217,374	₱296,211,938	₱2,056,716,406

**Loans payable inclusive of future interest.*

2015	Less than three months	Three to twelve months	One to five years	Total
<i>Loans and borrowings</i>				
Trade and other payables	₱396,423,425	₱134,287,505	₱-	₱530,710,930
Advances from related parties	177,101,534	-	-	177,101,534
Loans payable	803,033,866	-	220,797,845	1,023,831,711
Redeemable and convertible note	234,000,000	-	-	234,000,000
Other current liabilities	71,547,443	-	-	71,547,443
Lease payable	-	30,508,369	75,414,093	105,922,462
	₱1,682,106,268	₱164,795,874	₱296,211,938	₱2,143,114,080

*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 September 30, 2016 and December 31, 2015:

2016	Less than three months	Three to twelve months	One to five years	Total
Cash	₱14,616,403	₱-	₱-	₱14,616,403
Trade and other receivables	224,709,199	47,651,351	70,311,653	342,672,203
Advances to related parties	584,579,003	-	703,226,545	1,287,805,548
	₱823,904,605	₱47,651,351	₱773,538,198	₱1,645,094,154

2015	Less than three months	Three to twelve months	One to five years	Total
Cash	₱33,278,930	₱-	₱-	₱33,278,930
Trade and other receivables	122,772,621	47,651,351	-	170,423,972
Advances to related parties	723,444,611	-	703,226,545	1,426,671,156
	₱879,496,162	₱47,651,351	₱703,226,545	₱1,630,374,058

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 September 30, 2016 and December 31, 2015:

	2016	2015
Cash with banks	₱14,616,403	₱32,133,105
Trade and other receivables	342,672,203	170,423,972
Advances to related parties	1,287,805,548	1,426,671,156
	₱1,645,094,154	₱1,629,228,233

The table below summarizes the credit quality of the Group's financial assets based on its historical experience with the corresponding parties as at September 30, 2016 and December 31, 2015:

2016	Neither past due nor impaired		Past due or impaired	Total
	High Grade	Standard Grade		
Cash with banks	₱14,616,403	₱-	₱-	₱14,616,403
Trade and other receivables	224,709,199	47,651,351	70,311,653	342,672,203
Advances to related parties	1,287,805,548	-	-	1,287,805,548
Total	₱1,527,131,150	₱47,651,351	₱70,311,653	₱1,645,094,154

2015	Neither past due nor impaired		Past due or impaired	Total
	High Grade	Standard Grade		
Cash with banks	₱32,133,105	₱-	₱-	₱32,133,105
Trade and other receivables	108,871,403	54,316,533	7,236,036	170,423,972
Advances to related parties	485,068,193	941,602,963	-	1,426,671,156
Total	₱626,072,701	₱995,919,496	₱7,236,036	₱1,629,228,233

- 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 equivalent exchange rates of one foreign currency in Philippine peso as at September 30, 2016 and December 31, 2015 are as follow:

	2016	2015
Euro €	54.07	51.74
HKD	6.22	6.09
US\$	48.26	47.06

Capital Management Objectives and Policies

The primary objective of the Group's capital management policy is to ensure that the fund balance is maintained at an adequate level. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. The Group's capital as at September 30, 2016 and December 31, 2015 are as follow:

	2016	2015
Advances from related parties	₱153,803,196	₱110,109,711
Loans and borrowings	1,014,381,711	1,090,823,535
Capital stock	621,683,570	621,683,570
Additional paid-in capital	2,330,723,527	2,330,723,527
Total Capital	₱4,120,592,004	₱4,153,340,343

The Group has no externally imposed capital requirement.

23. Fair Value Measurement

The management assessed that the following financial instruments approximate their carrying amounts based on the methods and assumptions used to estimate the fair values:

Cash, Trade and Other Receivables, Advances to/from Related Parties and Trade and Other Payables

The carrying amounts of cash, trade and other receivables, advances to/from related parties and trade and other payables approximate their fair values due to the short-term nature of these financial instruments.

Interest Bearing Advances from a Related Party

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

Loans and Borrowings

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

Biological Assets

Banana trees are measured at their fair values less costs to sell. In determining the fair value, management has made certain assumptions about the yields and market prices of banana fruits to be harvested from the current banana trees, the costs of operating the banana plantation and the quantity and quality of banana trees growing in the plantation at each reporting date. The measurement of the biological assets is dependent on the selection of these assumptions used by the Group in calculating the fair value of the assets. Cost to sell includes direct costs of selling the biological assets.

Lease Payable

The fair values of lease payable are based on the present value of future cash flows discounted using the current rates available for debt with the same maturity profile as at the end of the reporting period.

Fair Value Hierarchy

The Group uses the following hierarchy in determining and disclosing the fair value of financial instruments by valuation technique:

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

24. Lease AgreementsOperating Lease Commitments

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

As at September 30, 2016 and 2015, there are 28 and 41 store outlets, respectively being held under operating lease agreements.

Rent expense pertaining to these leases amounted to ₱36,309,280 and ₱40,444,439 in 2016 and 2015, respectively.

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

	2016	2015
Within one (1) year	₱4,481,600	₱15,490,492
After 1 year but not more than five (5) years	10,717,246	10,717,246
	₱15,198,846	₱26,207,738

Finance Lease Commitments*Vehicles*

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

Machineries

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

The components of the lease obligations as at September 30, 2016 and December 31, 2015 are as follows:

	2016	2015
Gross finance lease obligation		
Less than one year	₱33,930,993	₱36,713,206
Between one and five years	69,937,500	69,937,500
	103,868,493	106,650,706
Less interest	524,531	728,244
Present value of future minimum lease payments	103,343,962	105,922,462
Less current portion	27,929,869	30,508,369
	₱75,414,093	₱75,414,093

Rice Mill and various milling equipment

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

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

	2015
Gross finance lease obligation	
Less than one year	₱14,737,892
Between one and five years	1,536,513
	16,274,405
Less interest	49,820
Present value of future minimum lease payments	16,224,585
Less current portion	14,701,007
	₱1,523,578

Other Long Term Liability

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

	2015
Payable to Tetra Pak	₱117,079,683
Less long-term portion	21,954,596
Current portion	₱95,125,087

25. Business Combination and Goodwill

Acquisitions in 2013

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

Acquisition of MPL

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

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

	Fair Values	Carrying Values
Assets		
Cash	₱1,579,249	₱1,579,249
Accounts receivables	28,083,640	28,083,640
Inventories	3,850,002	3,850,002
Other current assets	275,298	275,298
Property and equipment	19,115,843	19,115,843
	52,904,032	52,904,032
Liabilities		
Accounts payable	(23,479,282)	(23,479,282)
Other current liabilities	(6,246,896)	(6,246,896)
Loans payable	(14,102,630)	(14,102,630)
	(43,828,808)	(43,828,808)
Total identifiable net assets	9,075,224	9,075,224
Percentage acquired	100%	100%
Share on net assets acquired	9,075,224	<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	<u>₱454,891,128</u>
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
	<u>79,714,247</u>	<u>79,714,247</u>
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)
	<u>(207,764,984)</u>	<u>(207,764,984)</u>
Total identifiable net liabilities	(128,050,737)	(128,050,737)
Percentage acquired	51%	51%
Share on net liabilities acquired	(65,305,876)	<u>(₱65,305,876)</u>
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
	<u>48,745,143</u>	<u>48,745,143</u>
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 as at June 30, 2015 and December 31, 2014, respectively.

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

26. Discontinued Operations

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

a. HAPC

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

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

b. QLTS

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

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

c. FFPL, BSK and MPL

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

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

d. SSIC

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

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

e. TRAIN

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

On December 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 results of the operations of TRAIN for the period ended December 19, 2014 follow:

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

Results of Discontinued Operations

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

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

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

	2015	2014	2013
Net income (loss) from discontinued operations attributable to equity holders of the Parent Company	(P22,114,207)	P10,125,194	P74,313,307
Weighted average number of outstanding common shares	621,683,570	578,688,304	535,693,037
Basic earnings per share	(P0.04)	P0.02	P0.14

Cash Flows of Discontinued Operations

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

	2015	2014
Net cash flows from (used in) operating activities	(P104,971,963)	P212,929,354
Net cash flows from (used in) investing activities	62,027,708	(454,443,379)
Net cash flows from financing activities	140,493,095	245,599,616
Net cash inflow	P97,548,840	P4,085,591

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

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

	2015	2014
Current Assets		
Cash	P13,647,146	P46,585,591
Trade and other receivables	100,659,308	82,671,638
Inventories	4,510,361	3,327,817
Biological assets	-	169,477,061
Other current assets	24,156,438	9,386,667
Noncurrent Assets		
Property and equipment	66,785,370	628,321,492
Other noncurrent assets	84,308,696	-
Goodwill	76,751,554	100,310,936
Current Liabilities		
Accounts and other payables	(P48,575,845)	(P393,188,854)
Notes payable	(55,824,323)	(18,000,000)
Advances from related parties	-77,245,566	-
Other current liability	(20,038,486)	-
Noncurrent Liability		
Deferred income tax liabilities	-	(51,543,539)
Lease payable	(730,284)	-

(Forward)

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

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

27. Segment Information

The Group has identified its operating segments based on internal reports that are reviewed and used by the Chief Executive Officer (the chief operating decision maker) in assessing performance and in determining the allocation of resources. The operating segments identified by the management are as follows:

Exports

The Export segment is in charge of looking for markets abroad as well as sourcing the best quality produce possible to satisfy its growing number of clients abroad. Its main export products are fresh banana, fresh mango, and coco-water.

Local Distribution

The Distribution segment is responsible for the local sales and distribution of various produce that the Group offers to a number of supermarkets around Luzon.

Retail

The Retail segment is responsible for the management and operation of the Group's retail businesses.

Foreign Trading

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

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. In addition, the Group's reportable segments also include geographical areas for local and foreign operations. Foreign operations are included under "Foreign Trading" and local operations are included under the remaining reported segments.

REVENUE

(Philippine Pesos)	September 30, 2016	September 30, 2015
Philippine Operations		
Local Distribution and Others	158,293,451	114,806,649
Export	86,785,015	239,748,781
Retail & Franchising	64,303,427	69,062,465
Sub-total	309,381,893	503,416,139
Foreign Operations		
Hong Kong / China	161,480,380	1,325,528,570
Australia	-	341,767,970
Europe	-	55,644,181
Sub-total	161,480,380	1,722,940,721
Total	470,862,273	2,226,356,860

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