AgriNurture, Inc. and Subsidiaries

Consolidated Financial Statements
March 31, 2017 and December 31, 2016

EXHIBIT A

C O V E R   S H E E T
for
QUARTERLY 17-Q

SEC Registration Number

AS0199701848

COMPANY NAME

AGRINURTURE, INC. AND SUBSIDIARIES

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
17Q-1	CRM	N/A

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

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
35	06/30	12/31

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

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

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

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17 – Q

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

1. For the quarterly period ended **March 31, 2017**

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, **621,683,570 shares**
    (Authorized 1,000,000,000 shares P 1.00 Par value)

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

    Yes [X] No [ ]

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

12. Indicate by check mark whether the registrant:

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

Yes [X] No [ ]

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

Yes [X] No [ ]

SIGNATURES

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

Issuer: **AGRINURTURE INC.**

Signature and Title: **ANTONIO L. TIU**

Chairman of the Board and President

Date: 11 May 2017

Signature and Title: **KENNETH S. TAN**

Chief Financial Officer

Date: 11 May 2017

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

Part I - FINANCIAL INFORMATION

Item 1. Financial Statements

The unaudited consolidated financial statements of AgriNurture, Inc. and subsidiaries (collectively referred to as the "Group") as of and for the period ended March 31, 2017 and December 31, 2016 are filed as part of this Form 17-Q as Exhibit A.

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

The following Management Discussion and Analysis should be read in conjunction with the attached unaudited consolidated financial statements of AgriNurture, Inc. and subsidiaries as of and for the three months ended March 31, 2017.

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)	March 31, 2017	March 31, 2016
Philippine Operations		
Export	**23,755,024**	20,484,796
Local Distribution and Others	**346,655,279**	49,062,443
Retail & Franchising	**21,337,227**	17,540,778
Sub-total	**391,747,530**	87,088,017
Foreign Operations		
Hong Kong / China	**12,568,820**	113,568,035
Total	**404,316,350**	200,656,052

Results of Operations

Three Months ended March 31, 2017 versus March 31, 2016

Net Sales

ANI Group generated a consolidated sale of goods and services of Php 404.32 million for the three months ended March 31, 2017, 101.49% increase over same period last year. For the first three months of 2017, Philippine operations contributed 97% while sales from Foreign operations accounted for 3% of consolidated sales. Sale of goods and services by business segment follows:

- Export sales posted a increase of 15.96% quarter-to-quarter to Php 23.76 million for the first quarter of fiscal year 2017 from Php 20.48 million for the same period in 2016, primarily due to continuation of mango exports during the period. Although there was an increase in sales in mango, banana sales posted a decrease for the quarter due to (i) reduction in supply of bananas (ii) decrease in number of customers due to political issues and (iii) unstable selling price in the international markets.

- Local distribution sales posted an increase of 606.56% to Php 346.66 million for the three months ended March 31, 2017 from Php 49.06 million for the same period in 2016, mainly due to the addition of rice trading business and increase in profitability of business with supermarket outlets due to improvement in operations.

- Retail and franchising sales registered an increase by 21.64% to Php 21.34 million for the first quarter 2017 from Php 17.54 million for same period in 2016, primarily due to improvement of operations and increase in franchise revenues and event sales during the quarter.

- Combined Foreign trading operations posted a decrease of 88.93% to Php 12.57 million for the first quarter 2017 from Php 113.57 million for same period last year, due to no operation of Joyful BVI which contributed a revenue of Php 100 million during the first quarter of 2016. There was a slight decrease in sales of ANI International due to the ending of the contract for the airport arrival area branch. There is already a plan to relocate the store in the departure area.

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 including freight in charges;
- Personnel expenses, which include salary and wages, employee benefits and retirement costs for employees involved in the production process;
- Repairs/maintenance costs and depreciation costs relating to production equipment, vehicles, facilities and buildings;
- Fuel and oil costs relating to the production and distribution process;

For the three months ended March 31, 2017, ANI Group's cost of sales amounted to Php 334.79 million up by 126.20% from Php 148.01 million for the same period in 2016, due to the increase amount of inventory purchases in line with the increase in sales.

Gross Profit

Consolidated gross profit up by Php 16.88 million or 32.06% to Php 69.52 million for the three months ended March 31, 2017 from Php 52.65 million for same period last year. The increase was due to the increase in local 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 first quarter of 2017 amounted to Php 53.81 million up from Php 39.67 million for the same period last year, due mainly to the increase in manpower cost for regular employees, increase depreciation expense , increase in rental expense due to rental escalation and increase in sales and increase in taxes and licenses.

Finance Costs

Finance Costs as of first quarter of 2017 amounted to Php 8.50 million up from Php 8.08 million for the same period last year.

Financial Condition

Assets

ANI Group's consolidated total assets as of March 31, 2017 amounted to ₱ 2.31 billion a decrease of 1% from ₱ 2.34 billion at December 31, 2016. The following explain the significant movements in the asset accounts:

- The Group's cash balance increased by ₱ 2.55 million primarily due to collection of sales.
- Receivables decreased by 9.77% mainly due improve collections.
- Advances to related parties/stockholder decreased from ₱708.23 million from December 2016 to ₱694.04 million in March 2017 due to payments/ liquidations.
- Inventory balance decreased from a year end 2016 balance of ₱ 28.05 million to ₱ 26.36 million due to better inventory turnover in the current quarter.
- Property, plant and equipment including intangibles decreased from ₱790.93 million in December 31, 2016 to ₱776.20 million in March 31, 2017 due to amortization of depreciation.

Liabilities

Consolidated liabilities amounted to ₱ 1.53 billion.

Total current liabilities are ₱ 1.35 billion and ₱ 1.40 billion as of March 31, 2017 and December 31, 2016, respectively. The decrease is mainly due to payments of loans and borrowings and trade payables.

Total non-current liabilities are ₱ 177.41million for March 31, 2017 and December 31, 2016.

Equity

Consolidated stockholders' equity as of March 31, 2017 amount to ₱ 777.53 million.

Liquidity and Capital Resources

Net cash used from operating activities for the first 3months of 2017 was ₱3.08 million due to improve in collections and settlement of payables.

Net cash flow from investing activities is ₱18. 14 million due to receipts of payment/liquidation from advances to related parties.

Net cash used in financing activities is (₱18.67) million, which is due to the payment of loans and leases.

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

AGRINURTURE INC AND ITS SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

FINANCIAL KEY PERFORMACE INDICATOR	DEFINITION	FOR THE PERIOD MARCH 2017	2016
Current/ Liquidity Ratio			
Current ratio	Current Assets / Current Liabilities	0.73	0.58
Quick ratio	Current Assets - Inventory - Prepayments / Current Liabilities	0.64	0.63
Solvency ratio / Debt to equity ratio	Total Liabilities / Equity	1.97	2.07
Asset to equity ratio	Total Assets / Equity	2.97	3.07
Interest rate coverage ratio	Income Before Tax / Finance Cost	0.85	0.61
Profitability Ratio			
Return on assets	Net Income / Average Total Assets	0.002	0.002
Return on equity	Net Income / Average Total Equity	0.01	0.01

AGRINURTURE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF MARCH 31, 2017 AND DECEMBER 31, 2016

	2017	2016
ASSETS		
Current Assets		
Cash (Note 4)	**₱26,308,172**	₱23,754,845
Trade and other receivables - net (Note 5)	**96,494,966**	106,941,416
Advances to related parties (Note 16)	**45,233,380**	44,609,267
Advances to a stockholder (Note 16)	**694,042,928**	708,229,601
Inventories (Note 6)	**26,356,285**	28,045,844
Prepayments and other current assets (Note 7)	**95,957,984**	89,333,485
Total Current Assets	**984,393,715**	1,000,914,458
Noncurrent Assets		
Deposit for future investment (Note 8)	**308,219,578**	308,219,578
Property and equipment (Note 9)	**597,161,294**	609,042,348
Intangible assets (Note 10)	**179,038,238**	181,882,996
Other noncurrent assets (Note 11)	**240,971,251**	240,591,414
Total Noncurrent Assets	**1,325,390,361**	1,339,736,336
TOTAL ASSETS	**₱2,309,784,076**	₱2,340,650,794
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 12)	**₱426,374,510**	₱461,580,537
Loans and borrowings (Note 13)	**863,028,550**	867,384,260
Advances from related parties (Note 16)	**39,759,361**	39,759,361
Lease payable (Note 25)	**24,439,176**	30,249,125
Income tax payable	**1,237,070**	1,840,488
Total Current Liabilities	**1,354,838,667**	1,400,813,771
Noncurrent Liabilities		
Noncurrent portions of:		
Loans and borrowings (Note 13)	**109,641,312**	109,641,312
Lease payable (Note 25)	**56,495,691**	56,495,691
Pension liability (Note 21)	**9,613,733**	9,613,733
Deferred tax liabilities (Note 22)	**1,660,536**	1,660,536
Total Noncurrent Liabilities	**177,411,272**	177,411,272
Total Liabilities	**1,532,249,939**	1,578,225,043
Equity Attributable to Equity Holders of the Parent		
Capital stock (Note 14)	**621,683,570**	621,683,570
Additional paid-in capital	**2,330,723,527**	2,330,723,527
Foreign currency translation reserve	**37,948,982**	29,126,072
Deficit	**(2,256,787,817)**	(2,263,466,987)
	733,568,262	718,066,182
Non-controlling Interests	**43,965,875**	44,359,569
Total Equity	**777,534,137**	762,425,751
TOTAL LIABILITIES AND EQUITY	**₱2,309,784,076**	₱2,340,650,794

See accompanying Notes to Consolidated Financial Statements.

AGRINURTURE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended March 31	
	2017	2016
REVENUES	**₱404,316,350**	₱200,656,052
COST OF SALES (Note 17)	**(334,794,090)**	(148,010,950)
GROSS PROFIT	**69,522,260**	52,645,102
General and administrative expenses (Note 18)	**(55,145,764)**	(50,234,052)
OPERATING INCOME	**14,376,496**	2,411,050
Interest income (Note 4)	**1,752**	1,461
Finance costs (Note 13 and 25)	**(8,503,759)**	(8,076,356)
Other income (expense) - net (Note 20)	**1,337,136**	10,560,421
PROFIT BEFORE INCOME TAX	**7,211,625**	4,896,576
PROVISION FOR INCOME TAX (Note 22)		
Current	**1,486,424**	202,225
Deferred	**(560,275)**	(131,195)
	926,149	71,030
NET INCOME	**₱6,285,476**	₱4,825,546
Net income attributable to:		
Equity holders of the parent		
Income from continuing operations	**₱6,679,170**	₱2,533,028
Income (loss) from discontinued operations	**–**	–
	6,679,170	2,533,028
Non-controlling interests		
Income (loss) from continuing operations	**(393,694)**	2,292,519
Income (loss) from discontinued operations	**–**	–
	(393,694)	2,292,519
	₱6,285,476	₱4,825,546
Basic and diluted income per share attributable to equity holders of the Parent Company (Note 15)	**₱0.01**	₱0.004
Basic and diluted income per share attributable to equity holders of the Parent Company from continuing operations (Note 15)	**₱0.01**	₱0.004

See accompanying Notes to Consolidated Financial Statements.

AGRINURTURE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND DECEMBER 31, 2016

	Equity Attributable to Equity Holders of the Parent						
	Capital Stock (Note 14)	**Additional Paid-in Capital**	**Translation Reserve**	**Deficit**	**Subtotal**	**Non-controlling Interests**	**Total**
Balances 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**
Net income from continuing operations	–	–	–	2,533,028	2,533,028	2,392,857	4,925,885
Other comprehensive income (loss), net of tax	–	–	(3,979,143)	–	(3,979,143)	–	(3,979,143)
Total comprehensive loss	–	–	(3,979,143)	–	(1,446,115)	2,392,857	(946,742)
Issuance of common shares (Note 14)	–	–	–	–	–	–	–
Balances at March 31, 2016	**621,683,570**	**2,330,723,527**	**(64,771,959)**	**(2,111,602,234)**	**776,032,904**	**(63,382,382)**	**₱712,650,523**
Balances at January 1, 2017	**621,683,570**	**2,330,723,527**	**29,126,072**	**(2,263,466,987)**	**718,066,182**	**₱44,359,569**	**₱762,425,751**
Net (loss) income from continuing operations	–	–	–	6,679,170	6,679,170	(393,694)	6,285,476
Other comprehensive income (loss), net of tax	–	–	8,822,910	–	8,822,910	–	8,822,910
Total comprehensive loss	–	–	8,822,910	6,679,170	15,502,080	(393,694)	15,108,386
Balances at March 31, 2017	**₱621,683,570**	**₱2,330,723,527**	**₱37,948,982**	**(₱2,256,787,817)**	**₱ 733,568,262**	**₱43,965,875**	**₱777,534,137**

See accompanying Notes to Consolidated Financial Statements.

AGRINURTURE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income from continuing operations before income tax	**₱7,211,625**	₱4,896,576
Adjustments for:		
Depreciation and amortization (Notes 9, 10, 17 and 18)	**18,597,061**	16,647,484
Interest expense (Notes 13 and 25)	**8,503,759**	8,076,356
Interest income (Note 4)	**(1,752)**	(1,461)
Losses (gains) on sale of property and equipment	**(6,017)**	36,513
Operating income before working capital changes	**34,304,676**	29,655,468
Decrease (increase) in:		
Trade and other receivables	**10,446,450**	(1,348,539)
Inventories	**1,689,559**	(56,135,602)
Prepayments and other current assets	**(6,624,499)**	(15,822,874)
Decrease in trade and other payables	**(35,206,027)**	(21,096,056)
Net cash generated from (used in) operations	**4,610,159**	(64,747,603)
Income taxes paid	**(1,529,567)**	(527,885)
Interest received	**1,752**	1,461
Net cash flows from (used in) operating activities	**3,082,344**	(65,274,027)
CASH FLOWS FROM INVESTING ACTIVITIES		
Changes in:		
Advances to a stockholder	**14,186,673**	67,145,303
Advances to related parties	**8,198,797**	–
Other noncurrent assets	**(379,837)**	(397,515)
Additions to:		
Property and equipment	**(3,869,268)**	(51,303)
Proceeds from sale of property and equipment (Note 9)	**4,036**	–
Net cash flows provided from investing activities	**18,140,401**	66,696,485

(Forward)

	Three Months Ended March 31	
	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES		
Changes in:		
Advances from related parties	**₱–**	₱2,600,559
Lease payable	**(5,809,949)**	(1,360,833)
Payments of loans and borrowings	**(4,355,710)**	(4,842,761)
Interest paid	**(8,503,759)**	(12,026,191)
Net cash flows used in financing activities	**(18,669,418)**	(15,629,226)
NET DECREASE (INCREASE) IN CASH	**2,553,327**	(14,206,768)
CASH AT BEGINNING OF YEAR	**23,754,845**	33,278,930
CASH AT END OF YEAR (Note 4)	**₱26,308,172**	₱19,072,162

See accompanying Notes to Consolidated Financial Statements

AGRINURTURE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information and Authorization for Issuance of the Financial Statements

Corporate Information

AgriNurture, Inc. (the Parent Company or ANI) was registered and incorporated with the Philippine Securities and Exchange Commission (SEC) on February 4, 1997 primarily 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's secondary purpose include, among others, to purchase, acquire, lease, sell and convey real properties such as lands, buildings, factories and warehouses and machines, equipment and other personal properties as may be necessary or incidental to the conduct of the corporate business, and to pay in cash, shares of capital stock, debentures and other evidences of indebtedness, or other securities, as may be deemed expedient for any business or property acquired by the Parent Company.

The Parent Company and its subsidiaries (collectively referred to as the Group) are involved in various agro-commercial businesses such as export trading and distribution of fruits and vegetables, and retail and franchising.

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

The consolidated financial statements as at and for the period ended March 31, 2017 and December 31, 2016 were authorized for issuance on May 11, 2017.

2. Summary of Significant Accounting Policies and Financial Reporting 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 (PFRSs). PFRSs includes the statements named PFRSs,

Philippine Accounting Standards (PASs) and Philippine Interpretations issued by the Financial Reporting Standards Council (FRSC).

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following amended PFRSs and Philippine Accounting Standards (PASs) and Philippine Interpretations, based on International Financial Reporting Interpretations Committee (IFRIC) interpretations, which were adopted as of January 1, 2016. Adoption of these amendments did not have any significant impact on the Group's financial position or performance.

- PFRS 10, PFRS 12 and PAS 28, *Investment Entities: Applying the Consolidation Exception* (Amendments)
- PFRS 11, *Accounting for Acquisitions of Interests in Joint Operations*
- PFRS 14, *Regulatory Deferral Accounts*
- PAS 1, *Disclosure Initiative* (Amendments)
- PAS 16 and PAS 38, *Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
- PAS 16 and PAS 41, *Agriculture: Bearer Plants* (Amendments)
- PAS 27, *Equity Method in Separate Financial Statements* (Amendments)
- Annual Improve.ments to PFRSs 2012 - 2014 Cycle
  - PFRS 5, *Changes in Methods of Disposal* (Amendment)
  - PFRS 7, *Servicing Contracts* (Amendment)
  - PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements* (Amendment)
  - PAS 19, *Discount Rate: Regional Market Issue* (Amendment)
  - PAS 34, *Disclosure of Information 'Elsewhere in the Interim Financial Report'* (Amendment)

Standards and Interpretation s Issued but not yet Effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are listed below. The Group intends to adopt these standards when they become effective. Adoption of these standards and interpretations are not expected to have any impact significant impact on the consolidated financial statements of the Group.

Effective beginning on or after January 1, 2017

- PFRS 12, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle) (Amendments)

  The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

  The amendments do not have any impact on the Group's financial position and results of operation.

- PAS 7, *Statement of Cash Flows*, *Disclosure Initiative* (Amendments)
  The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

  Application of amendments will result in additional disclosures in the 2017 financial statements of the Group.

- PAS 12, *Income Taxes*, *Recognition of Deferred Tax Assets for Unrealized Losses* (Amendments)
  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

  Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.

  These amendments are not expected to have any impact on the Group.

Effective beginning on or after January 1, 2018

- PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions* (Amendments)
  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

  The amendments are not expected to have any impact on the Group.

- PFRS 4, *Insurance Contracts*, *Applying PFRS 9, Financial Instruments, with PFRS 4* (Amendments)
  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the

volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

The amendments are not applicable to the Group since the Group does not have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*
  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 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 PFRS 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 PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

  The Group is currently assessing the impact of this standard in the Group's financial position and performance.

- PFRS 9, *Financial Instruments*
  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 providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities.
  The Group is currently assessing the impact of adopting this standard.

- PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle) (Amendments)
  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b)

the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

The Group is currently assessing the impact of adopting this standard.

- PAS 40, *Investment Property*, *Transfers of Investment Property* (Amendments)
  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

  The Group is currently assessing the impact of adopting this standard.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*
  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

  The interpretation is not expected to have any impact on the Group.

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*
  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. 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 PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 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 the new standard.

Deferred effectivity

- PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments)
  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group entities. The comparative consolidated statement of income and consolidated statement of comprehensive income has been restated as if an operation discontinued during the current year had been discontinued from the start of the comparative years (see Note 26).

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	
			2017	2016
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	**100%**	100%
Farmville Farming Co., Inc. (FFCI)	Philippines	Trading (Agricultural goods)	**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%
*Joyful Fairy (Fruits) Limited (JFF)	British Virgin Islands	Trading (Agricultural goods)	**51%**	51%
**Joyful Fairy HK (JF HK)	Hong Kong	Trading (Agricultural goods)	**–**	–
**ANI China	China	Trading (Agricultural goods)	**–**	–

*Direct and indirect ownership
**Divested in 2016

Subsidiaries
Subsidiaries are entities over which the Group 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 Group 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 Group, 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 Group'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 Group. Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Group and to the non-controlling interest. Total comprehensive income is attributed to the equity holders of the Group 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.

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 and financial statements of ANI China which is expressed in Chinese Yuan (CNY) 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 other comprehensive income.

Foreign Currency Translation
The consolidated financial statements are presented in Philippine Peso (₱), which is the Group'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, 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 consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date (i.e., the date that the Group commits to purchase or sell the asset).

Initial recognition and measurement of financial instruments

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

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

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

The Group's financial instruments are in the nature of loans and receivables and other financial liabilities. As at March 31, 2017 and December 31, 2016, the Group has no financial assets and liabilities classified as at FVPL, HTM investments and AFS financial assets and derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

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

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

As at March 31, 2017 and December 31, 2016, the Group's loans and receivables include cash with banks, trade and other receivables, deposits under other current and noncurrent assets, advances to a stockholder and advances to related parties in the consolidated statement of financial position (see Notes 4, 5 and 20).

Other financial liabilities
Loans and borrowings pertain to consolidated 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, 16 and 25).

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. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

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.

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.

Value Added Tax (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.

Prepaid income taxes
Prepaid income taxes 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.

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

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and any gain or loss on remeasurement is recognized in the consolidated statement of income. It is then considered in the determination of goodwill.

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

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for NCI over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the consolidated statement of income. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs) that are expected

to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

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

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

Property and Equipment

Property and equipment, except for land are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and amortization and accumulated impairment loss, if any. Such cost includes the cost of replacing part of such property 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 and equipment such as additions, major improvements and renewals are added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. Expenditures for repairs and maintenance are charged to operating expenses in the Group's consolidated statement of income during the period in which these are incurred.

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

Category	Number of Years
Building	15
Store and warehouse equipment	3 - 5
Delivery and transportation equipment	3 - 12
Machinery and equipment	3 - 12
Office furniture and fixtures	3 - 12
Leasehold improvements	5

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

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

The useful lives, residual value and depreciation method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from items of property and equipment. An item of property 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 (20) 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 long-term deposit and advances for land acquisition. 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.

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 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 consolidated statement of income.

Property and equipment, trademark 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 under "Other expense - net" in the consolidated statements 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 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.

Goodwill

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 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.

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

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

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.
The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

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

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.

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
Ordinary or common shares are classified as equity. The proceeds from the issuance of the ordinary or common shares are presented in equity as capital stock to the extent of the par value of issued shares.

When the shares are sold at premium, the difference between the proceeds and the par value is credited to 'Additional paid-in capital' account. Direct costs incurred related to equity issuance are chargeable to 'Additional paid-in capital' account. If additional paid-in capital is not sufficient, the excess is charged against retained earnings.

Dividends
Dividend distribution to the Group'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 Group'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 Group'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 represents the cumulative balance of periodic net income or loss to the Parent Company's equity holders, dividend distributions, prior period adjustments and effect of changes in accounting policy and other capital adjustments. When retained earnings account has a debit balance, it is called "Deficit". A deficit is not an asset but a deduction from equity.

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.

Rental
Revenue is recognized based on a straight-line basis over the term of the lease agreement. Contingent revenue is recognized in the period in which the contingent event occurs.

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).

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

Costs of sales
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.

Other income (charges)
Other income (charges) include other income and expenses which are incidental to the Group's business operations and are recognized in the consolidated statement of income.

<u>Discontinued Operations</u>
A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and (a) represents a separate major line of business or geographical area of operations, (b) is a part of a single coordinated plan to dispose of a major line of business of geographical area of operations or (c) is a subsidiary acquired exclusively with a view to resale.

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 statement of 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 statement of income and statement of cash flows as items associated with discontinued operations.

<u>Related Party Relationships and Transactions</u>
Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities, which are under common control with the reporting enterprises and its key management personnel, directors, or its shareholders. In considering each related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

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.

Operating lease commitments - 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.

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 Group 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 tax

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

- where the deferred 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 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 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 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 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 tax asset to be utilized. Unrecognized deferred 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 tax asset to be recovered.

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

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

Segment Reporting

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. Financial information on business segments is presented in Note 27 to the consolidated financial statements.

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.

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3. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

Going concern
The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfies that the Group has resources to continue their business for the foreseeable future. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

Determining functional currency
Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency of the Group 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 Group 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.

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.

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:

Assessing recoverability of advances to a stockholder
The Group conducts a regular review and evaluation of the recoverability of the amounts due from a major stockholder. The evaluation of management is based on the factors that affect the collectibility of the account. These factors include, but are not limited to, historical collection and the capability of the stockholder to pay the amounts outstanding.

No provision for impairment losses was recognized in 2017, 2016 and 2015. The carrying values of current portion of advances to stockholder amounted to ₱694.04 million and ₱708.2 million as at March 31, 2017 and December 31, 2016, respectively, while the noncurrent portion both amounted to nil as at March 31, 2017 and December 31, 2016, respectively (see Note 16).

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 both amounted to nil for the period March 31, 2017 and 2016, respectively, while receivables written-off directly from the accounts, amounted to nil in 2017 and 2016. The carrying values of trade and other receivables amounted to ₱96.49 million and ₱106.94 million, net of allowance for impairment losses of ₱75.66 million as at March 31, 2017 and December 31, 2016, respectively (see Note 5).

Estimating impairment losses on other current and noncurrent assets
The Group provides allowance for impairment losses on 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 other current assets and other noncurrent assets.
There were no provision for impairment losses on the Group's other current assets for the period March 31, 2017 and 2016. Other current assets directly written off amounted to nil for the period March 31, 2017 and 2016. The carrying values of its other current assets amounted to ₱95.96 million and ₱89.33 million as at March 31, 2017 and December 31, 2016, respectively (see Note 7).

There were no provision for impairment losses on the Group's other noncurrent assets in 2017 and 2016. Other noncurrent assets directly written off amounted to nil in 2017 and 2016. The carrying values of other noncurrent assets amounted to ₱240.97 million and ₱240.59 million as at March 31, 2017 and December 31, 2016, respectively (see Note 11).

Estimating impairment of property and equipment
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.

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.

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.

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 ₱597.16 million and ₱609.04 million, net of accumulated depreciation of ₱452.10 million and ₱436.38 million as at March 31, 2017 and December 31, 2016, respectively (see Note 9).

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 ₱0.64 million and ₱0.76 million as at March 31, 2017 and December 31, 2016, respectively (see Note 10).

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 other intangible assets by assessing the recoverable amount of the CGU or group of CGUs to which the trademarks relate. Assessments require the use of 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 recognized in the consolidated statement of income amounted to nil in 2017 and 2016, while the impairment of trademarks recognized in the consolidated statement of income amounted to nil in 2017 and 2016 (see Note 10).

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.

Retirement benefit cost amounted to nil and ₱1.26 million in 2017 and 2016, respectively, while pension liability amounted to ₱9.61 million as at March 31, 2017 and December 31, 2016, respectively (see Note 21).

Assessing recoverability of deferred tax assets
The Group reviews the carrying amounts of deferred 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 tax assets to be utilized.

Deferred tax assets recognized by the Group amounted to nil as at March 31, 2017 and December 31, 2016, respectively (see Note 22).

The Group has temporary difference amounting to ₱361.06 million as at March 31, 2017 and December 31, 2016, respectively, for which no deferred 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 22).

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

	2017	2016
Cash on hand	**₱1,912,211**	₱2,096,073
Cash with banks	**24,395,961**	21,658,772
	₱26,308,172	₱23,754,845

Cash with banks earn interest at the respective bank deposit rates. Interest income earned from cash with banks amounted to ₱1,752 and ₱1,461 in 2017 and 2016, respectively.

5. **Trade and Other Receivables** - net

	2017	2016
Trade receivables	**₱118,193,214**	₱129,458,847
Deposit to suppliers	**5,995,694**	5,995,694
Others	**47,964,515**	47,145,332
	172,153,423	182,599,873
Less allowance for impairment losses	**75,658,457**	75,658,457
	₱96,494,966	₱106,941,416

Trade receivables are noninterest-bearing and are generally due and demandable. These are generally settled through cash payment or application of customer's deposit.

Other receivables include receivables from previous related parties.

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

	2017	2016
Beginning balances	**₱75,658,457**	₱70,311,653
Provision (Note 19)	**–**	11,283,045
Write off	**–**	(5,936,241)
Ending balances	**₱75,658,457**	₱75,658,457

The Company's impaired trade receivables have been specifically identified. Receivables that were written-off directly from the accounts amounted to nil in 2017 and 2016, respectively, which was recorded under "Other expense - net" in the consolidated statements of income (see Note 20).

6. Inventories

	2017	2016
At cost:		
Vegetables and fruits	**₱19,809,762**	₱21,499,320
Packaging materials and other supplies	**6,546,523**	6,546,524
	₱26,356,285	₱28,045,844

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

There were no purchase commitments, accrued net losses and provisions for impairment losses on inventories as at March 31, 2017 and 2016.

7. Prepayments and Other Current Assets

	2017	2016
Input VAT	**₱68,503,940**	₱66,077,437
Deposits	**23,555,914**	19,057,918
Prepaid insurance	**2,237,201**	2,479,201
Prepaid income taxes	**1,486,745**	1,544,745
Others	**174,184**	174,184
	₱95,957,984	₱89,333,485

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

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

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

Prepaid income taxes pertains to excess corporate income tax paid by the Group and is expected to be utilized as payment for income taxes within 12 months after reporting period.

No provision for impairment losses was recognized in 2017 and 2016. The Group has written-off other current assets amounting to nil in 2017 and 2016, as management has assessed that the said prepayments and other current assets are deemed unrecoverable (see Note 20).

8. Deposit for Future Investment

ANI entered into a purchase agreement with a third party in September 2016 involving the purchase of 49% equity interest in Zongshan Fucang Trade Co. Ltd. (Fucang), a company registered in China. Fucang is engaged in agri commodity trading and with investments in real estate development and agri trading. ANI made a deposit for the acquisition of 49% equity investment in Fucang amounting to RMB42.63 million or ₱308.2 million, subject to the fulfilment of conditions precedent as set forth in the agreement of the parties. As at December 31, 2016 and to date, certain conditions precedent as set forth in the agreement are still in the process of being finalized. This account is reflected as deposit for future investment in the 2016 consolidated statement of financial position.

9. Property and Equipment

March 31, 2017:

	Land	Building	Store and warehouse equipment	Delivery and transportation equipment	Machinery and equipment	Office furniture and fixtures	Leasehold improvement	Total
Cost:								
Balances at January 1	₱149,152,330	₱117,141,942	₱112,702,809	₱33,491,893	₱491,166,249	₱38,651,725	₱103,112,141	₱1,045,419,089
Additions	–	–	–	418,500	–	–	3,450,768	3,869,268
Disposals	–	–	–	–	–	(26,667)	–	(26,667)
Reclassifications	–	–	–	–		–	–	–
Effect of deconsolidation due to loss of control (Note 26)	–	–	–	–	–	–	–	–
Balances at December 31	149,152,330	117,141,942	112,702,809	33,910,393	491,166,249	38,625,058	106,562,909	1,049,261,690
Accumulated depreciation and amortization:								
Balances at January 1	–	36,627,486	69,556,445	23,617,329	184,429,987	30,287,847	91,857,647	436,376,741
Depreciation and amortization (Notes 16 and 17)	–	1,455,217	2,862,715	446,065	8,874,862	379,788	1,721,622	15,740,269
Reclassifications	–	–	–	–	–	–	–	–
Disposals	–	–	–	–	–	(16,614)	–	(16,614)
Effect of deconsolidation due to loss of control (Note 26)	–	–	–	–	–	–	–	–
Balances at December 31	–	38,082,703	72,419,160	24,063,394	193,304,849	30,651,021	93,579,269	452,100,396
Net book values	₱149,152,330	₱79,059,239	₱40,283,649	₱9,846,999	₱297,861,400	₱7,974,037	₱12,983,640	₱597,161,294

December 31, 2016:

	Land	Building	Store and warehouse equipment	Delivery and transportation equipment	Machinery and equipment	Office furniture and fixtures	Leasehold improvement	Total
Cost:								
Balances at January 1	₱149,152,330	₱117,141,942	₱110,880,435	₱33,491,893	₱490,860,660	₱31,970,379	₱102,605,968	₱1,036,103,607
Additions	–	–	710,763	–	1,417,200	9,521,386	506,173	12,155,522
Disposals	–	–	–	–	–	(1,333,900)	–	(1,333,900)
Reclassifications	–	–	1,111,611	–	(1,111,611)	–	–	–
Effect of deconsolidation due to loss of control (Note 26)	–	–	–	–	–	(1,506,140)	–	(1,506,140)
Balances at December 31	149,152,330	117,141,942	112,702,809	33,491,893	491,166,249	38,651,725	103,112,141	1,045,419,089
Accumulated depreciation and amortization:								
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 (Notes 16 and 17)	–	6,083,584	8,540,593	1,997,706	40,117,646	5,364,041	7,257,014	69,360,584
Reclassifications	–	–	1,111,611	–	(1,111,611)	–	–	–
Disposals	–	–	–	–	–	(793,250)	–	(793,250)
Effect of deconsolidation due to loss of control (Note 26)	–	–	–	–	–	(1,368,374)	–	(1,368,374)
Balances at December 31	–	36,627,486	69,556,445	23,617,329	184,429,987	30,287,847	91,857,647	436,376,741
Net book values	₱149,152,330	₱80,514,456	₱43,146,364	₱9,874,564	₱306,736,262	₱8,363,878	₱11,254,494	₱609,042,348

Fully depreciated property and equipment are retained in the books until they are no longer in use. As at March 31, 2017 and December 31, 2016, the cost of fully depreciated property and equipment still being used in operations amounted to ₱110.91 million. 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).

In December 2015, the Company reclassified commercial condominium units amounting to ₱8.69 million which was initially classified as an investment property used for capital appreciation and measured using cost model. Management decided to use its condominium units as owner-occupied property for general and administrative use. As such, the investment property was reclassified in 2015 to property and equipment amounting to ₱8.69 million, net of accumulated depreciation of ₱4.91 million.

As at March 31, 2017 and December 31, 2016, property and equipment held under finance lease amounted to ₱30.23 million (see Note 25).

10. Intangible Assets

Computer Software
The compositions of computer software are as follows:

	2017	2016
Cost:		
Beginning balances	**₱7,535,160**	₱7,535,160
Additions	**–**	–
Ending balances	**7,535,160**	7,535,160
Accumulated amortization:		
Beginning balances	**6,772,064**	6,293,040
Amortization (Note 18)	**118,513**	479,024
Ending balances	**6,890,577**	6,772,064
Net book values	**₱644,583**	₱763,096

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 ₱9.05 million as a sign-up fee.

The net book values of the franchise account amounted to ₱3.40 million and ₱3.62 million as of March 31, 2017 and December 31, 2016, respectively, net of accumulated amortization of ₱5.66 million and ₱5.43 million in 2017 and 2016.

Goodwill
The goodwill of the Group is attributable mainly to the business acquisitions made in prior years to expand the Group's operations. The net carrying values of the goodwill as of March 31, 2017 and December 31, 2016 amounted to nil. These balances are net of goodwill derecognized from the consolidated accounts amounting to ₱76.75 million and nil in 2015 and 2014 as a result of disposal of the entities where the goodwill relate to. Provision for impairment losses on goodwill amounted to nil in 2017 and 2016.

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 ₱175.00 million and ₱₱177.50 million as of March 31, 2017 and December 31, 2016, respectively, net of amortization amounting to ₱17.50 million and ₱12.50 million in 2017 and 2016, respectively.

11. Other Noncurrent Assets

	2017	2016
Advances and deposits	**₱132,041,113**	₱132,041,113
Advances for land acquisition	**95,333,628**	95,333,628
Rental deposits and others	**13,596,510**	13,216,673
	₱240,971,251	₱240,591,414

Other noncurrent assets are noninterest bearing and will be realized twelve months after the reporting period. Advances and deposits were made for future subscription of shares of stock of a third party. Advances for land acquisitions are payments made 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 ₱8.0 million which can be applied as rental payments at the end of the leased term.

12. Trade and Other Payables

	2017	2016
Trade payables	**₱367,737,956**	₱398,621,530
Accrued expenses	**17,403,678**	19,585,474
Customers' deposits	**13,519,839**	15,552,447
Withholding tax payable	**375,825**	483,874
Others	**27,337,212**	27,337,212
	₱426,374,510	₱461,580,537

The Group's trade and other payables include payables to suppliers which are non-interest bearing and due on demand.

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

	2017	2016
Foreign Currency		
Bank 1	**₱113,123,997**	₱113,123,997
Bank 2	**106,281,561**	107,287,271
Peso Currency		
Bank 3	**348,900,000**	349,800,000
Bank 4	**213,400,000**	213,400,000
Bank 5	**89,400,000**	90,000,000
Bank 6	**47,650,000**	49,150,000
Bank 7	**43,000,000**	43,350,000
Others	**10,914,304**	10,914,304
	972,669,862	977,025,572
Less long-term portion	**109,641,312**	109,641,312
Current portion	**₱863,028,550**	₱867,384,260

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 5.8% to 6.3% per annum, with the interest payable on a monthly basis. The loan is secured with a Surety Agreement in the amount of ₱150.0 million by a major stockholder in case of default by the Parent Company.

Bank 2

The Parent Company acquired a USD loan from Bank 2, bearing an interest rate of 3.5% 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.

Peso Currency Loans

Bank 3

The Parent Company availed various short-term loans from Bank 3, bearing an interest rate of 3% to 4% per annum, with the interest payable on a monthly basis. The loan is to be repriced every thirty (30) to one hundred eight (180) days upon mutual agreement of both 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 rate of 6% per annum, with the interest payable on a monthly basis.

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 ₱187.67 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 and subject to a monthly repricing based on prevailing rate as determined by the lender. The loans has terms ranging from ninety (90) to one hundred eight (180) days.

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 has terms ranging from thirty (30) to ninety (90) days and is under a Joint Surety Security (JSS) with a major stockholder and a corporate guaranty from the Parent Company. Upon maturity of the loans in January 2016, a renewal agreement was entered into by the Parent Company to avail medium term loan with the same interest rate with monthly repayment of principal until December 2018.

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, and is payable via twenty-four (24) monthly amortization of principal and interest, payable from January 2016 to December 2017, inclusive of a grace period of eight (8) months on the payment of the principal from May 2015 to December 2015.

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

2018	₱863,028,550
2019	109,641,312
	₱972,669,862

Interest expense incurred on the above loans amounted to ₱8.50 million and ₱8.08 million in 2017 and 2016, respectively.

Redeemable and Convertible Loan
The Parent Company has entered into a note subscription agreement, dated December 19, 2013 by and between Black River Capital Partners Food Fund Holdings (Singapore) Pte. Ltd. The Parent Company issued a promissory note attached to the agreement amounting to ₱335.0 million.

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

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

In, addition, the Fund shall have the option to require the Parent Company to redeem the note, in part or in full for the redemption price (sum of the principal plus the interest accrued on the note form the issue date until and including the date of the exercise of the Redemption Option), by issuing to the Parent Company a notice of exercise of the Redemption Option ninety (90) days prior to the proposed date of redemption. On March 1, 2014, the Parent Company issued additional note subscription agreement amounting to ₱49.0 million with the same party, terms and conditions.

On February 3, 2015, part of the redeemable and convertible note amounting to ₱150.0 million was used to settle the sale of interest over Tagum Resources Agri-Industries, Inc. to the Fund.

In May 2015, the Fund and a major stockholder of the Parent Company entered into a purchase agreement for the sale of the remaining balance of the convertible loan to the stockholder. In 2016, the Parent Company and the major stockholder entered into an arrangement to provide for the offsetting of the outstanding balance of the convertible loan against the balance of the advances to a stockholder (see Note 16).

14. Capital Stock

	2017		2016	
	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

On July 3, 2014, the Group executed a subscription agreement with Greenergy Holdings, Inc. (GHI) for 85,990,533 primary common shares of the Group at the issue price of ₱3 per share or a total subscription price of ₱257.97 million resulting to a premium amounting to ₱171.98 million, 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.

15. Basic/Diluted Loss Per Share

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

Loss per share attributable to the equity holders of the Parent Company

	2017	2016
Net income from continuing operations attributable to equity holders of the Parent Company	**₱6,679,170**	₱2,533,028
Weighted average number of common shares	**621,683,570**	621,683,570
Basic and diluted loss per share	**₱0.01**	₱0.004

**The weighted average number of shares takes into account the weighted average effect of the new subscriptions during the year.*

	2017	2016
Number of shares beginning of year	**₱621,683,570**	₱621,683,570
Weighted average number of shares issued during the year	**–**	–

Weighted average number of outstanding common shares	**₱621,683,570**	₱621,683,570

Loss per share attributable to the equity holders of the Parent Company from continuing operations

	2017	2016
Net income from continuing operations attributable to equity holders of the Parent Company	**₱6,679,170**	₱2,533,028
Weighted average number of common shares	**621,683,570**	621,683,570
Basic and diluted loss per share	**₱0.01**	₱0.004

**The weighted average number of shares takes into account the weighted average effect of the new subscriptions during the year.*

16. Related Party Transactions

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

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

Related Parties	Year	Volume/ Amount	Outstanding Balance	Terms	Conditions
Advances to a stockholder					
Current	**2017**	**(₱14,186,673)**	**₱694,042,928**	Collectible in cash; Offsetting with corresponding payable; non-interest bearing	Unsecured; not guaranteed; no impairment.
	2016	₱85,376,313	₱708,229,601		
Noncurrent	**2017**	**–**	**–**	Collectible in cash; Offsetting with corresponding payable; non-interest bearing.	Unsecured; not guaranteed; no impairment.
	2016	–	–		
Advances to related parties					
Advances to officers and employees	**2017**	**(₱151,345)**	**₱764,735**	Collectible in cash; on demand; non-interest bearing	Unsecured; not guaranteed; no impairment
	2016	₱–	₱916,080	-do-	-do-
Under Common Control					
Greenergy Holdings, Inc. (GHI)	**2017**	**760,458**	**27,673,373**	Collectible in cash; on demand; non-interest bearing	Unsecured; not guaranteed; no impairment
	2016	26,912,915	26,912,915	-do-	-do-

(Forward)

ANI Holland	**2017**	**₱–**	**₱16,555,369**	Collectible in cash; on demand; non-interest bearing	Unsecured; not guaranteed; no impairment

Related Parties	Year	Volume/ Amount	Outstanding Balance	Terms	Conditions
	2016	₱16,555,369	₱16,555,369	-do-	-do-
Sunchamp Real Estate Development Corp.	**2017**	–	**87,394**	Collectible in cash; on demand; non-interest bearing	Unsecured; not guaranteed; no impairment
	2016	87,394	87,394	-do-	-do-
Coco Tropics, Inc.	**2017**	**15,000**	**152,509**	Collectible in cash; on demand; non-interest bearing	Unsecured; not guaranteed; no impairment
	2016	137,509	137,509	-do-	-do-
	2017	**₱624,113**	**₱45,233,380**		
	2017	₱43,693,187	₱44,609,267		
Advances from related parties					
Advances from officers and Employees	**2017**	**₱–**	**₱–**	Payable in cash; on demand; non-interest bearing	Unsecured; not guaranteed;
	2016	–	–	-do-	-do-
Under Common Control					
GHI	**2017**	**–**	**16,233,915**	Payable in cash; on demand; non-interest bearing	Unsecured; not guaranteed;
	2016	–	16,233,915	-do-	-do-
Cheesecake ,etc Inc.	**2017**	**71,181**	**71,181**	Payable in cash; on demand; non-interest bearing	Unsecured; not guaranteed;
	2016	71,181	71,181	-do-	-do-
Earthright Holdings, Inc.	**2017**	**–**	**4,158,148**	Payable in cash; on demand; non-interest bearing	Unsecured; not guaranteed;
	2016	–	4,158,148	-do-	-do-
Sunchamp Real Estate Development Corp.	**2017**	**–**	**8,223,875**	Payable in cash; on demand; non-interest bearing	Unsecured; not guaranteed;
	2016	–	8,223,875	-do-	-do-
ANI Foundation Inc.	**2017**	**338,971**	**338,971**	Payable in cash; on demand; non-interest bearing	Unsecured; not guaranteed;
	2016	338,971	338,971	-do-	-do-
Agricultural Bank of the Philippines, Inc.	**2017**	**–**	**–**	Payable in cash; on demand; non-interest bearing	Unsecured; not guaranteed;
	2016	–	–	-do-	-do-
	2017	**₱–**	**₱39,759,361**		
	2016	₱19,367,298	₱39,759,361		

In the normal course of business, the Group has advances to/from related parties to finance the operating expenses of the related parties under common control and also for the working capital requirements of the Group. During the year there were no impairment on advances to related parties. Advances to/from related party are collectible/to be settled in cash and non-interest bearing.

Advances to a Stockholder
The advances to stockholder are generally collectible in cash, or offsetting with corresponding payable. The advances are noninterest-bearing, unsecured, not guaranteed and no impairment. In 2015, there were modifications of terms entered into by the Group and major stockholder, changing the terms from collectible on demand to settlement within a two (2) - year period. The balance beyond 12 months under the new terms amounted to ₱742.57 million. In 2017, the balances due from the stockholder are all current.

In 2016, the Parent Company and the major stockholder entered into an arrangement to provide for the offsetting of the outstanding balance of the convertible loan against the balance of the advances to a stockholder (see Note 13).

Compensation of Key Management Personnel
The Group considers its President, Executive Vice President and Chief Finance Officer as key management personnel. Total remuneration of key management personnel, composed mainly of short-term employee benefits and provision for retirement benefits for executive officers, were included under "Personnel costs" in the statement of comprehensive income amounted to ₱1.41 million and ₱1.67 million in 2017 and 2016, respectively. There were no other benefits aside from the salaries and other short- term benefits.

17. Cost of Sales

	2017	2016
Inventories at January 1	**₱28,045,844**	₱44,820,529
Purchases and conversion cost	**333,104,531**	204,146,552
Cost of goods available for sale	**361,150,375**	248,967,081
Inventories at March 31 (Note 6)	**(26,356,285)**	(100,956,131)
	₱334,794,090	₱148,010,950

18. General and Administrative Expenses

	2017	2016
Depreciation and amortization (Notes 9 and 10)	**₱18,585,026**	₱15,856,421
Personnel costs (Note 19)	**13,864,004**	13,030,870
Rentals (Note 25)	**12,392,736**	11,008,892
Freight and handling cost	**2,241,240**	2,752,129
Taxes and licenses	**2,004,696**	1,388,010
Communication, light and water	**1,862,689**	1,489,356
Transportation and travel	**734,347**	832,211
Repairs and maintenance	**618,840**	473,581
Supplies	**475,856**	1,051,918
Advertising	**426,926**	337,838
Representation and entertainment	**265,863**	–
Contracted services	**250,075**	162,045
Professional fees	**118,914**	149,460
Others	**1,304,552**	1,701,321
	₱55,145,764	₱50,234,052

19. **Personnel Costs**

	2017	2016
Salaries and wages	**₱13,016,114**	₱12,351,969
Retirement benefits costs (Note 21)	**–**	–
Other employee benefits	**847,890**	678,901
	13,864,004	13,030,870

20. **Other Expense** - net

	2017	2016
Other expenses:		
Others	**₱5,554**	₱36,513
	5,554	36,513
Rental income	**295,590**	221,855
Foreign exchange gain	**217,778**	58,244
Other income	**829,322**	10,316,835
	1,342,690	10,596,934
Other expense - net	**₱1,337,136**	₱10,560,421

21. **Pension Liability**

The Group has unfunded, noncontributory defined benefit pension plans covering substantially all of its employees. Benefits are based on the employee's years of service and final plan salary.

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.
The following table summarizes the components of pension costs recognized in the Group's statements of comprehensive income:

	2016
Charged to profit and loss:	
Current service cost	**₱1,011,586**
Net interest cost	**245,185**
Adjustment due to curtailment	**–**
	1,256,771
Charged (credited) to other comprehensive income:	
Net actuarial gains - defined benefit obligation	**(410,485)**
	₱846,286

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

	2017	2016
Balances at beginning of year	**₱9,613,733**	₱8,767,447
Pension costs	**–**	1,256,771
Amount recognized in other comprehensive income	**–**	(410,485)
Pension liability	**₱9,613,733**	₱9,613,733

The reconciliation of other comprehensive loss as at December 31, 2016 follows:

	2016
Balances at beginning of year	**(₱5,609,878)**
Actuarial gains	**(410,485)**
	(6,020,363)
Tax effect	**1,806,109**
Balances at end of year	**(₱4,214,254)**

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:

	2016
Discount rate	**5.60%**
Projected salary increase rate	**5.00%**

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

Assumptions	Change in assumption - increase (decrease)	Effect on defined benefit liability
Discount rates	+0.50%	₱48,069
	-0.50%	(48,069)
Rate of salary increase	+0.50%	237,334
	-0.50%	(237,334)

The Group’s latest actuarial valuation report is as at and for the year ended December 31, 2016.

Shown below is the maturity profile of the undiscounted benefit payments:

	Expected benefits payments
Less than one year to five years	₱140,829
More than five years to 10 years	3,832,529
More than 10 years to 15 years	3,121,240
More than 15 years	131,435,938

22. **Income Taxes**

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

	2017	2016
Current	**₱1,486,424**	₱202,225
Deferred	**(560,275)**	(131,195)
	₱926,149	₱71,030

a. As at December 31, 2016 and 2015, deferred tax liabilities arising from pension liability which is recognized under other comprehensive income amounted to ₱1,660,536.

No deferred tax assets were recognized on the following deductible temporary differences because management believes that it is not probable that sufficient taxable income will be available to allow part of the deferred tax assets to be utilized:

	2017	2016
NOLCO	**₱524,401,640**	₱524,401,640
Provision for impairment losses on accounts and other receivables	**75,658,457**	75,658,457
MCIT	**48,647,048**	48,647,048
Unrealized foreign exchange loss	**14,222,168**	14,222,168
Pension obligation	**3,698,611**	3,698,611
	₱666,627,924	₱666,627,924

b. As at December 31, 2016, NOLCO and MCIT of the Group for which no deferred tax assets were recognized are as follows:

Year Incurred	Expiration	NOLCO	Excess MCIT
2016	2019	₱151,568,231	₱12,788,653
2015	2018	183,429,976	16,388,062
2014	2017	189,403,433	19,470,333
		₱524,401,640	₱48,647,048

The movements in NOLCO are as follows:

	2017	2016
Beginning balances	**₱421,781,938**	₱421,781,938
Additions	**151,568,231**	151,568,231
Expiration	**(48,342,337)**	(48,342,337)
Application	**(606,192)**	(606,192)
Ending balances	**₱524,401,640**	₱524,401,640

The movements in MCIT are as follows:

	2017	2016
Beginning balances	**₱42,518,939**	₱42,518,939
Additions	**12,788,653**	12,788,653
Expiration	**(6,660,544)**	(6,660,544)
Ending balances	**₱48,647,048**	₱48,647,048

c. The Group did not avail of the optional standard deduction in 2017 and 2016.

23. Financial Risk Management and Capital Management Objectives and Policies

Financial Risk Management Objectives and Policies

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

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

Liquidity Risk

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

The tables below summarize the maturity profile of the Group's financial liabilities and assets as at March 31, 2017 and December 31, 2016 based on undiscounted payments:

2017	**On demand**	**Three to twelve months**	**One to five years**	**Total**
Other financial liabilities				
Trade and other payables:				
Trade	**₱369,075,093**	**₱17,403,678**	**₱–**	**₱386,478,771**
Other	**27,713,037**	**–**	**–**	**27,713,037**
Advances from related parties	**39,759,361**	**–**	**–**	**39,759,361**
Loans and borrowings				
Principal	**–**	**863,028,550**	**109,641,312**	**972,669,862**
Interest	**–**	**–**	**34,755,933**	**34,755,933**
Lease payable	**–**	**24,439,176**	**56,495,691**	**80,934,867**
	₱436,547,491	**₱904,871,404**	**₱200,892,936**	**₱1,542,311,831**
Financial assets				
Cash	**₱26,308,172**	**₱–**	**₱–**	**₱26,308,172**
Trade and other receivables:				
Trade	**41,395,388**	**–**	**–**	**41,395,388**
Other	**33,312,118**	**14,652,397**	**–**	**47,964,515**
Deposits	**5,995,694**	**–**	**–**	**5,995,694**
Advances to related parties	**45,233,380**	**–**	**–**	**45,233,380**
Advances to stockholder	**694,042,928**	**–**	**–**	**694,042,928**
	₱846,287,680	**₱14,652,397**	**₱–**	**₱860,940,077**

2016	On demand	Three to twelve months	One to five years	Total
Other financial liabilities				
Trade and other payables:				
Trade	₱389,452,352	₱21,669,178	₱–	₱411,121,530
Other	27,839,643	–	–	27,839,643
Advances from related parties	39,759,361	–	–	39,759,361
Loans and borrowings				
Principal	–	867,384,260	109,641,312	977,025,572
Interest	–	205,420	34,755,933	34,961,353
Lease payable	–	15,414,585	63,857,064	79,271,649
	₱457,051,356	₱904,673,443	₱208,254,309	₱1,569,979,108
Financial assets				
Cash	₱23,754,845	₱–	₱–	₱23,754,845
Trade and other receivables:				
Trade	53,800,390	–	–	53,800,390
Other	32,492,935	14,652,397	–	47,145,332
Deposits	5,995,694	–	–	5,995,694
Advances to related parties	44,609,267	–	–	44,609,267
Advances to stockholder	725,331,543	–	–	725,331,543
	₱885,984,674	₱14,652,397	₱–	₱900,637,071

The interest portion of loans payable and redeemable and convertible note which amounted to nil and ₱14.88 million as at March 31, 2017 and December 31, 2016, respectively, and is accounted for under "Trade and other payables" (see Note 12).

Credit Risk

Credit risk refers to the potential loss arising from any failure by counterparties to fulfill their obligations, as and when they fall due. It is inherent to the business as potential losses may arise due to the failure of its customers and counterparties to fulfill their obligations on maturity periods or due to adverse market conditions.

The Group has no significant concentration of credit risk with any single counterparty or group of counterparties having similar characteristics. Credit risk on financial assets which comprise cash, receivables and refundable deposits included in "Other current assets" arising from the default of the counterparty has a maximum exposure equal to the carrying amount of these financial instruments.

The table below shows the maximum exposure to credit risk for the Group's financial assets, without taking into account any collateral and other credit enhancements as at March 31, 2017 and December 31, 2016:

	2017	2016
Cash with banks	**₱24,395,961**	₱21,658,772
Trade and other receivables	**166,157,729**	176,604,179
Deposits	**5,995,694**	5,995,694
Advances to related parties	**45,233,380**	44,609,267
Advances to stockholder	**694,042,928**	708,229,601
	₱935,825,692	₱957,097,513

The table below summarizes the credit quality of the Group's financial assets based on its historical experience with the corresponding parties as at March 31, 2017 and December 31, 2016:

2017	**Neither past due nor impaired** High Grade	Standard Grade	**Past due or impaired**	**Total**
Cash with banks	**₱24,395,961**	**₱–**	**₱–**	**₱24,395,961**
Trade and other receivables:				
Trade	**1,047,310**	**43,291,183**	**76,449,341**	**120,787,834**
Other	**34,809,284**	**12,602,092**	**53,139**	**47,464,515**
Deposits	**–**	**5,995,694**	**–**	**5,995,694**
Advances to related parties	**–**	**–**	**45,233,380**	**45,233,380**
Advances to stockholder	**–**	**725,331,543**	**–**	**694,042,928**
Total	**₱60,252,555**	**₱787,220,512**	**₱121,735,860**	**₱935,825,692**

2016	Neither past due nor impaired High Grade	Standard Grade	Past due or impaired	Total
Cash with banks	₱21,658,772	₱–	₱–	₱21,658,772
Trade and other receivables:				
Trade	9,718,323	43,291,183	76,449,341	129,458,847
Other	34,490,101	12,602,092	53,139	47,145,332
Deposits	–	5,995,694	–	5,995,694
Advances to related parties	–	–	44,609,267	44,609,267
Advances to stockholder	–	708,229,601	–	708,229,601
Total	₱65,867,196	₱770,118,570	₱121,111,747	₱957,097,513

- Cash with banks 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.

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

Foreign currency risk

The Group is exposed to foreign currency risk on its outstanding foreign currency denominated financial assets and financial liabilities. To address the risk associated with the volatility of the foreign exchange rate, the Group actively monitors its currency exposures.

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

2017	**HKD**	**Peso Equivalent**	**US$**	**Peso Equivalent**
Financial assets:				
Cash with banks	**HK$1,266,667**	**₱8,183,175**	**US$115,086**	**₱5,776,619**
Trade and other receivables	**98,948**	**639,224**	**653,620**	**30,623,694**
Advances from related parties	**1,187,105**	**7,669,173**	**–**	**–**
	2,552,720	**16,491,572**	**768,706**	**36,400,313**
Loans and borrowings:				
Trade and other payables	**HK$930,040**	**₱6,008,172**	**5,436**	**272,855**
Loans payable	**–**	**–**	**4,407,018**	**219,105,311**
	930,040	**6,008,172**	**4,412,454**	**219,378,166**
Net financial liabilities	**HK$1,622,680**	**₱10,483,400**	**(US$3,643,748)**	**(₱182,977,853)**

2016	HKD	Peso Equivalent	US$	Peso Equivalent
Financial assets:				
Cash with banks	HK$998,596	₱6,412,185	US$16,167	₱803,808
Trade and other receivables	11,155	71,628	889,221	44,212,068
Advances from related parties	1,187,105	7,622,639	–	–
	2,196,856	14,106,452	905,388	45,015,876
Loans and borrowings:				
Trade and other payables	HK$930,040	₱5,971,973	430,396	21,399,289
Loans payable	–	–	4,433,050	220,411,267
	930,040	5,971,973	4,863,446	241,810,556
Net financial liabilities	HK$1,266,816	₱8,134,479	(US$3,958,058)	(₱196,794,680)

The equivalent exchange rates of one foreign currency in Philippine peso as at March 31, 2017 and December 31, 2016 are as follow:

	2017	2016
HKD	**6.46**	6.42
USD	**50.19**	49.72

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

Capital Management Objectives and Policies

The primary objective of the Group's capital management policy is to ensure that the fund balance is maintained at an adequate level. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. The Group's capital as at March 31, 2017 and December 31, 2016 are as follow:

	2016	2016
Capital stock	**₱621,683,570**	₱621,683,570
Additional paid-in capital	**2,330,723,527**	2,330,723,527
Advances from related parties	**39,759,361**	39,759,361
Loans and borrowings	**972,669,862**	977,025,572
Total capital	**₱3,964,836,320**	₱3,969,192,030

The Group has no externally imposed capital requirement. No changes were made in the objectives, policies or processes during the period ended March 31, 2017 and December 31, 2016.

24. Fair Value Measurement

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

Cash, trade and other receivables, advances to/from related parties and trade and other payables

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

Interest bearing advances from a related party

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

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

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

25. **Lease Agreements**

Operating Lease Commitments
The Group leases the office spaces and store branches under lease agreements covering one (1) year, renewable every end of the lease term. Renewals are subject to the mutual consent of the lessor and the lessee. The Company agreed to pay monthly fixed payment additional payment for utilities and intercommunication service. As at March 31, 2017 and December 31, 2016, there are 31 and 28 store outlets, respectively, being held under operating lease agreements.

Rent expense pertaining to these leases amounted to ₱12.39 million and ₱11.01 million in 2017 and 2016, respectively.

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

	2017	2016
Within one (1) year	**₱21,285,679**	₱21,285,679
After 1 year but not more than five (5) years	**–**	–
	₱21,285,679	₱21,285,679

Finance Lease Commitments
Vehicles
In 2012, the Group has entered in ten (10) finance lease agreements 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. In 2016, two (2) finance lease agreements were restructured by the Group. The renegotiation includes revised monthly payments and extension of the term up to 2019. In addition, the restructured leases bear interest ranging from 8% to 11%. Gain recognized on the restructuring amounted to ₱5.27 million.

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

The components of the lease obligations as at March 31, 2017 and December 31, 2016 are as follows:

	2017	2016
Gross finance lease obligation		
Less than one year	**₱28,590,247**	₱28,590,247
Between one and five years	**53,087,610**	53,087,610
	81,677,857	81,677,857
Less interest	**3,591,809**	3,591,809
Present value of future minimum lease payments	**78,086,048**	78,086,048
Less current portion	**28,148,063**	28,148,063
	₱49,937,985	₱49,937,985

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 ₱514,361 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. In 2016, a restructuring agreement was entered by the Group to renegotiate the terms of the outstanding obligation. The renegotiation called for an interest rate of 10% per annum with revised monthly payments to be settled for (36) months. In addition, the agreement includes extension of the term up to 2019. Gain recognized on the restructuring amounted to ₱3.0 million.

The components of the lease obligations as at December 31, 2016 follows:

	2016
Gross finance lease obligation	
Less than one year	**₱2,780,000**
Between one and five years	**8,676,768**
	11,456,768
Less interest	**2,798,000**
Present value of future minimum lease payments	**8,658,768**
Less current portion	**2,101,062**
	₱6,557,706

26. Discontinued Operations

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

a. JF HK
In 2016, the Parent Company through ANI IL have entered in an agreement to sell its 51% ownership interest in JF HK for a total consideration of HKD75,000 or ₱478,511.

The results of the operations of the discontinued operations of JF HK, with comparative amounts 2015 and 2014 are as follows:

	2016	2015	2014
Revenue	**₱–**	₱1,111,863,152	₱1,218,989,334
Expenses	**–**	(1,143,272,484)	(1,292,753,633)
Income tax	**–**	–	–
Net loss	**₱–**	(₱31,409,332)	(₱73,764,299)

b. Hansung Agro Products Corporation (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 2015 and 2014 are as follows:

	2015	2014
Revenue	₱–	₱–
Expenses	(8,663,648)	(12,003,437)
Income tax	–	–
Net loss after tax	(₱8,663,648)	(₱12,003,437)

c. Qualis Logistics and Transportation Services, Inc. (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 2015 and 2014 are as follows:

	2015	2014
Revenue	₱14,377,531	₱24,938,311
Expenses	(26,804,917)	(26,583,263)
Income tax	(1,067,734)	–
Net loss after tax	(₱13,495,120)	(₱1,644,952)

d. Freshness First Pty. Ltd. (FFPL), BSK Pty. Ltd. (BSK) and Mischul Pty. Ltd. (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 USD2.5 million. The gain on disposal amounted to about ₱17.9 million.

The results of the operations of FFPL, BSK and MPL follow:

	2015	2014
Revenue	₱466,656,004	₱561,895,281
Expenses	(461,459,402)	(569,644,682)
Income tax	(321,913)	1,447,459
Net loss after tax	₱4,874,689	(₱6,301,942)

e. Sunshine Supplies International Co., Ltd. (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
Revenue	₱61,358,301	₱199,709,945
Expenses	(59,693,239)	(197,949,885)
Income tax	–	(39,339)
Net income after tax	₱1,665,062	₱1,720,721

f. Tagum Resources Agri-Industrial Inc. (TRAIN)

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

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

	2014
Revenue	₱321,489,460
Expenses	(288,698,671)
Income tax	(9,833,857)
Net income after tax	₱22,956,932

Results of Discontinued Operations

Results of Discontinued Operations together with their comparative figures for 2016, 2015 and 2014 as follows:

	2016	2015	2014
REVENUES			
Sales	**₱–**	₱1,654,254,988	₱2,325,882,597
Direct cost and expenses	–	(1,309,999,556)	(1,977,780,730)
Gross profit	–	344,255,432	348,101,867
General and administrative expenses	–	(423,233,318)	(435,475,959)
Interest expense	–	(449,858)	(4,710,805)
Interest income	–	18,660,776	4,641,214
Other income	–	12,348,972	20,528,140
Loss before income tax from discontinued operations	–	(48,417,996)	(66,915,543)
Provision from income tax	–	1,389,647	(2,121,435)
Net income (loss)	–	(47,028,349)	(69,036,978)
Net gain (loss) from loss of control	**80,276,732**	(7,099,657)	5,435,000
Total net income (loss)	**₱80,276,732**	(₱54,128,006)	(₱63,601,978)
Net income (loss) attributable to:			
Equity holders of the Parent Company	**₱80,276,732**	(₱38,132,967)	(₱27,494,599)
Noncontrolling interest	–	(15,995,039)	(36,107,379)
	₱80,276,732	(₱54,128,006)	(₱63,601,978)

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

	2016	2015	2014
Net income (loss) from discontinued operations attributable to equity holders of the Parent Company	**₱80,276,732**	(₱38,132,967)	(₱27,494,599)
Weighted average number of outstanding common shares	**621,683,570**	621,683,570	578,688,304
Basic earnings (loss) per share	**₱0.13**	(₱0.06)	(₱0.05)

Cash Flows of Discontinued Operations

The cash flows generated from (used in) discontinued operations for the years ended December 31, 2016, 2015 and 2014 are as follows:

	2016	2015	2014
Net cash flows from (used in):			
Operating activities	**₱478,511**	(₱337,752,620)	₱261,244,484
Investing activities	–	23,795,532	(416,184,401)
Financing	–	401,963,885	165,912,562
Net cash inflow	**₱478,511**	₱88,006,797	₱10,972,645

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

The impact of the disposals of the subsidiaries on the consolidated statements of financial position of the Group as at December 31, 2016 and 2015 follows:

	2016	2015
Current Assets		
Cash	**₱19,346,682**	₱13,647,146
Trade and other receivables	**1,133,744**	100,659,308
Inventories	**–**	4,510,361
Other current assets	**12,676,945**	24,156,438
Noncurrent Assets		
Property and equipment	**270,132**	66,785,370
Other noncurrent assets	**–**	84,308,696
Current Liabilities		
Accounts and other payables	**(210,159,564)**	(48,575,845)
Loans and borrowings	**(45,229,780)**	(55,824,323)
Advances from related parties	**(1,380,541)**	(77,245,566)
Other current liability	**–**	(20,038,486)
Noncurrent Liability		
Lease payable	**–**	(730,284)
Net Assets (Liabilities)	**(223,342,382)**	91,652,815
Noncontrolling Interest	**109,437,767**	(13,909,446)
Goodwill and Cumulative Translation Adjustment	**33,149,372**	76,751,554
Net Assets (Liabilities) disposed of	**(80,755,243)**	154,494,923
Consideration	**478,511**	147,395,266
Loss (Gain) from divestment	**(₱80,276,732)**	₱7,099,657
Net cash outflow from disposal		
Cash consideration already received	**₱478,511**	₱117,315,000
Cash disposed of	**(19,346,682)**	(13,647,146)
	(₱18,868,171)	₱103,667,854

The consideration includes cash received of ₱0.48 million, ₱117.3 million and ₱25.00 million in 2016 and 2015, respectively.

27. Segment Information

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

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

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

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

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

Farming and Sourcing
The Farming and sourcing segment is engaged in commodity such as rice and corn and high value crops production, joint venture farming and contract growing. Agricultural goods produced by the Farming Group are supplied to the Distribution and Export Groups. In 2014, the Group discontinued with its farming activities with the Group's divestment of its controlling interest in TRAIN.

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

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

REVENUE

(Philippine Pesos)	**March 31, 2017**	March 31, 2016
Philippine Operations		
Export	**23,755,024**	20,484,796
Local Distribution and Others	**346,655,279**	49,062,443
Retail & Franchising	**21,337,227**	17,540,778
Sub-total	**391,747,530**	87,088,017
Foreign Operations		
Hong Kong / China	**12,568,820**	113,568,035
Total	**404,316,350**	200,656,052

28. **Notes to Consolidated Statements of Cash Flows**

Below are the non-cash activities of the Group follows:

	2016
Investing activities	
Deposit for future investment	₱308,219,578

	2016
Financing activities	
Redeemable and convertible loan	234,000,000