# COVER SHEET
for
QUARTERLY 17-Q

SEC Registration Number

| A | 1 | 9 | 9 | 7 | 0 | 1 | 8 | 4 | 8 | |
|---|---|---|---|---|---|---|---|---|---|---|

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 |
|---|---|---|
| 17-Q | CRM | NA |

## COMPANY INFORMATION

| Company's Email Address | Company's Telephone Number/s | Mobile Number |
|---|---|---|
| **lisette.arboleda@ani.com.ph** | **(02) 551-0772** | **NA** |

| No. of Stockholders | Annual Meeting Month/Day | Fiscal Year Month/Day |
|---|---|---|
| **34** | **3rd Monday of May** | **12/31/2015** |

## CONTACT PERSON INFORMATION

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

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

Contact Person's Address

**11th Floor, Salcedo Tower, 169 Dela Costa St. Makati City**

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

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 **JUNE 30, 2015**

2. SEC Identification Number **A199701848**

3. BIR Tax Identification Code **200-302-092-000**

4. Name of Issuer as specified in its charter **AGRINURTURE, INC.**

5. **METRO MANILA, PHILIPPINES (NCR)**
   Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: (SEC Use Only)

7. **NO. 54 NATIONAL ROAD, DAMPOL II-A, PULILAN, BULACAN PHILIPPINES 3005**
   Address of issuer's principal office Postal Code

8. Issuer's telephone number, area code **(02) 551-0772 to 74**

9. Former name, former address and former fiscal year, if changed since last report **N. A.**

10. Securities registered pursuant to Section 8 and 12 of the SRC or Sections 4 and 8 of the RSA

| Title of Each Class | Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding |
|---|---|
| **Common Shares,** | **621,683,570 shares**<br>**(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: August 12, 2015

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

Chief Financial Officer

Date: August 12, 2015

## Part I - FINANCIAL INFORMATION

### Item 1. Financial Statements

The unaudited consolidated financial statements of AgriNurture, Inc. and Subsidiaries (collectively referred to as the "ANI Group") as of and for the period ended June 30, 2015 (with comparative figures as of December 31, 2014 and for the period ended June 30, 2014) are filed as part of this Form 17-Q as Exhibit A.

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

The following Management Discussion and Analysis should be read in conjunction with the attached unaudited consolidated financial statements of AgriNurture, Inc. and Subsidiaries as of and for the six months ended June 30, 2015.

***Business Overview***

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

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

ANI Group's revenues for the six months ended June 30, 2015 and 2014 by each of the principal business segments is as follows:

| | June 30, 2015 | June 30, 2014 |
|---|---|---|
| **Philippine Operations** | | |
| Export | 178,430,644 | 310,529,607 |
| Local Distribution | 22,440,813 | 135,797,755 |
| Retail & Franchising | 41,935,736 | 59,381,532 |
| Banana Plantation/Farming | - | 50,727,392 |
| Others | 81,255,594 | 48,643,571 |
| **Sub-total** | **324,062,787** | **605,079,856** |
| **Foreign Operations** | | |
| Hong Kong/China | 893,555,563 | 975,539,882 |
| Australia | 237,669,884 | 373,607,792 |
| Europe | 30,792,751 | - |
| **Sub-total** | **1,162,018,198** | **1,349,147,674** |
| **TOTAL REVENUE (CONSO)** | **1,486,080,985** | **1,954,227,530** |

***Results of Operations***

*Six months ended June 30, 2015 versus June 30, 2014*

**Net Sales**

ANI Group sustained a consolidated sale of goods and services at Php 1.486.08 million for the six months ended June 30, 2015, a 24% decrease over the same period last year. For the first half of 2015, Philippine operations contributed 21.8% while sales from foreign operations accounted for 78.2% of consolidated sales. Sale of goods and services by business segment follows:

- Export sales posted a decrease of 42.5% to Php 178.43 million for the first half of 2015 compared to Php 310.53 million for the same period in 2014, primarily due to lower supply of banana and mangoes.

- Local distribution sales posted a decline of 83% to Php 22.4 million for the six months ended June 30, 2015 from Php 135.8 million for the same period in 2014, mainly due to the closure of non performing outlets to improve overall profitability.

- Farming revenues registered a decline of 100% to nil for the first quarter 2015 from Php 50.7 million for same period of 2014, due to the closure of rice farming operations and the divestment of TRAIN in 2014.

- Retail and franchising sales registered a decline by 29.4% to Php 41.9 million for the first half of 2015 from Php 59.4 million for same period in 2014, primarily due to rationalization of operations by closing non performing outlets in order to improve overall profitability.

- Combined Foreign trading operations posted a decrease of 13.9% to Php 1162.02 million for the first half of 2015 from Php 1,349.15 million for same period last year, due to the decrease in sales of both Hong Kong/China and Australia operations and the drop in the Australian dollar exchange rate.

- Others, which consists of rice trading, manufacturing/processing, vegetable processing and transport logistics, registered sales of Php 81.3 million for the first six months of 2015 up by 67% from Php 48.6 million for the same period of 2014 due to improved operations.

**Cost of Sales**

Cost of sales consists of:

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

For the six months ended June 30, 2015, ANI Group's cost of sales and services amounted to Php 1,210.7 million down by 13.2% from Php 1,395.2 million for the same period in 2014, due to the lower amount of purchases and decline of harvested agricultural produce as the company discontinues rice farming. A reduction in manpower cost also contributed in the decline.

**Gross Profit**

Consolidated gross profit fell by Php 283.7 million or 50.7% to Php 275.3 million for the six months ended June 30, 2015 from Php 559.1 million for same period last year. The decrease was due to the overall decrease in sales, both in the Philippine and Foreign operations.

**Operating Expenses**

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

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

Consolidated operating expenses for the first six months of 2015 amounted to Php 327.7 million down from Php 503.0 million for the same period last year, due mainly to the decrease in salaries and wages, freight and handling, and contracted services.

**Finance Costs**

Finance Costs for the first half of 2015 amounted to Php 21.5 million down from Php 39.5 million for the same period last year due to the payment in borrowed funds including convertible bonds.

**Net Income**

Net income for the first six months of fiscal year 2015 amounted to negative Php 38.55 million of which negative Php 34.04 million is attributable to equity holders of the parent while negative Php 4.50 million is attributable to non-controlling interest.

***Financial Condition***

*June 30, 2015 versus December 31, 2014*

**Assets**

ANI Group's consolidated total assets as of June 30, 2015 amounted to Php 3.57 billion a decrease of 8.2% from Php 3.89 billion at December 31, 2014. The following explain the significant movements in the asset accounts:

- The Group's cash balance decreased by Php 34.6 million primarily due to day to day operations of the company.
- Receivables decreased by 10% mainly due to improved collections.
- Advances to related parties decreased from Php 1.62 billion in December 2014 to Php 1.56 billion in June 2015 due to payments.
- Inventory balance decreased from a year end 2014 balance of Php 70.4 million to Php 66.1 million.

**Liabilities**

Consolidated liabilities amounted to Php 2.4 billion.

Total current liabilities are Php 2.43 billion and Php 1.91 billion as of December 31, 2014 and June 30, 2015 respectively. The 22% decrease is mainly due to decrease in loans and borrowings.

Total non-current liabilities are Php 214.8 million and Php 463.1 million for December 31, 2014 and June 30, 2015, respectively.

**Equity**

Consolidated stockholders' equity as of June 30, 2015 amount to Php 1.2 billion.

***Liquidity and Capital Resources***

Net cash flow used in operating activities for the first six months of 2015 was Php 2.7 million.

Net cash flow from investing activities is Php 210.7 million mainly in relation to the selling of BCH shares in TRAIN.

Net cash used in financing activities is Php 242.6 million, which is due to the payment of loans.

***Discussion and Analysis of Material Events and Uncertainties***

The company has no knowledge and not aware of any material event/s and uncertainties known to the management that would address the past and would have an impact on the future operations of the following:

a) Any known trends, demands, commitments, events or uncertainties that will have a material impact on our liquidity
b) Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of obligation.
c) All material off-balance sheet transactions, arrangements, obligations and other relationships of the company with unconsolidated entities or other persons created during the period.
d) Any material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures.
e) Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.
f) Any significant elements of income/loss did not arise from our continuing operation.
g) Any seasonal aspects that had a material effect on financial condition or results of operation.

***The Company's Key Performance Indicators***

| | | June 30, 2015 | Dec 31, 2014 |
|---|---|---|---|
| **Liquidity:** | | | |
| Current Ratio | $\frac{\text{Current Assets}}{\text{Current Liabilities}}$ | 1.07 | 0.96 |
| **Financial Leverage:** | | | |
| Debt-to-equity Ratio | $\frac{\text{Total Liabilities}}{\text{Stockholder's Equity}}$ | 1.97 | 2.13 |
| Asset-to-equity Ratio | $\frac{\text{Total Assets}}{\text{Total Equity}}$ | 2.97 | 3.13 |

| | | June 30, 2015 | June 30, 2014 |
|---|---|---|---|
| **Profitability:** | | | |
| Return on average equity | $\frac{\text{Net Income}}{\text{Average Stockholder's Equity of the Company}}$ | -0.03 | 0.01 |
| **Operating Efficiency** | | | |
| Revenue Growth | $\left[\frac{\text{Current Period Net Sales}}{\text{Prior Period Net Sales}}\right]$ x -1 | 0.16 | 0.11 |

EXHIBIT A

# Agrinurture, Inc. and Subsidiaries

## Consolidated Financial Statements
## June 30, 2015 and December 31, 2014
## and for the Six Months Ended
## June 30, 2015 and 2014

## AGRINURTURE, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

### JUNE 30, 2015 AND DECEMBER 31, 2014

| | **June 30, 2015** | December 31, 2014 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets** | | |
| Cash (Note 4) | **₱49,027,163** | ₱83,602,967 |
| Trade and other receivables (Note 5) | **264,403,034** | 294,035,512 |
| Advances to related parties (Note 21) | **1,558,161,458** | 1,621,543,713 |
| Inventories (Note 6) | **66,052,425** | 70,405,867 |
| Biological assets (Note 7) | – | – |
| Prepayments and other current assets (Note 8) | **102,617,663** | 100,473,370 |
| | **2,040,261,743** | 2,170,061,429 |
| Asset classified as held for sale (Note 12) | – | 175,000,000 |
| **Total Current Assets** | **2,040,261,743** | 2,345,061,429 |
| **Noncurrent Assets** | | |
| Property, plant and equipment (Note 9) | **817,944,462** | 856,125,512 |
| Investment property (Note 11) | **9,072,000** | 9,525,600 |
| Goodwill and other intangible assets (Note 10) | **282,037,841** | 283,739,820 |
| Deferred income tax assets (Note 23) | **74,477,293** | 63,957,785 |
| Other noncurrent assets (Note 13) | **347,683,134** | 330,706,858 |
| **Total Noncurrent Assets** | **1,531,214,730** | 1,544,055,575 |
| **TOTAL ASSETS** | **3,571,476,473** | ₱3,889,117,004 |
| | | |
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Trade and other payables (Note 14) | **747,581,415** | ₱765,816,741 |
| Loans and borrowings (Note 15) | **748,235,507** | 1,052,429,498 |
| Redeemable and convertible loan (Note 15) | **234,000,000** | 384,000,000 |
| Advances from related parties (Note 21) | **57,848,228** | 73,005,618 |
| Lease payable (Note 26) | **55,563,502** | 66,205,905 |
| Income tax payable | **2,298,608** | – |
| Other current liabilities | **61,958,298** | 88,935,400 |
| **Total Current Liabilities** | **1,907,485,558** | 2,430,393,162 |
| **Noncurrent Liabilities** | | |
| Loans and borrowings - net of current portion (Note 15) | **308,281,883** | 60,000,000 |
| Pension liability (Note 22) | **13,033,257** | 13,033,257 |
| Lease payable- net of current portion (Note 26) | **103,343,605** | 103,343,605 |
| Deferred income tax liabilities (Note 23) | **687,524** | 687,524 |
| Other long term liability (Note 14) | **37,760,308** | 37,760,308 |
| **Total Noncurrent Liabilities** | **463,106,577** | 214,824,694 |
| **Total Liabilities** | **2,370,592,135** | 2,645,217,856 |
| **Equity Attributable to Equity Holders of the Parent** | | |
| Capital stock (Note 16) | **621,683,570** | 621,683,570 |
| Additional paid-in capital (Note 16) | **2,330,723,527** | 2,330,723,527 |
| Foreign currency translation reserve | **16,615,430** | 21,084,882 |
| Deficit | **(1,715,500,158)** | (1,681,459,229) |
| | **1,253,522,369** | 1,292,032,750 |
| **Non-controlling Interests** | **(52,638,031)** | (48,133,602) |
| **Total Equity** | **1,200,884,338** | 1,243,899,148 |
| **TOTAL LIABILITIES AND EQUITY** | **₱3,571,476,473** | ₱3,889,117,004 |

*See accompanying Notes to Consolidated Financial Statements.*

## AGRINURTURE, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME

### FOR THE SIX MONTHS ENDED JUNE 30, 2015 AND 2014

| | For the quarter ended June 30 | | For the six months ended June 30 | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| **REVENUES** | **₱797,905,204** | ₱965,377,480 | **₱1,486,080,985** | ₱1,954,227,530 |
| **COST OF SALES AND SERVICES** (Note 18) | **(629,294,842)** | (646,445,938) | **(1,210,747,136)** | (1,395,176,390) |
| **GROSS PROFIT** | **168,610,362** | 318,931,542 | **275,333,849** | 559,051,140 |
| General and administrative expense (Note 20) | **(174,055,089)** | (268,398,258) | **(327,746,441)** | (502,964,806) |
| Other income (expenses) - net (Note 19) | **10,545,526** | 10,499,399 | **24,930,199** | 18,324,985 |
| **OPERATING INCOME (LOSS)** | **5,100,799** | 61,032,683 | **(27,482,393)** | 74,411,319 |
| Finance income (Note 4) | **1,675** | 146,925 | **6,987** | 153,960 |
| Finance costs (Notes 15) | **(3,943,815)** | (20,354,859) | **(21,547,468)** | (39,498,440) |
| **INCOME (LOSS) BEFORE INCOME TAX** | **1,158,659** | 40,824,749 | **(49,022,874)** | 35,066,839 |
| **PROVISION FOR (BENEFIT FROM) INCOME TAX** (Note 23) | **(2,008,240)** | 3,396,660 | **(10,477,518)** | 12,326,562 |
| **NET INCOME (LOSS)** | **3,166,899** | 37,428,089 | **(38,545,356)** | 22,740,277 |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | – | – | **–** | – |
| **TOTAL COMPREHENSIVE INCOME (LOSS)** | **3,166,899** | 37,428,089 | **(38,545,356)** | 22,740,277 |
| **Net income (loss) attributable to:** | | | | |
| Equity holders of the parent | **₱1,404,659** | ₱14,472,602 | **(₱34,040,926)** | (₱11,801,704) |
| Non-controlling interests | **1,762,241** | 22,955,487 | **(4,504,429)** | 34,541,981 |
| | **3,166,899** | 37,428,089 | **(38,545,356)** | 22,740,277 |
| **Basic and diluted income (loss) per share attributable to equity holders of the parent** (Note 17) | **₱0.01** | ₱0.07 | **(₱0.06)** | ₱0.04 |

*See accompanying Notes to Consolidated Financial Statements.*

## AGRINURTURE, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

### FOR THE SIX MONTHS ENDED JUNE 30, 2015 and 2014

| | Equity Attributable to Equity Holders of the Parent | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Capital Stock (Note 16) | Additional Paid-in Capital (Note 16) | Revaluation Surplus | Translation Reserve | Deficit | Subtotal | Non-controlling Interests | Total |
| **Balances at January 1, 2014, as restated** | **₱535,693,037** | **₱2,158,742,461** | **₱–** | **(₱6,068,727)** | **(₱463,909,194)** | **₱2,224,457,577** | **₱60,358,123** | **₱2,284,815,700** |
| Issuance of common shares | – | – | – | – | – | – | – | – |
| Foreign currency translation reserve | – | – | – | 6,190,051 | – | 6,190,051 | – | 6,190,051 |
| Total comprehensive income (loss) | – | – | – | – | (11,801,704) | (11,801,704) | 34,541,981 | (22,740,277) |
| **Balances at June 30, 2014** | **₱535,693,037** | **₱2,158,742,461** | **₱–** | **121,324** | **(475,710,898)** | **2,218,845,924** | **94,900,104** | **2,313,746,028** |
| **Balance at January 1, 2015** | **621,683,570** | **2,330,723,527** | **–** | **21,084,882** | **(1,681,459,229)** | **1,292,032,750** | **(48,133,602)** | **1,243,899,148** |
| Issuance of common shares | – | – | – | – | – | – | – | – |
| Foreign currency translation reserve | – | – | – | (4,469,452) | – | (4,469,452) | – | (4,469,452) |
| Total comprehensive loss | – | – | – | – | (34,040,929) | (34,040,929) | (4,504,429) | (38,545,358) |
| **Balances at June 30, 2015** | **₱621,683,570** | **₱2,330,723,527** | **₱–** | **₱16,615,430** | **(₱1,715,500,158)** | **₱1,253,522,369** | **(₱52,638,031)** | **₱1,200,884,338** |

*See accompanying Notes to Consolidated Financial Statements.*

## AGRINURTURE, INC. AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Six Months Ended June 30 | |
|---|---|---|
| | **2015** | 2014 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Income (Loss) from continuing operations before income tax | **(₱49,022,874)** | ₱22,740,277 |
| Adjustments for: | | |
| Depreciation and amortization (Notes 9, 10 and 11) | **40,411,677** | 44,576,923 |
| Interest expense (Notes 15) | **21,547,468** | 39,498,440 |
| Interest income (Notes 4 and 19) | **(6,987)** | (153,960) |
| Gain on changes on fair value of biological assets (Note 7) | **–** | – |
| Operating income before working capital changes | **12,929,284** | 106,661,680 |
| Decrease (increase) in: | | |
| Trade and other receivables | **29,632,478** | (76,481,187) |
| Biological assets | **–** | (6,872,101) |
| Inventories | **4,353,442** | (67,038,066) |
| Prepayments and other current assets | **(2,144,294)** | 3,207,344 |
| Increase (decrease) in: | | |
| Trade and other payables | **(18,235,325)** | 81,541,102 |
| Other current liabilities | **(26,977,102)** | – |
| Net cash generated from (used in) operations | **(441,517)** | 41,018,772 |
| Income tax benefit | **(2,256,618)** | (3,577,717) |
| Interest received | **6,987** | 153,960 |
| Net cash flows from (used in) operating activities | **(2,691,148)** | 37,595,015 |

*(Forward)*

*(Carryforward)*

| | Six Months Ended June 30 | |
|---|---|---|
| | **2015** | 2014 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Changes in: | | |
| Intangible assets (Note 10) | **(628,253)** | (184,728) |
| Lease payable | **(10,642,404)** | (26,185,458) |
| Changes in: | | |
| Advances to related parties | **63,382,255** | (13,169,396) |
| Other noncurrent assets | **(16,976,276)** | (30,081,137) |
| Acquisition of property, plant and equipment | **(252,250)** | (555,708,357) |
| Proceeds from sale of property, plant and equipment | **805,455** | 813,945 |
| Net cash inflow from assets held for sale | **175,000,000** | – |
| Net cash flows from (used in) investing activities | **210,688,527** | (624,515,131) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Repayment of loans and borrowings | **(55,912,108)** | (31,973,230) |
| Interest paid | **(21,547,468)** | (39,498,440) |
| Increase (reduction) of convertible bonds | **(150,000,000)** | 49,000,000 |
| Changes in: | | |
| Advances from related parties | **(15,157,390)** | – |
| Other noncurrent liabilities | **–** | 316,400,000 |
| Net cash flows from (used in) financing activities | **(242,616,966)** | 293,928,330 |
| **NET DECREASE IN CASH** | **(34,619,586)** | (292,991,785) |
| **CASH AT BEGINNING OF YEAR** | **83,602,967** | 339,310,829 |
| **EFFECT OF EXCHANGE RATE CHANGES IN CASH** | **43,782** | – |
| **CASH AT END OF YEAR** (Note 4) | **₱49,027,163** | ₱46,319,044 |

*See accompanying Notes to Consolidated Financial Statements.*

# AGRINURTURE, INC. AND SUBSIDIARIES
# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 1. Corporate Information

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

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

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

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

On June 30, 2014, the Parent Company's Board of Directors (BOD) approved the plan to increase the Parent Company's authorized capital stock from ₱1,000,000,000 divided into 1,000,000,000 common shares at ₱1 per share to ₱2,000,000,000 divided into 2,000,000 common shares at ₱1 per share. As at December 31, 2014, the Parent Company is still in the process of applying the said increase with the SEC.

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

The consolidated financial statements as at and for the period ended June 30, 2015 and 2014 were authorized for issuance by the Parent Company's BOD on August 12, 2015.

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

Basis of Preparation

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

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

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

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

| | Country of Incorporation | Nature of Business | Effective Ownership | | |
|---|---|---|---|---|---|
| | | | **2015** | 2014 | 2013 |
| First Class Agriculture Corporation (FCAC) | Philippines | Trading (Agricultural goods) | **100%** | 100% | 100% |
| M2000 IMEX Company, Inc. (IMEX) | Philippines | Manufacturing and export | **100%** | 100% | 100% |
| Hansung Agro Products Corporation (HAPC) | Philippines | Processing (Agricultural goods) | **100%** | 100% | 100% |
| Best Choice Harvest Agricultural Corp. (BCHAC) | Philippines | Farm management | **100%** | 100% | 100% |
| *Fresh and Green Harvest Agricultural Company, Inc. (FG) | Philippines | Trading (Agricultural goods) | **100%** | 100% | 100% |
| *Lucky Fruit & Vegetable Products, Inc. (LFVPI) | Philippines | Trading (Agricultural goods) | **100%** | 100% | 100% |
| Fruitilicious Company, Inc. (FI) | Philippines | Manufacturing/processing/ trading frozen agricultural products | **100%** | 90% | 90% |
| Qualis Logistics and Transport Services, Inc. (QLTS) | Philippines | Logistics | **51%** | 51% | 51% |
| Farmville Farming Co., Inc. (FFCI) | Philippines | Trading (Agricultural goods) | **51%** | 51% | 51% |
| *Ocean Biochemistry Technology Research, Inc. (OBT) | Philippines | Farm management | **51%** | 51% | 51% |
| *Fresh and Green Palawan Agriventures, Inc. (FGP) | Philippines | Farm management | **51%** | 51% | 51% |
| The Big Chill (TBC) | Philippines | Food and beverage retailing and franchising | **80%** | 80% | 80% |
| *Heppy Corporation (HC) | Philippines | Food and beverage retailing and franchising | **80%** | 80% | 80% |
| *Goods and Nutrition for All, Inc. (GANA) | Philippines | Retail and wholesale | **100%** | 100% | 100% |
| **Tagum Resources Agri-Industrial Inc. (TRAIN) | Philippines | Farming | **-** | 30% | 51% |
| Agrinurture HK Holdings Ltd. (Cayman Islands) (ANI HK) | Hong Kong | Holding Company | **100%** | 100% | 100% |
| *Sunshine Supplies International Co., Ltd. (SSIC) | Hong Kong | Trading (Agricultural goods) | **51%** | 51% | 51% |
| *Joyful Fairy HK (JF HK) | Hong Kong | Trading (Agricultural goods) | **51%** | 51% | 51% |
| *Agrinurture Int'l Ltd. (ANI IL) | Hong Kong | Trading and retail | **100%** | 100% | 100% |
| Xiamen Waintaixing Trading Corp. (XWT) | China | Trading (Agricultural goods) | **51%** | 51% | 51% |
| *ANI China | China | Trading (Agricultural goods) | **100%** | 100% | 100% |
| *Freshness First Pty. Ltd. (FFPL) | Australia | Processing and trading | **100%** | 100% | 100% |
| *BSK Pty. Ltd. (BSK) | Australia | Retail | **100%** | 100% | 100% |
| *Michsul Pty. Ltd. (MPL) | Australia | Wholesale | **100%** | 100% | 100% |
| *ANI AgriNurture Europe S.L. (ANI ESL) | Spain | Trading (Agricultural goods) | **100%** | 100% | 100% |
| *Joyful Fairy (Fruits) Limited (JF BVI) | British Virgin Islands | Trading (Agricultural goods) | **51%** | 51% | 51% |
| *Company in Shenzen | China | Trading (Agricultural goods) | **51%** | 51% | 51% |

*Direct and indirect ownership
**The 30% TRAIN investment qualified as Asset classified as held for sale in 2014

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

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

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

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

If the Group loses control over a subsidiary, it:

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

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

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

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

- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*)
  These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The amendments must be applied retrospectively, subject to certain transition relief. These amendments have no impact to the Group, since none of the entities within the Group qualifies to be an investment entity under PFRS 10.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively. The Group currently offsets certain balances with the same counterparties as the Group has legal rights to set off the amounts and intends to settle on a net basis.

- *PAS 39, Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)*
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Group as the Group has no derivatives during the current or prior periods.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
  These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. The application of these amendments has no material impact on the disclosure in the Group's consolidated financial statements.

- Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21)
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Group as it has applied the recognition principles under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, consistent with the requirements of IFRIC 21 in prior years.

- Annual Improvements to PFRS (2010-2012 cycle)
  In the 2010 - 2012 annual improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13. The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment has no impact on the Group.

- Annual Improvements to PFRS (2011-2013 cycle)
  In the 2011 - 2013 annual improvements cycle, four amendments to four standards were issued, which included an amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards–First-time Adoption of PFRS*. The amendment to PFRS 1 is effective immediately. It clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment has no impact on the Group as it is not a first time PFRS adopter.

Standards Issued but Not Yet Effective

The Group will adopt the standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS, PAS and Philippine Interpretations to have significant impact on its consolidated financial statements. The relevant disclosures will be included in the notes to the consolidated financial statements when these become effective.

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

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

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

*Effective January 1, 2015*

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
  PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015. It is not

expected that this amendment would be relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

- *Annual Improvements* to PFRS (2010-2012 cycle)
  The Annual Improvements to PFRS (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group. They include:

  PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
  - A performance condition must contain a service condition
  - A performance target must be met while the counterparty is rendering service
  - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
  - A performance condition may be a market or non-market condition
  - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

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

  PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments are applied retrospectively and clarify that:
  - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
  - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

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

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

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

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

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

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

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

  PAS 40, *Investment Property*
  The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). This amendment will affect disclosures only and will not have an effect in the amounts in the consolidated financial statements.

*Effective January 1, 2016*

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

- PAS 16, *Property, Plant and Equipment, and PAS 41, Agriculture - Bearer Plants* (Amendments)
  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or

after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants anymore.

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

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

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

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

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

- Annual Improvements to PFRS (2012-2014 cycle)

The Annual Improvements to PFRS (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Group. They include:

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

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

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

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

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

*Effective January 1, 2018*

- PFRS 9, *Financial Instruments* - Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)
  PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the

hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

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

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

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

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

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

- IFRS 15, *Revenue from Contracts with Customers*
  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

Summary of Significant Accounting Policies

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

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

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

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

Presentation of Financial Statements

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

Cash

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

Financial Instruments

*Date of Recognition*

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

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

*Initial Recognition and Measurement of Financial Instruments*

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

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

*Financial Assets*

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

The Group’s financial assets are in the nature of loans and receivables. The Group has no financial assets classified as AFS financial assets, FVPL, HTM investments and derivatives designated as hedging instruments in an effective hedge, as appropriate as at June 30, 2015 and December 31, 2014.

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

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

The Group's financial liabilities are in the nature of loans and borrowings. The Group has no financial liabilities classified as at FVPL and derivatives designated as hedging instruments in an effective hedge, as appropriate as at June 30, 2015 and December 31, 2014.

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

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

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

As at June 30, 2015 and December 31, 2014, the Group's loans and receivables include cash with banks, trade and other receivables and advances to related parties in the consolidated statement of financial position (see Notes 4, 5 and 21).

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

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

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

This accounting policy applies primarily to the Group’s trade and other payables, loans and borrowings, redeemable and convertible loan, advances from related parties and lease payables that meet the above definition (other than liabilities that are covered by other accounting standards, such as income tax payable and pension) (see Notes 14, 15, 21 and 26).

Offsetting of Financial Instruments

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

Determination of Fair Values of Financial Instruments

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

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

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

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

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

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

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

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

External valuers are involved for valuation of significant assets, such as trademark. Involvement of external valuers is decided upon annually by the management after discussion with and

approval by the Groups's audit committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated every three years. Management, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The valuation committee, in conjunction with the Group's external valuers, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

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

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

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

Impairment of Financial Assets

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

*Loans and Receivables*

For financial assets carried at amortized cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment. When the Group determines that a specific account or group of accounts continue to be impaired or can no longer be recovered based on its regular review and assessment and after exhausting all actions and means to recover, these specifically identified accounts are written-off.

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The

present value of the estimated future cash flows is discounted at the financial assets' original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

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

Derecognition of Financial Instruments

*Financial Assets*

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

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

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

*Financial Liabilities*

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

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

Business Combinations and Goodwill starting January 1, 2010

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

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

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through the consolidated statement of income. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PAS 39 either in consolidated statement of income or as change to other income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity. If the Parent Company loses control of its subsidiary, it recognize any investments retained in the former subsidiary at its fair value at the date when control is loss.

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

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

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

Business Combination Prior to January 1, 2010
In comparison to the above mentioned requirements, the following differences applied:

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

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

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

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

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

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

Biological Assets

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

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

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

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

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

Prepayments and Other Current Assets

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

*VAT*

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

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

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

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

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

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

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

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

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

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

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

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

Investment Properties
The investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Investment properties are depreciated using the straight line method over a period of fifteen (15) years. Investment

properties are derecognized when either they have been disposed of, when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of income in the year of retirement or disposal.

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

Intangible Assets

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

*Trademarks*

Trademarks acquired separately are recognized at cost. Following initial recognition, trademarks are carried at cost less any accumulated impairment losses. The Group has assessed that the trademarks have indefinite life and being assessed for impairment whenever there is an indication that these assets may be impaired.

The Group has assessed that certain trademark acquired in a business combination has indefinite useful lives, thus are not amortized, but tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

*Computer Software*

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

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

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

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

<u>Other Noncurrent Assets</u>
Other noncurrent assets include advances and deposits in which the Group expects to realize or consume the assets beyond twelve (12) months after the end of the reporting period.

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

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

Impairment of Nonfinancial Assets

*Inventories*

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

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

*Property, Plant and Equipment, Investment Property, Intangible Assets with Definite Useful Lives and Other Current and Noncurrent Assets*

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

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

*Impairment of Goodwill and Trademark*

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

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

Capital Stock and Additional Paid-in Capital
Capital stock is classified as equity.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

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

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

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

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

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

Basic/Diluted Earnings Per Share

*Basic Earnings Per Share (EPS)*

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

*Diluted EPS*

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

Income Taxes

*Current Income Tax*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 3. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

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

*Classification of Investment Properties*
The Group follows the guidance of PAS 40 in classifying properties as investment properties. This classification requires significant judgment. In making this judgment, the Group evaluates its intention for holding the properties. The Group determines that, currently, the intention for holding the properties is to earn rentals there from and for capital appreciation rather than to use these in the production or supply of goods and services or for administrative purposes or sale in the ordinary course of business (see Note 11).

*Classification of Assets Held for Sale*
In December 2014, the Board of Directors approved the decision to divest BCH's interest in TRAIN, therefore, classified it as assets held for sale. On December 17, 2014, BCH entered into a Memorandum of Agreement (MOA) to sell its investment in equity share amounting to ₱294,565,000 to the Fund and to HRC (see Note 12).

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

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

*Determining Operating Lease Commitments - Group as a Lessee*
The Group has entered into equipment leases. The Group has determined that it does not retain all the significant risks and rewards of ownership of these equipment which are leased on operating leases.

*Determining Operating Lease Commitments - Group as a Lessor*
The Group has entered into commercial property leases on its investment properties portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Estimates and Assumptions

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

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

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

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

The carrying values of trade and other receivables amounted to ₱264,403,034 and ₱294,035,512, net of allowance for impairment losses of ₱5,783,670 as at June 30, 2015 and December 31, 2014, respectively. No provision for impairment losses on receivables in 2015 and 2014, respectively.

The carrying values of advances to related parties amounted to ₱1,558,161,458 and ₱1,621,543,713 as at June 30, 2015 and December 31, 2014, respectively. There are no provisions for impairment losses recognized in 2015 and 2014 (see Note 21).

*Estimating Allowance for Impairment Losses on Inventory*

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

The carrying values of inventories amounted to ₱66,052,425 and ₱70,405,867 as at June 30, 2015 and December 31, 2014, respectively. There are no provisions for impairment losses recognized in 2015 and 2014 (see Note 6).

*Estimating Impairment Losses on Other Current and Noncurrent Assets*

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

The carrying values of its prepayments and other current assets amounted to ₱102,617,663 and ₱100,473,369 as at June 30, 2015 and December 31, 2014, respectively (see Note 8). The carrying values of other noncurrent assets amounted to ₱347,683,134 and ₱330,706,858 as at June 30, 2015 and December 31, 2014, respectively (see Note 13). There were no provisions for impairment losses on the Group's prepayments and other current assets and other noncurrent assets.

*Estimating Useful Lives of Property, Plant and Equipment and Investment Property*
The Group estimates the useful lives of property, plant and equipment and investment property based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment and investment property are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property, plant and equipment and investment property is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. There is no change in the estimated useful lives of the property, plant and equipment and investment properties as at June 30, 2015 and December 31, 2014.

The aggregate net book values of property, plant and equipment amounted to ₱ 817,944,462 and ₱856,125,512, net of accumulated depreciation of ₱383,765,086 and ₱346,162,262 as at June 30, 2015 and December 31, 2014, respectively (see Note 9).

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

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

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

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

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

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

The carrying values of biological assets amounted to nil as at June 30, 2015 and December 31, 2014, respectively (see Note 7). The aggregate net book values of property, plant and equipment amounted to ₱817,944,462 and ₱856,125,512, net of accumulated depreciation of ₱367,464,240 and ₱346,162,262 as at June 30, 2015 and December 31, 2014, respectively (see Note 9).

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

There was no change in the estimated residual values and useful life of computer software and franchise in 2015 and 2014. The carrying values of computer software amounted to ₱1,481,848 and ₱1,373,877 as at June 30, 2015 and December 31, 2014, respectively, while the carrying values of franchise amounted to ₱3,619,900 and ₱5,429,850 as at June 30, 2015 and December 31, 2014, respectively (see Note 10).

*Estimation of Impairment of Goodwill and Trademarks*
The Group reviews the carrying values of goodwill and trademarks for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill and other intangible assets by assessing the recoverable amount of the CGU or group of CGUs to which the goodwill and trademarks relates. Assessments require the use the estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. If the recoverable amount of the unit exceeds the carrying amount of the CGU, the CGU and the goodwill and trademarks allocated to that CGU shall be regarded as not impaired. Where the recoverable amount of the CGU or group of CGUs is less than the carrying amount of the CGU or group of CGUs to which goodwill and trademarks has been allocated, an impairment loss is recognized.

*Estimating Fair Value of Biological Assets*
In the absence of an active market, the Group measures biological assets at fair value less estimated costs to sell based on the expected future cash flows at each reporting date. In determining the fair value, management has made certain assumptions about the yields and market prices of banana fruits to be harvested from the current banana trees, the costs of operating the banana plantation and the quantity and quality of banana trees growing in the plantation at each reporting date. The measurement of the biological assets is dependent on the selection of these assumptions used by the Group in calculating the fair value of the assets. While management believes that the assumptions are reasonable and appropriate, significant differences in the Group's actual results of operations or significant changes in the assumptions may materially affect the carrying value of the biological assets.

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

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

The carrying values of biological assets both amounted to nil as at June 30, 2015 and December 31, 2014, respectively (see Note 7).

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

Pension costs amounted to ₱7,972,061 in 2014, respectively, while pension liability amounted to ₱13,033,257 as at June 30, 2015 and December 31, 2014, respectively (see Note 22).

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

Deferred income tax assets recognized by the Group amounted to ₱74,477,293 and ₱63,957,785 as at June 30, 2015 and December 31, 2014, respectively (see Note 23).

*Determining Fair Values of Financial Instruments*
Where the fair values of financial assets and liabilities recorded in the consolidated statements of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility and correlation (see Note 25).

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

## 4. **Cash**

| | **2015** | 2014 |
|---|---|---|
| Cash on hand | **₱1,943,716** | ₱8,272,959 |
| Cash with banks | **47,083,447** | 75,330,008 |
| | **₱49,027,163** | ₱83,602,967 |

Cash with banks earn interest at the respective bank deposit rates. Interest income earned from cash with banks amounted to ₱6,987 and ₱153,960 in 2015 and 2014, respectively.

## 5. **Trade and Other Receivables**

| | **2015** | 2014 |
|---|---|---|
| Trade receivables | **₱245,238,119** | ₱278,085,831 |
| Others | **24,948,585** | 21,733,351 |
| | **270,186,704** | 299,819,182 |
| Less allowance for impairment losses | **5,783,670** | 5,783,670 |
| | **₱264,403,034** | ₱294,035,512 |

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

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

Movements in allowance for impairment losses are as follows:

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

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

## 6. **Inventories**

| | **2015** | 2014 |
|---|---|---|
| At cost: | | |
| Vegetables, fruits and goods | **₱49,631,301** | ₱26,976,096 |
| Packaging materials and other supplies | **16,421,124** | 43,429,771 |
| | **₱66,052,425** | ₱70,405,867 |

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

Management believes that the Group's inventories are not impaired as at June 30, 2015 and December 31, 2014. Accordingly, there were no provisions for impairment losses that were recognized in 2015 and 2014.

## 7. Biological Assets

On December 17, 2014, BCH entered into a Memorandum of Agreement (MOA) with Black River (the Fund) and Hijo Resources Corp. for the sale of BCH's 51% ownership interest in TRAIN. Accordingly, the Group's biological assets, which, in 2013, were held mostly by TRAIN, were deconsolidated in 2014 as a result of the divestment.

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

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

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

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

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

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

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

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

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

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

## 8. Prepayments and Other Current Assets

| | **2015** | 2014 |
|---|---|---|
| Input value-added tax (VAT) | **₱52,193,633** | ₱57,041,738 |
| Deposits | **24,848,954** | 24,500,224 |
| Prepaid insurance | **18,398,566** | 13,947,275 |
| Creditable withholding taxes (CWTs) | **3,732,003** | 3,519,739 |
| Prepaid rent and other current assets | **3,444,507** | 1,464,394 |
| | **₱102,617,663** | ₱100,473,370 |

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

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

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

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

## 9. Property, Plant and Equipment

**June 30, 2015:**

| | 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 | ₱103,504,139 | ₱147,914,078 | ₱58,309,610 | ₱564,944,577 | ₱49,255,383 | ₱129,207,657 | ₱1,202,287,774 |
| Additions | – | – | 172,676 | – | – | 79,574 | – | 252,250 |
| Disposals | – | – | – | – | (830,476) | – | – | (830,476) |
| Reclassification | – | – | – | – | – | – | – | – |
| Balances at June 30 | 149,152,330 | 103,504,139 | 148,086,754 | 58,309,610 | 564,114,101 | 49,334,957 | 129,207,657 | 1,201,709,548 |
| **Accumulated depreciation** | | | | | | | | |
| Balances at January 1 | – | 22,310,116 | 54,674,362 | 30,039,591 | 129,035,639 | 30,760,118 | 79,342,436 | 346,162,262 |
| Depreciation and amortization (Note 20) | – | 1,879,163 | 6,805,662 | 1,468,724 | 15,814,846 | 2,551,686 | 9,107,764 | 37,627,845 |
| Disposals | – | – | – | – | (25,021) | – | – | (25,021) |
| Reclassification | – | – | – | – | – | – | – | – |
| Balances at June 30 | – | 24,189,279 | 61,480,024 | 31,508,315 | 144,825,464 | 33,311,804 | 88,450,200 | 383,765,086 |
| Net book values | ₱149,152,330 | ₱79,314,860 | ₱86,606,730 | ₱26,801,295 | ₱419,288,637 | ₱16,023,153 | ₱ 40,757,457 | ₱817,944,462 |

December 31, 2014

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

Fully depreciated property and equipment are retained in the books until they are no longer in use. As at June 30, 2015 and December 31, 2014, the cost of fully depreciated property and equipment still being used in operations amounted to nil and ₱22,192,803, respectively. Certain assets are covered by insurance such as delivery and transportation equipment, buildings and etc. Cost of land and building located in Pulilan, Bulacan amounting to ₱187,674,048 is used as a collateral for certain loans and borrowings (see Note 15). Cost of machinery and equipment amounting to ₱101,991,392 is under finance lease.

## 10. Goodwill and Other Intangible Assets

**June 30, 2015:**

| | **Trademark** | **Computer software** | **Franchise** | **Goodwill (Note 27)** | **Total** |
|---|---|---|---|---|---|
| **Costs:** | | | | | |
| **Beginning balances** | **₱200,184,539** | **₱6,906,907** | **₱9,049,750** | **₱76,751,554** | **₱292,892,750** |
| **Additions** | **–** | **628,253** | **–** | **–** | **628,253** |
| **Impairment** | **–** | **–** | **–** | **–** | **–** |
| **Ending balances** | **200,184,539** | **7,535,160** | **9,049,750** | **76,751,554** | **293,521,003** |
| **Accumulated amortization and impairment:** | | | | | |
| **Beginning balances** | **–** | **5,533,030** | **3,619,900** | **–** | **9,152,930** |
| **Amortization** | **–** | **520,282** | **1,809,950** | **–** | **2,330,232** |
| **Ending balances** | **–** | **6,053,312** | **5,429,850** | **–** | **11,483,162** |
| | **₱200,184,539** | **₱1,481,848** | **₱3,619,900** | **₱76,751,554** | **₱282,037,841** |

December 31, 2014

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

On January 17, 2011, the Group entered into a Master Licensing Agreement with Tully's Coffee International Pte. Ltd. for the operation of coffee shops and sale of coffee products under the brand "Tully's". The term of the license is for a period of ten (10) years but maybe extended for another 10 years. Under the agreement, the Group paid $200,000 (equivalent to ₱9,049,750) as a sign-up fee. This amount is presented under intangible assets as "Franchise" for each store to be opened by the Group, a store-opening fee shall be paid to Tully's in the amount of $2,500-$15,000. Furthermore, the Group shall pay continuity fees equivalent to 5% of net revenues of each coffee house.

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

## 11. Investment Property

| | **2015** | 2014 |
|---|---|---|
| Cost at beginning and end of year | **₱13,608,000** | ₱13,608,000 |
| Accumulated depreciation: | | |
| Beginning balances | **4,082,400** | 3,175,200 |
| Depreciation (Note 19) | **453,600** | 907,200 |
| Ending balances | **4,536,000** | 4,082,400 |
| Net book values | **₱9,072,000** | ₱9,525,600 |

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

The fair value of the investment property amounted to ₱21,520,000 as at June 30, 2015 and December 31, 2014. The fair valuation was estimated through the direct market comparison approach; categorized as Level 3 which is a comparative approach that considers the sales of similar or substitute assets and related market data.

The rental income generated by investment properties amounted to ₱340,000, and ₱384,550 in 2015 and 2014, respectively (see Note 19). Direct operating expenses related to the investment properties are as follows:

| | **2015** | 2014 |
|---|---|---|
| Association dues | **₱93,284** | ₱185,848 |
| Real property tax | **19,441** | 44,124 |
| Utilities | **5,975** | 12,209 |
| Balances at end of year | **₱118,700** | ₱242,181 |

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

## 12. Assets Classified as Held For Sale

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

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

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

## 13. Other Noncurrent Assets

| | **2015** | 2014 |
|---|---|---|
| Advances and deposits | **₱194,696,479** | ₱195,179,990 |
| Advances for land acquisition | **120,097,785** | 120,097,785 |
| Rental deposits and others | **22,905,584** | 8,425,167 |
| Deferred input VAT | **9,983,286** | 7,003,916 |
| | **₱347,683,134** | ₱330,706,858 |

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

## 14. Trade and Other Payables

| | **2015** | 2014 |
|---|---|---|
| Trade payables | **₱469,496,233** | ₱490,024,536 |
| Nontrade payable | **126,309,255** | 124,041,771 |
| Current portion of the other long term liability | **79,319,375** | 79,319,375 |
| Accrued expenses | **18,152,741** | 16,449,361 |
| Customers' deposits | **14,912,917** | 13,690,332 |
| Accrued interest payable | **4,397,976** | 4,668,533 |
| Withholding tax payable | **2,706,398** | 4,169,036 |
| Others | **32,286,520** | 33,453,797 |
| | **₱747,581,415** | ₱765,816,741 |

Trade payables are noninterest-bearing transactions in the ordinary course of business. Nontrade payables pertain to outstanding liabilities to nontrade suppliers, which includes printing, transportation, and supplies.

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

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

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

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

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

Other Long Term Liability
Other long term refers to a purchase and installment of pre-processing, sterilization, aseptic storage and CIP station for coconut water.

## 15. Loans and Borrowings and Redeemable Convertible Loan

| | **2015** | 2014 |
|---|---|---|
| *Foreign Currency* | | |
| Loan 1 | **₱108,546,564** | ₱110,776,393 |
| Loan 2 | **104,640,365** | 106,634,630 |
| Others | **30,400,091** | 23,382,654 |
| *Peso Currency* | | |
| Loan 3 | **349,800,000** | 349,950,266 |
| Loan 4 | **213,009,880** | 218,793,000 |
| Loan 5 | **95,885,667** | 100,000,000 |
| Loan 6 | **70,950,000** | 75,450,000 |
| Loan 7 | **50,000,000** | 50,000,000 |
| ACEF Loan | **12,245,271** | 12,554,976 |
| Others (Note 21) | **21,069,552** | 64,887,579 |
| | **1,056,517,390** | 1,112,429,498 |
| Less long-term portion | **(308,281,883)** | (60,000,000) |
| Current portion | **₱748,235,507** | ₱1,052,429,498 |

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

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

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

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

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

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

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

Loan 7 pertains to promissory note availed that was granted last September 16, 2014. Interest of the loan is at the rate of 8.50% per annum. If the Group defaults in the payment of installment and interest, the entire amount shall be immediately become due and payable.

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

The schedule of future principal payments are as follows:

| | **2015** | 2014 |
|---|---|---|
| 2014 | **₱–** | ₱– |
| 2015 | **748,235,507** | 1,052,429,498 |
| 2016 | **308,281,883** | 60,000,000 |
| | **₱1,056,517,390** | ₱1,112,429,498 |

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

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

This was subject to certain condition in which Black River have the option (the "Conversion Option"), which may be exercised at any time, and from time to time, after December 19, 2015, to convert the note in part or in full, into either (the "Subscription Option"):

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

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

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

On February 3, 2015, Black River Capital Partners Food Fund assigned its rights and interests on the ₱150,000,000 of the redeemable and convertible note as part of the settlement for the purchase of 29.75% BCH shares in TRAIN (see Note 12).

On August 10, 2015, a Deed of Assignment of Convertible Notes between Back River Capital Partners Food Fund Holdings (Singapore) Pte Ltd. and Antonio L. Tiu, covering the convertible note equivalent to ₱234,000,000 for the purchase price of ₱150,000,000.

## Capital Stock

| | **2015** | | 2014 | |
|---|---|---|---|---|
| | **Number of Shares** | **Amount** | Number of shares | Amount |
| Authorized - ₱1 par value per share | **1,000,000,000** | **₱1,000,000,000** | 1,000,000,000 | ₱1,000,000,000 |
| Issued and outstanding | **621,683,570** | **621,683,570** | 621,683,570 | 621,683,570 |

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

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

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

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

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

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

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

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

## 16. Basic/Diluted Loss Per Share

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

| | **2015** | 2014 |
|---|---|---|
| Net loss shown in the consolidated statements of income | **(₱38,545,356)** | ₱22,740,277 |
| Weighted average number of common shares | **621,683,570** | 535,693,037 |
| Basic and diluted income (loss) per share from continuing operations | **(₱0.06)** | ₱0.04 |
| Basic and diluted income (loss) per share | **(₱0.06)** | ₱0.04 |

## 17. Cost of Sales and Services

| | **2015** | 2014 |
|---|---|---|
| Inventories at January 1 (Note 6) | **₱70,405,867** | ₱121,137,973 |
| Harvested agricultural produce (Note 7) | **–** | 73,527,309 |
| Purchases and conversion cost | **1,197,898,289** | 1,383,622,169 |
| Cost of goods available for sale | **1,268,304,156** | 1,578,287,451 |
| Inventories at June 30 (Note 6) | **(66,052,425)** | (188,176,039) |
| Cost of sales | **1,202,251,731** | 1,390,111,412 |
| Cost of services | **8,495,405** | 5,064,978 |
| | **₱1,210,747,136** | ₱1,395,176,390 |

## 18. Other Income (Expense) - net

| | **2015** | 2014 |
|---|---|---|
| *Other operating expense* | | |
| Other expenses | **₱–** | ₱– |
| | | |
| *Other operating income* | | |
| Rental income (Note 11) | **₱340,000** | ₱384,550 |
| Foreign currency gains | **258,730** | 176,765 |
| Other income | **24,331,469** | 17,763,670 |
| | **24,930,199** | 18,324,985 |
| Other income (expenses) - net | **₱24,930,199** | ₱18,324,985 |

## 19. General and Administrative Expenses

| | **2015** | 2014 |
|---|---|---|
| Salaries, wages and other employee benefits | **₱116,031,992** | ₱174,711,944 |
| Rentals (Note 26) | **40,444,439** | 45,886,119 |
| Depreciation and amortization (Notes 9, 10 and 11) | **40,411,677** | 44,576,923 |
| Freight and handling cost | **37,715,077** | 96,711,342 |
| Contracted services | **18,711,748** | 32,327,050 |
| Advertising | **11,564,667** | 835,417 |
| Transportation and travel | **11,043,444** | 6,745,250 |
| Professional fees | **10,745,136** | 29,421,615 |
| Communication, light and water | **9,975,332** | 16,696,074 |
| Taxes and licenses | **5,492,713** | 6,725,879 |
| Supplies | **5,053,414** | 12,805,465 |
| Repairs and maintenance | **3,918,199** | 13,956,090 |
| Others | **16,638,603** | 21,565,638 |
| | **₱327,746,441** | ₱502,964,806 |

## 20. 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 June 30, 2015 and December 31, 2014 are as follows:

| Category | Amount/ Volume | Outstanding Balances | Terms | Conditions |
|---|---|---|---|---|
| *Advances to related parties* | | | | |
| *Stockholder* | | | | |
| Advances to a stockholder | | | Collectible in cash and on demand, | Unsecured, |
| **2015** | **(₱62,840,553)** | **₱1,542,442,029** | noninterest- | not guaranteed |
| 2014 | 551,936,577 | 1,605,282,582 | Bearing | no impairment |
| *Officers and employees* | | | | |
| Advances to officers and employees | | | Collectible in cash and on demand, | Unsecured, |
| **2015** | **(541,702)** | **7,405,124** | noninterest- | not guaranteed |
| 2014 | 7,946,826 | 7,946,826 | Bearing | no impairment |
| *Under common control* | | | | |
| Earthright Holdings, Phils Inc. | | | | |
| **2015** | **–** | **4,220,000** | Collectible in cash and on demand, noninterest bearing- | Unsecured, not guaranteed no impairment |
| 2014 | 4,420,000 | 4,220,000 | Collectible in cash and on demand, noninterest bearing- | Unsecured, not guaranteed no impairment |
| Agricultural Bank of the Philippines, Inc. | | | | |
| **2015** | **–** | **4,094,305** | Collectible in cash and on demand, noninterest bearing- | Unsecured, not guaranteed no impairment |
| 2014 | 4,094,305 | 4,094,305 | Collectible in cash and on demand, noninterest bearing | Unsecured, not guaranteed no impairment |
| **Total 2015** | **(₱27,236,966)** | **₱1,558,161,458** | | |
| Total 2014 | 568,397,708 | 1,621,543,713 | | |
| *Advances from related parties* | | | | |
| Greenergy Holdings, Inc. | | | | |
| **2015** | **(₱15,157,390)** | **₱27,848,228** | Payable in cash and on demand | Unsecured, not guaranteed |
| 2014 | 41,756,368 | 43,005,618 | noninterest bearing | |
| *Stockholder* | | | | |

| | | | | |
|---|---|---|---|---|
| **2015** | **–** | **30,000,000** | Payable in cash and on demand noninterest bearing | Unsecured, not guaranteed |
| 2014 | 30,000,000 | 30,000,000 | | |
| **Total 2015** | **₱** | **₱57,848,228** | | |
| Total 2014 | 71,756,368 | 73,005,618 | | |

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

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

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

Interest expense related to this loan amounted to ₱30,000 and ₱120,000 in 2015 and 2014.

Compensation of Key Management Personnel
The Group considers its President, Chief Executive Officer and Chief Finance Officer as key management personnel. Total remuneration of key management personnel, composed mainly of short-term employee benefits and provision for retirement benefits for executive officers, were included under "Personnel costs" in the statements of comprehensive income amounted to ₱7,883,505 and ₱7,524,580 in 2015 and 2014, respectively. There were no other benefits aside from the salaries and other short- term benefits.

## 21. **Pension Liability**

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

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

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

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

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

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

| | 2014 |
|---|---|
| Discount rate | 4.60% |
| Projected salary increase rate | 5.00% |

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

| Assumptions | Change in assumption - increase (decrease) | Effect on defined benefit liability |
|---|---|---|
| Discount rates | +0.50% | (₱65,166) |
| | -0.50% | 65,166 |
| Rate of salary increase | +0.50% | 65,166 |
| | -0.50% | (65,166) |

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

## 22. **Income Taxes**

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

| | **2015** | 2014 |
|---|---|---|
| Current | **₱18,517** | ₱12,326,562 |
| Deferred | **(10,496,035)** | – |
| | **(₱10,477,518)** | ₱12,326,562 |

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

| | **2015** | 2014 |
|---|---|---|
| Deferred income tax assets: | | |
| NOLCO | **₱56,679,350** | ₱46,159,842 |
| Excess MCIT over RCIT | **11,662,345** | 11,662,345 |
| Pension cost | **5,461,686** | 5,461,686 |
| Impairment of assets | **486,412** | 486,412 |
| Unrealized franchise fee | **187,500** | 187,500 |
| | **74,477,293** | 63,957,785 |
| Deferred income tax liabilities: | | |
| Gain on changes in fair value of biological assets | **–** | – |
| Remeasurement of pension liability | **687,524** | 687,524 |
| | **687,524** | 687,524 |
| Net deferred income tax assets | **₱73,789,769** | ₱63,270,261 |

c. As at December 31, 2014, the Group has available NOLCO and excess MCIT that can be claimed as deductions from future taxable income and income tax due, details are as follows:

| Year Incurred | Available Until | NOLCO | Excess MCIT |
|---|---|---|---|
| 2014 | 2017 | ₱160,098,059 | ₱6,242,571 |
| 2013 | 2016 | 206,144,889 | 7,410,003 |
| 2012 | 2015 | 150,293,172 | 4,450,977 |
| | | ₱516,536,120 | ₱18,103,551 |

Movements in NOLCO in 2014 are as follows:

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

Movements in MCIT in 2014 are as follows:

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

d. The Group did not avail of the optional standard deduction in 2014.

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

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

Liquidity Risk

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

The tables below summarize the maturity profile of the Group's financial liabilities as at June 30, 2015 and December 31, 2014 based on undiscounted payments:

| **2015** | **Less than three months** | **Three to twelve months** | **One to five years** | **Total** |
|---|---:|---:|---:|---:|
| ***Loans and borrowings*** | | | | |
| **Trade and other payables** | **₱348,379,861** | **₱381,582,239** | **₱–** | **₱729,962,100** |
| **Advances from related parties** | **–** | **57,848,228** | **–** | **57,848,228** |
| **Loans payable** | **595,736,800** | **400,780,590** | **60,000,000** | **1,056,517,390** |
| **Redeemable and convertible note** | **234,000,000** | **–** | **–** | **234,000,000** |
| **Other current liabilities** | **61,958,298** | **–** | **–** | **61,958,298** |
| **Lease payable** | **–** | **55,563,502** | **103,343,605** | **158,907,107** |
| | **₱1,240,074,959** | **₱895,774,559** | **₱163,343,605** | **₱2,299,193,123** |

***Loans payable inclusive of future interest.***

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

*Loans payable inclusive of future interest.*

The table below summarizes the maturity profile of the Group's financial assets used to manage liquidity risk of the Group as at June 30, 2015 and December 31, 2014:

| **2015** | **Less than three months** | **Three to twelve months** | **One to five years** | **Total** |
|---|---|---|---|---|
| **Cash** | **₱49,027,163** | **₱–** | **₱–** | **₱49,027,163** |
| **Trade and other receivables** | **249,156,468** | **15,246,566** | **₱–** | **264,403,034** |
| **Advances to related parties** | **467,448,437** | **1,090,713,021** | **–** | **1,558,161,458** |
| | **₱765,632,068** | **₱1,105,959,587** | **₱–** | **₱1,871,591,655** |

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

Credit Risk

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

The Group has no significant concentration of credit risk with any single counterparty or group of counterparties having similar characteristics. Credit risk on financial assets which comprise cash with banks, trade and other receivables and advances to related parties arising from the default of the counterparty has a maximum exposure equal to the carrying amount of these financial instruments.

The table below shows the maximum exposure to credit risk for the Group's financial assets, without taking into account any collateral and other credit enhancements as at June 30, 2015 and December 31, 2014:

| | **2015** | 2014 |
|---|---|---|
| Cash with banks | **₱47,083,447** | ₱75,330,008 |
| Trade and other receivables | **270,186,704** | 294,035,512 |
| Advances to related parties | **1,558,161,458** | 1,621,543,713 |
| | **₱1,875,431,609** | ₱1,990,909,233 |

The table below summarizes the credit quality of the Group's financial assets based on its historical experience with the corresponding parties as at June 30, 2015 and December 31, 2014:

| | **Neither past due nor impaired** | | **Past due** | |
|---|---|---|---|---|
| **2015** | **High Grade** | **Standard Grade** | **or impaired** | **Total** |
| **Cash with banks** | **₱47,083,447** | **₱–** | **₱–** | **₱47,083,447** |
| **Trade and other receivables** | **260,853,034** | **3,550,000** | **5,783,670** | **270,186,704** |
| **Advances to related parties** | **1,558,161,458** | **–** | **–** | **1,558,161,458** |
| **Total** | **₱1,866,097,939** | **₱3,550,000** | **₱5,783,670** | **₱1,875,431,609** |

| 2014 | Neither past due nor impaired | | Past due | |
|---|---|---|---|---|
| | High Grade | Standard Grade | or impaired | Total |
| Cash with banks | ₱75,330,008 | ₱– | ₱– | ₱75,330,008 |
| Trade and other receivables | 284,701,842 | 3,550,000 | 5,783,670 | 294,035,512 |
| Advances to related parties | 1,621,543,713 | – | – | 1,621,543,713 |
| Total | ₱1,981,575,563 | ₱3,550,000 | ₱5,783,670 | ₱1,990,909,233 |

- Cash with banks and restricted cash are assessed as high grade since this is deposited in a reputable bank, which has a low probability of insolvency.

- High grade receivables pertain to receivables from employees and program partners who consistently pay before the maturity date. Standard grade receivables are receivables that are collected on their due dates even without an effort from the Group to follow them up. Both high grade and standard grade receivables currently have no history of default.

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

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

The Group has the following foreign currency denominated financial assets and financial liabilities:

| | 2015 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **AUD** | **Peso Equivalent** | **Euro €** | **Peso Equivalent** | **RMB$** | **Peso Equivalent** | **HKD** | **Peso Equivalent** | **US$** | **Peso Equivalent** |
| **Financial Assets:** | | | | | | | | | | |
| **Cash with banks** | **AU$541,968** | **₱18,801,888** | **€96,440** | **₱4,899,173** | **SG$–** | **₱–** | **HK$1,249,024** | **₱7,282,060** | **US$13,828** | **₱625,020** |
| **Trade and other receivables** | **1,232,639** | **42,762,579** | **426,409** | **21,661,684** | **–** | **–** | **25,913,796** | **151,082,614** | **513,030** | **23,188,956** |
| **Advances to related parties** | **663,830** | **23,029,531** | **–** | **–** | **–** | **–** | **11,845,636** | **69,062,426** | **–** | **–** |
| | **1,774,606** | **61,564,466** | **522,848** | **26,560,858** | **–** | **–** | **27,162,820** | **158,364,673** | **526,858** | **23,813,976** |
| **Loans and borrowings:** | | | | | | | | | | |
| **Trade and other payables** | **4,037,820** | **140,079,651** | **89,244** | **4,533,612** | **–** | **–** | **40,708,738** | **237,340,083** | **–** | **–** |
| **Loans payable** | **–** | **–** | **99,933** | **5,076,648** | **–** | **–** | **4,304,073** | **25,093,604** | **–** | **–** |
| **Advances from related parties** | **3,547,718** | **123,077,091** | **–** | **–** | **–** | **–** | **44,107,612** | **257,156,199** | **–** | **–** |
| | **7,585,538** | **263,156,742** | **189,177** | **9,610,260** | **–** | **–** | **89,120,422** | **519,589,885** | **–** | **–** |
| **Net Financial Asset (Liabilities)** | **(AU$5,810,932)** | **(₱201,592,276)** | **€333,671** | **₱16,950,598** | **SG$–** | **₱–** | **(HK$61,957,602)** | **(₱361,225,212)** | **US$526,858** | **₱23,813,976** |

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

The equivalent exchange rates of one foreign currency in Philippine peso as at June 30, 2015 and December 31, 2014 are as follow:

| | **2015** | 2014 |
|---|---|---|
| **AUD** | **₱34.69** | ₱36.21 |
| **Euro €** | **50.80** | 54.34 |
| **HKD** | **5.83** | 5.75 |
| **US$** | **45.20** | 44.72 |

Capital Management Objectives and Policies
The primary objective of the Group's capital management policy is to ensure that the fund balance is maintained at an adequate level. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. The Group's capital as at June 30, 2015 and December 31, 2014 are as follow:

| | **2015** | 2014 |
|---|---|---|
| Advances from related parties | **₱57,848,228** | ₱73,005,618 |
| Capital stock | **621,683,570** | 621,683,570 |
| Additional paid-in capital | **2,330,723,527** | 2,330,723,527 |
| Total Capital | **₱3,010,255,325** | ₱3,025,412,715 |

The Group has no externally imposed capital requirement.

## 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.

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

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

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

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

## 25. Lease Agreements

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

Rent expense pertaining to these leases amounted to ₱11,411,694 and ₱24,072,365 in 2015 and 2014, respectively.

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

| | **2015** | 2014 |
|---|---|---|
| Within one (1) year | **₱11,411,694** | ₱22,823,388 |
| After 1 year but not more than five (5) years | **10,717,246** | 10,717,246 |
| | **₱22,128,940** | ₱33,540,634 |

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

The components of the lease obligations as at June 30, 2015 and December 31, 2014 are as follows:

| | **2015** | 2014 |
|---|---|---|
| Gross finance lease obligation | | |
| Less than one year | **₱41,037,130** | ₱53,839,806 |
| Between one and five years | **120,081,062** | 120,081,062 |
| | **161,118,192** | 173,920,868 |
| Less interest | **2,211,085** | 4,371,358 |
| Present value of future minimum lease payments | **158,907,107** | 169,549,510 |
| Less current portion | **55,563,502** | 66,205,905 |
| | **₱103,343,605** | ₱103,343,605 |

## 26. Business Combination and Goodwill

### Acquisitions in 2013

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

Acquisition of MPL

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

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

| | Fair Values | Carrying Values |
|---|---|---|
| **Assets** | | |
| Cash | ₱1,579,249 | ₱1,579,249 |
| Accounts receivables | 28,083,640 | 28,083,640 |
| Inventories | 3,850,002 | 3,850,002 |
| Other current assets | 275,298 | 275,298 |
| Property and equipment | 19,115,843 | 19,115,843 |
| | 52,904,032 | 52,904,032 |
| **Liabilities** | | |
| Accounts payable | (23,479,282) | (23,479,282) |
| Other current liabilities | (6,246,896) | (6,246,896) |
| Loans payable | (14,102,630) | (14,102,630) |
| | (43,828,808) | (43,828,808) |
| **Total identifiable net assets** | **9,075,224** | 9,075,224 |
| Percentage acquired | 100% | 100% |
| Share on net assets acquired | 9,075,224 | ₱9,075,224 |
| Goodwill arising on acquisition | 76,751,554 | |
| **Cash consideration transferred** | **₱85,826,778** | |

The property and equipment represents primarily furniture and fixtures and equipment. The fair values of the acquiree's net identifiable assets and liabilities approximates its book values as of acquisition date.

Acquisition of business in TRAIN

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

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

| | Fair Values | Carrying Values |
|---|---|---|
| Cash | ₱11,500,000 | ₱11,500,000 |
| Subscription receivables | 422,823,659 | 636,137,662 |
| Biological assets | 57,136,055 | 115,792,385 |
| Prepayments | 75,281,341 | 75,281,341 |
| Property and equipment | 53,232,000 | 53,232,000 |
| Land use rights | 78,335,965 | – |
| | 698,309,020 | 891,943,388 |

| | Fair Values | Carrying Values |
|---|---|---|
| Deferred income tax liability | (₱30,742,617) | ₱– |
| **Total identifiable net assets** | **667,566,403** | 891,943,388 |
| Percentage acquired | 51% | 51% |
| Share on net assets acquired | 340,458,866 | ₱454,891,128 |
| Goodwill arising on acquisition | 146,606,134 | |
| **Purchase consideration transferred** | **₱487,065,000** | |

Acquisition of JF HK

On January 1, 2013, the Group acquired fifty one percent (51%) ownership interest of Joyful Fairy Fruits Ltd. (Hong Kong), a company registered in Hong Kong, primarily engaged in distribution, importing and exporting of merchandise of all kinds.

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

| | Fair Values | Carrying Values |
|---|---|---|
| **Assets** | | |
| Cash | ₱16,691,693 | ₱16,691,693 |
| Accounts receivables | 28,823,430 | 28,823,430 |
| Inventories | 33,335,929 | 33,335,929 |
| Deposits and other assets | 863,195 | 863,195 |
| | 79,714,247 | 79,714,247 |
| **Liabilities** | | |
| Accounts payable and accruals | (99,188,261) | (99,188,261) |
| Advances from customers | (17,263,931) | (17,263,931) |
| Loan payable | (11,454,200) | (11,454,200) |
| Advances from related parties | (71,200,115) | (71,200,115) |
| Other liabilities | (8,658,477) | (8,658,477) |
| | (207,764,984) | (207,764,984) |
| **Total identifiable net liabilities** | **(128,050,737)** | **(128,050,737)** |
| Percentage acquired | 51% | 51% |
| Share on net liabilities acquired | (65,305,876) | (₱65,305,876) |
| Goodwill arising on acquisition | 167,930,876 | |
| **Cash consideration transferred** | **₱102,625,000** | |

The fair values of the acquiree’s net identifiable assets and liabilities approximates its book value as of January 1, 2013.

Acquisition of BSK

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

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

| | Fair Values | Carrying Values |
|---|---|---|
| **Assets** | | |
| Cash | ₱736,822 | ₱736,822 |
| Accounts receivables | 38,424,765 | 38,424,765 |
| Inventories and other assets | 9,583,556 | 9,583,556 |
| | 48,745,143 | 48,745,143 |
| **Liabilities** | | |
| Accounts payable | (42,957,439) | (42,957,439) |
| Accruals | (10,742,186) | (10,742,186) |
| Loan payable | (18,797,855) | (18,797,855) |
| | (72,497,480) | (72,497,480) |
| **Net Liabilities** | **(23,752,337)** | **(23,752,337)** |
| Percentage acquired | 100% | 100% |
| Share on net liabilities acquired | (23,752,337) | (₱23,752,337) |
| Goodwill arising on acquisition | 98,955,979 | |
| **Cash consideration transferred** | **₱75,203,642** | |

The analysis of cash flows on acquisitions in 2013 follows:

| | |
|---|---|
| Cash consideration transferred on the acquisition | (₱334,820,420) |
| Cash acquired from business combination | 30,507,764 |
| Net cash outflow on acquisitions | (₱304,312,656) |

**Acquisitions in 2012**

Acquisition of GANA

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

Acquisition of FFPL

In 2012, ANI HK acquired one (1) share of FFPL from ANI for a total consideration of $1. The transaction did not result in a business combination as it resulted in a transfer from one subsidiary to another.

**Goodwill**

Goodwill recognized in the consolidated statements of financial position amounted to ₱ 76,751,544 as at June 30, 2015 and December 31, 2014, respectively.

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

27. **Discontinued Operations**

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

On December 17, 2014, BCH entered into a Memorandum of Agreement (MOA) with Black River (the Fund) and Hijo Resources Corp. for the sale of BCH's 51% ownership interest in TRAIN. The closing date for the acquisition was on December 19, 2014, accordingly, the TRAIN accounts were deconsolidated from the Group, as a result of the divestment.

**Results of Discontinued Operations**

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

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

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

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

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

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

**Cash Flows of Discontinued Operations**

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

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

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

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

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

The consideration includes cash received of ₱25.00 million.
Net gain on sale arising from the transaction amounted to ₱5.38 million, net of applicable tax of ₱54,230.

28. **Segment Information**

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

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

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

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

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

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

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

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

| | June 30, 2015 | June 30, 2014 |
|---|---|---|
| **Philippine Operations** | | |
| Export | 178,430,644 | 310,529,607 |
| Local Distribution | 22,440,813 | 135,797,755 |
| Retail & Franchising | 41,935,736 | 59,381,532 |
| Banana Plantation/Farming | - | 50,727,392 |
| Others | 81,255,594 | 48,643,571 |
| **Sub-total** | **324,062,787** | **605,079,856** |
| **Foreign Operations** | | |
| Hong Kong/China | 893,555,563 | 975,539,882 |
| Australia | 237,669,884 | 373,607,792 |
| Europe | 30,792,751 | - |
| **Sub-total** | **1,162,018,198** | **1,349,147,674** |
| **TOTAL REVENUE (CONSO)** | **1,486,080,985** | **1,954,227,530** |

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