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SEC Registration Number

CALATA CORPORATION

(Company's Full Name)

MC ARTHUR HI-WAY BANGA 1ST
PLARIDEL BULACAN

(Business Address: No. Street City/Town/Province)

Benison Paul B. De Torres
(Contact Person)

044-795-1979
(Company Telephone Number)

1 2 **3 1**
Month *Day*
(Fiscal Year)

1 7 - Q
(Form Type)

Month *Day*
(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

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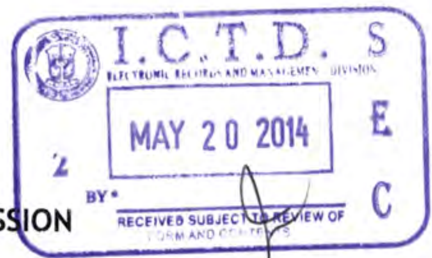


SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **March 31, 2014**

2. Commission identification number **A199911666** 3. BIR Tax Identification No **005-712-797-000**

4. Exact name of issuer as specified in its charter

   Calata Corporation

5. Province, country or other jurisdiction of incorporation or organization **Philippines**

6. Industry Classification Code: [ ] (SEC Use Only)

....

7. Address of issuer's principal office — Postal Code

   McArthur Highway, Banga 1st, Plaridel, Bulacan — **3004**

8. Issuer's telephone number, including area code

   (044) 795 0136

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

   Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common Shares	**359, 827, 000 shares**

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

    Yes [/] No [ ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange **Common Shares**

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 or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [/] No [ ]

(b) Has been subject to such filing requirements for the past ninety (90) days.

Yes [/] No [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Please see attached quarterly financial statements as of 31 March 2014.

PART II--OTHER INFORMATION

The issuer may, at its option, report under this item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such information or in a subsequent report on Form 17-Q.

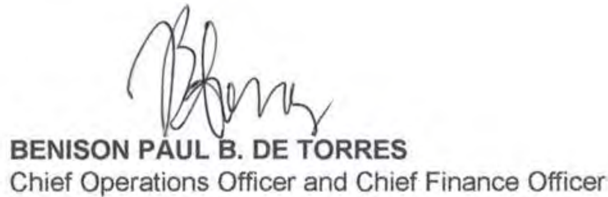
SIGNATURES

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

CALATA CORPORATION

By:

JOSEPH H. CALATA
Chief Executive Officer



BENISON PAUL B. DE TORRES
Chief Operations Officer and Chief Finance Officer

Subscribed and sworn to before me this 20 MAY 2014
Affiant exhibited to me C.T.C No. ________
Issued on / at ________

DOC. NO. 69
PAGE NO. 15
BOOK NO. 34
SERIES OF 2014

CALATA CORPORATION AND ITS SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
AS OF MARCH 31, 2014 (UNAUDITED)
AND DECEMBER 31, 2013 (AUDITED)
AND FOR THE THREE-MONTH PERIODS ENDED
MARCH 31, 2014 AND 2013 (UNAUDITED)

CALATA CORPORATION AND ITS SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2014 AND DECEMBER 31, 2013

	Note	2014	2013
ASSETS			
Current assets			
Cash and cash equivalents	8	**P317,788,954**	P444,963,063
Trade and other receivables, net	9	**213,553,621**	221,392,171
Loans receivable	10	**9,650,000**	9,650,000
Advances to related parties	23	**198,211,827**	47,871,102
Inventories	11	**186,391,060**	160,230,593
Other current assets		**2,758,346**	2,758,346
Total current assets		**928,353,808**	886,865,275
Noncurrent assets			
Investment properties	12	**197,030,425**	197,030,425
Property and equipment, net	13	**376,965,261**	381,609,616
Deferred tax assets	25	**3,636,591**	3,544,358
Other noncurrent assets	26	**3,305,132**	3,305,132
Total noncurrent assets		**580,937,409**	585,489,531
Total assets		**P1,509,291,217**	P1,472,354,806
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	14	**P46,698,759**	P49,595,105
Borrowings	15	**618,600,108**	608,600,108
Advances from related parties	23	**8,870,350**	14,821,776
Income tax payable		**54,415,967**	43,069,892
Total current liabilities		**728,585,184**	716,086,881
Noncurrent liabilities			
Borrowings, net of current portion	15	**4,320,237**	5,135,196
Retirement benefit liability	24	**5,593,247**	5,285,805
Deferred tax liabilities	25	**275,025**	231,600
Total noncurrent liabilities		**10,188,509**	10,652,601
Total liabilities		**738,773,693**	726,739,482
Equity			
Share capital	16	**360,112,000**	360,112,000
Share premium	16	**209,157,649**	209,157,649
Treasury shares	16	**(1,015,190)**	(1,015,190)
Remeasurement loss on retirement benefit plans		**(718,221)**	(718,221)
Retained earnings		**202,981,286**	178,079,086
Total equity		**770,517,524**	745,615,324
Total liabilities and equity		**P1,509,291,217**	P1,472,354,806

(The notes on pages 6 to 62 are an integral part of these consolidated financial statements.)

CALATA CORPORATION AND ITS SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE-MONTH PERIODS ENDED
MARCH 31, 2014 AND 2013

	Note	**2014**	2013
Revenue	17	**P374,590,023**	P488,143,877
Cost of sales and services	18	**(313,326,357)**	(426,796,196)
Gross profit		**61,263,666**	61,347,681
Operating expenses	19	**(25,143,390)**	(29,576,793)
Other operating income, net	20	**7,797,377**	951,670
Profit from operations		**43,917,653**	32,722,558
Finance income	21	**719,808**	2,494,742
Finance costs	22	**(9,073,148)**	(8,037,380)
Profit before tax		**35,564,313**	27,179,920
Provision for income tax	25	**(10,662,113)**	(8,176,725)
Profit for the year		**P24,902,200**	P19,003,195
Basic and diluted earnings per share	27	**P0.07**	P0.05

(The notes on pages 6 to 62 are an integral part of these consolidated financial statements.)

CALATA CORPORATION AND ITS SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIODS ENDED
MARCH 31, 2014 AND 2013

	Note	**2014**	2013
Profit for the year		**P24,902,200**	P19,003,195
Other comprehensive income		**-**	-
Total comprehensive income		**P24,902,200**	P19,003,195

(The notes on pages 6 to 62 are an integral part of these consolidated financial statements.)

CALATA CORPORATION AND ITS SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIODS ENDED
MARCH 31, 2014 AND 2013

	Note	Share capital	Share premium	Treasury shares	Retained earnings	Remeasurement gain (loss) on defined benefit plans	Total
At January 1, 2013		P360,112,000	P209,157,649	P-	P179,647,371	(P1,549,395)	P747,367,625
Net income for the three-month period		-	-	-	19,003,195	-	19,003,195
Other comprehensive income		-	-	-	-	-	-
At March 31, 2013		360,112,000	209,157,649	-	198,650,566	(1,549,395)	766,370,820
Purchase of treasury shares	16	-	-	(1,015,190)	-	-	(1,015,190)
Cash dividends declared		-	-	-	(90,028,000)	-	(90,028,000)
Net income for the nine-month period					69,456,520		69,456,520
Other comprehensive income		-	-	-	-	831,174	831,174
At December 31, 2013		360,112,000	209,157,649	(1,015,190)	178,079,086	(718,221)	745,615,324
Net income for the three-month period		-	-	-	24,902,200	-	24,902,200
Other comprehensive income		-	-	-	-	-	-
At March 31, 2014		**P360,112,000**	**P209,157,649**	**(P1,015,190)**	**P202,981,286**	**(P 718,221)**	**P770,517,524**

(The notes on pages 6 to 62 are an integral part of these consolidated financial statements.)

CALATA CORPORATION AND ITS SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE-MONTH PERIODS ENDED
MARCH 31, 2014 AND 2013

	Notes	**2014**	2013
Cash flows from operating activities			
Profit before tax		**P35,564,313**	P27,179,920
Adjustments for:			
Depreciation and amortization	13, 18, 19	**4,943,838**	3,254,870
Retirement benefit costs	19	**257,915**	306,174
Finance income	21	**(719,808)**	(2,494,742)
Finance costs	22	**9,073,148**	8,037,380
Operating income before working capital changes		**49,119,406**	36,283,602
Decrease (increase) in:			
Trade and other receivables		**7,983,300**	1,254,481
Advances to related parties	23	**(150,276,326)**	(178,649,818)
Inventories		**(26,160,467)**	(51,146,758)
Other current assets		**635,155**	(157,166)
Increase (decrease) in:			
Trade and other payables		**(2,896,346)**	(121,239,168)
Advances from related parties	23	**(5,951,426)**	(2,070,350)
Cash provided by operations		**(127,546,704)**	(315,725,177)
Finance income received		**575,058**	549,992
Net cash provided by operating activities		**(126,971,646)**	(315,175,185)
Cash flows from investing activities			
Decrease (increase) in advances to related parties	23	**(64,399)**	1,457,880
Acquisition of property and equipment	13	**(299,484)**	(20,508,473)
Net cash used in investing activities		**(363,883)**	(19,050,593)
Cash flows from financing activities			
Net availments (payments) of borrowings	15	**9,185,041**	23,168,428
Finance costs paid		**(9,023,621)**	(8,037,380)
Net cash provided by (used in) financing activities		**161,420**	15,131,048
Net increase (decrease) in cash and cash equivalents		**(127,174,109)**	(319,094,730)
Cash and cash equivalents			
January 1		**444,963,063**	395,503,777
March 31		**P317,788,954**	P76,409,047

(The notes on pages 6 to 62 are an integral part of these consolidated financial statements.)

CALATA CORPORATION AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT MARCH 31, 2014 AND DECEMBER 31, 2013
AND FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2014 AND 2013

NOTE 1 – CORPORATE INFORMATION

Calata Corporation and its subsidiary (collectively referred herein as the Group) was incorporated under the laws of the Republic of the Philippines.

The Parent Company was registered with the Philippine Securities and Exchange Commission (SEC) per Registration No. A199911666 on July 23, 1999.

The primary purpose of the Parent Company is to conduct, engage in and carry on, as principal or otherwise, all lawful business activities involving livestock and agricultural business, corporate or otherwise, such as but not limited to the business of acquiring, raising, breeding, slaughtering, preserving, processing, packing, canning, enveloping, storing, marketing, exporting, and commercially distributing livestock such as chicken, fowl, cattle, calves, hogs, goats, sheep, lambs, all kinds of livestock and other animals, as may be permitted by law, for food purposes; the business of cultivating land and other natural resources, planting, growing, producing, buying, preserving, processing, packing, canning, enveloping, storing, marketing, exporting, and commercially distributing food and agricultural products including all kinds of goods, commodities, wares and merchandise of every kind and descriptions whether natural or artificial as may be permitted by law; the business of manufacturing, preparing stocking, packing, buying, selling, importing and exporting, dealing in and delivering all kinds of livestock and agricultural products such as but not limited to poultry, livestock, feeds, feed additives, fertilizers, pesticides, all types of chemicals and substance used for livestock and agriculture, and/or whatsoever materials which may be necessary or incidental to their manufacture or preparation inside or outside the Philippines and all kinds of materials and products and by-products arising out of or used in the breeding and slaughtering of poultry and livestock and all other agricultural activities for food purposes; and to direct, establish, construct, acquire, sell, lease operate and maintain slaughterhouse, dressing plants, processing plant, refrigerating plants, cold storage, warehouses, sheds, silos, bodegas, storage bins, and other buildings, facilities, structures and equipment necessary or expedient for the carrying out of the purposes aforesaid.

The secondary purposes of the Parent Company are:

- to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge or otherwise dispose of real or personal property of every kind and description, including shares of stocks, bonds, debentures, notes, evidence of indebtedness, marketable securities, deposit substitutes in any valid currency and other securities or obligation, provided that the Parent Company will not engage as stock brokers or dealers in securities;
- to engage in the management, supervision or control of business enterprises of all kinds, the operations and transactions of any entity or undertaking and to manage and administer land, building, any kind of business and any kind of properties whether real or personal, and in general, to act as agent, attorney-in-fact, purchasing agent and general agent, as may be permitted by law;
- to purchase, acquire, own, lease , convey real properties such as lands, buildings, factories and warehouses and machineries, equipment and other properties as may be necessary or incidental to the conduct of the corporate business;

- to borrow or raise money necessary to meet the financial requirements of its business by the issuance of bonds, promissory notes and other evidence of indebtedness, and to secure the repayment thereof mortgage pledge, deed of trust or lien upon the properties of the Parent Company, or to issue, pursuant to law, its shares, debentures and other evidence of indebtedness in payment for properties acquired by the Parent Company or for money borrowed in the prosecution of its lawful business.
- to invest and deal with the money and properties of the Parent Company in such a manner as may from time to time be considered wise or expedient for the advancement of its interest and to sell, dispose of or transfer the business, properties and goodwill of the Parent Company or any part thereof for such consideration and under such terms as it shall see fit to accept;
- to aid in any matter entities any shares of which, or any bonds, debentures, notes, securities, evidences of indebtedness, contracts or obligations of which are held by or for the Parent Company, directly or indirectly, or through other corporations;
- to enter into lawful arrangement for sharing profits, union or interest, utilization or farm out agreement, reciprocal concession, or cooperation with any entities in the carrying on of any business or transaction deemed necessary, convenient or incidental to carrying out any of the purposes of the Parent Company;
- to acquire or obtain from any entity such charter, contracts, franchise, privileges, exemption, licenses and concessions as may be conducive to any of the objects of the Parent Company;
- to establish and operate one or more offices, branches or agencies and to carry on any or all of its operations and business without any restrictions as to place or amount including the right to hold, purchase or otherwise acquire, lease, mortgage, pledge and convey, or otherwise deal in and with real and personal property anywhere within the Philippines;
- to conduct and transact any lawful activity herein set forth within or without the Philippines and in any and all foreign countries; and
- to guarantee, for and in behalf of the Parent Company obligations of other entities in which it has lawful interest.

The Group’s registered office address and principal place of business is at McArthur Highway, Banga 1st, Plaridel, Bulacan while its headquarter is at Level 16 Tower 2, The Enterprise Center, Ayala Avenue corner Paseo de Roxas, Makati City.

On December 28, 2011, with the approvals by the Philippine Stock Exchange (PSE) for the Parent Company’s application for listing and by the SEC for the Registration Statement, a total of 36,012,000 common shares, with P1 par value, representing 10% of outstanding share capital, was offered and subscribed at P7.50 per share through an initial public offering on May 10 to 16, 2012 (see Note 16). The common shares comprise of 36,012,000 new shares issued by the Parent Company by way of a primary offer. The Parent Company’s common shares were listed and commenced trading on the PSE on May 23, 2012.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. The policies have been consistently applied to the periods presented, unless otherwise stated.

The consolidated financial statements provide comparative information in respect of the previous period.

Statement of compliance

The consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) as issued by the Financial Reporting Standards Council, and adopted by SEC.

Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis.

Functional and presentation currency

The consolidated financial statements are presented in Philippine Peso (P), which is the Group's functional and presentation currency. All values are rounded off to the nearest Peso, unless otherwise indicated.

Use of judgments and estimates

The preparation of consolidated financial statements in compliance with PFRS requires the use of certain critical accounting estimates. It also requires the Group's management to exercise judgment in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing the consolidated financial statements and their effects are disclosed in Note 3.

Changes in accounting policies and disclosures

a. New standards and amendments effective from January 1, 2014

The accounting policies adopted are consistent with those of the previous years except for the following new standards, interpretations and amendments effective for the first time from January 1, 2014. The nature and the impact of each new standard and amendment are described below:

i. Amendments relevant to the Group

- **Amendments to PFRS 10, PFRS 12 and PAS 27, *Investment Entities*:** These amendments are effective for annual periods beginning on or after January 1, 2014. Earlier application is permitted. They 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 adoption of these amendments will have no significant impact on the Group's financial position or performance.

- **Amendments to PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*:** The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Group's financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

- **Amendments to PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets*:** These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

ii. New amendment and interpretation not relevant to the Group

- PAS 39*, Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments) (effective January 1, 2014)*
- Philippine Interpretation on IFRIC 21, *Levies (effective January 1, 2014)*

b. New standards, interpretation and amendments to existing standards issued but not yet effective and not early adopted by the Group

Standards and amendments to existing standards issued but not yet effective up to the date of issuance of the consolidated financial statements are listed below. This listing is of standards, interpretation and amendments issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective.

i. Standards and amendments relevant to the Group

- **PFRS 9*, Financial Instruments: Recognition and Measurement*:** PFRS 9, as issued, reflects the first phase on the replacement of PAS 39, *Financial Instruments: Recognition and Measurement* and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. 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 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 other comprehensive income. 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 other comprehensive income 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. The Group did not conduct an evaluation on the possible financial impact of an early adoption of the new standard as the Group will not early adopt the standard. However, initial indications show that adoption of PFRS 9 will have no significant impact on its separate financial position or performance.

  The new standard removes the January 1, 2015 effective date. The new mandatory effective date will be determined once classification and measurement and impairment phases of PFRS 9 are finalized. As a result, the transitional guidance will change.

- **Amendments to PAS 19, *Defined Benefit Plans: Employment Contribution:*** The amendments are effective from July 1, 2014, with earlier application permitted. The amendments to PAS 19 (2011) permit contributions that are independent of the number of years of service to be recognized as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to periods of service. Other contributions by employees or third parties are required to be attributed to periods of service either using the plan's contribution formula or on a straight-line basis. The adoption of these amendments will have no significant impact on the Group's financial position or performance.

ii. Interpretation not relevant to the Group

- Philippine Interpretation on IFRIC 15, *Agreements for the Construction of Real Estate (no definite effective date)*

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary. A subsidiary is an entity (including structured entities) over which the Parent Company has control. The Parent Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control. A subsidiary is fully consolidated from the date on which control is transferred to the Parent Company, and deconsolidated from the date such control ceases.

The financial statements of the subsidiary are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Parent Company loses control over the 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
- reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

2.3 Business combinations

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 Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

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 previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS, is measured at fair value with changes in fair value recognized either in either profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed.

If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognized in profit or loss.

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 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 has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2.4 Current versus noncurrent classification

The Group presents assets and liabilities in the consolidated statements of financial position based on current/noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash on hand and in banks unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as noncurrent. A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

2.5 Fair value measurement

The Group measures financial instruments at fair value at each reporting date. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 4.

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 consolidated 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 (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

2.6 Foreign currency transactions and translation

Transactions in foreign currencies are initially recorded by the Group at the respective functional currency rates prevailing at the date of the transaction.

Monetary assets and monetary liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the consolidated statement of income with the exception of all monetary items that provide an effective hedge for a net investment in a foreign operation. These are recognized in other comprehensive income until the disposal of the net investment, at which time they are recognized in profit or loss. Tax charges and credits applicable to exchange differences on these monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

2.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i. Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss (FVPL), loans and receivables, held to maturity (HTM) investments, available for sale (AFS) financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

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

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

(a) Financial assets at FVPL

Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition at FVPL.

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by PAS 39. Financial assets at FVPL are carried in the consolidated statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the consolidated statement of income.

The Group has not designated any financial assets at FVPL.

(b) Loans and receivables

This category is the most relevant to the Group. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the consolidated statement of income. The losses arising from impairment are recognized in the consolidated statement of income in finance costs for loans and in other operating income/expense for receivables.

This category generally applies to cash and cash equivalents, trade and other receivables, loans receivables, advances to related parties and refundable security deposit in the consolidated statements of financial position (see Notes 8, 9, 10, 23 and 26).

(c) HTM investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as HTM when the Group has the positive intention and ability to hold them to maturity. After initial measurement, HTM investments are measured at amortized cost using the EIR, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance income in the consolidated statement of income. The losses arising from impairment are recognized in the consolidated statement of income in finance costs. The Group did not have any HTM investments as at March 31, 2014 and December 31, 2013.

(d) AFS investments

AFS financial investments include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at FVPL. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income and credited in the AFS reserve until the investment is derecognized, at which time, the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the consolidated statement of income in finance costs. Interest earned while holding AFS financial investments is reported as finance income using the EIR method.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets if the Group has the intent and ability to hold these assets for the foreseeable future or until maturity.

For a financial asset reclassified from the AFS category the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated statement of income. The Group does not have any asset under this category.

Derecognition

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

a) the rights to receive cash flows from the asset have expired
b) 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 (i) the Group has transferred substantially all the risks and rewards of the asset, or (ii) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement in the asset. In that 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.

ii. Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred '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 observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(a) Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Group first assesses whether 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.

The carrying amount of any impairment loss identified 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 asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the consolidated statement of income. Interest income (recorded as finance income in the consolidated statement of income) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. 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 increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account.

(b) Financial assets carried at cost

If there is objective evidence of an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or of a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, 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 discounted at the current market rate of return for a similar financial asset.

(c) AFS investments

For AFS financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of income – is removed from other comprehensive income and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

iii. Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL and other financial liabilities. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowing and payables, net of directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

(a) Financial liabilities at FVPL

Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the consolidated statement of income. Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in PAS 39 are satisfied.

The Group does not have any liabilities held for trading nor has it designated any financial liability as being at FVPL.

(b) Other financial liabilities

This category is the most relevant to the Group. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the consolidated statement of income.

This category generally applies to trade and other payables, borrowings and advances from related parties (see Notes 14, 15 and 23).

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. When 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 the derecognition of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

iv. Classification of financial instruments between debt and equity

Financial instruments are classified as liability 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 is reported as expense or income.

v. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the asset and settle the liability simultaneously.

2.8 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and in banks and short-term deposits with original maturities of three months or less and are subject to an insignificant risk of change in value. For the purpose of reporting cash flows, cash and cash equivalents are unrestricted and available for use in current operations.

2.9 Trade and other receivables

Trade and other receivables are recognized initially at the transaction price and are subsequently measured at amortized cost using the EIR method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

2.10 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realizable value (NRV). Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out method. NRV represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distributing the goods.

When the NRV of the inventories is lower than the cost, the Group provides for an allowance for the decline in the value of the inventory and recognizes the write-down as an expense in the consolidated statement of income.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

2.11 Other assets

Other assets are recognized when the Group expects to receive future economic benefit from them and the amount can be measured reliably. Other assets are classified in the consolidated statement of financial position as current assets when the cost of goods or services related to the assets are expected to be incurred within one year or the Group's normal operating cycle, whichever is longer. Otherwise, other assets are classified as noncurrent assets.

2.12 Investment properties

Investment property, which pertains to land and building held to earn rentals and/or for capital appreciation, is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at cost less depreciation and accumulated impairment loss, if any, or at fair value at the reporting date. Depreciation is charged so as to allocate the cost of investment properties less their residual values over their estimated useful lives using the straight-line method.

Gains or losses arising from the changes in the fair value of the investment property are included in profit or loss for the year in which they arise.

Transfers to, or from, investment property shall be made only when there is a change in use.

Investment property is derecognized by the Group upon its disposal or the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss on the retirement or disposal of investment property is recognized in the consolidated statement of income in the year of retirement or disposal. Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are charged to the consolidated statement of income in the year the costs are incurred.

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the consolidated statement of income.

2.13 Property and equipment

Property and equipment are initially measured at cost. At the end of each reporting period, items of property and equipment are measured at cost less any subsequent accumulated depreciation, amortization, and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Subsequent expenditures relating to an item of property and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditures are recognized as expense in the period in which those are incurred.

Farms are not depreciated. Depreciation and amortization is charged so as to allocate the cost of other assets less their residual values over their estimated useful lives using the straight-line method. Below is the estimated useful lives used for the depreciation and amortization of property and equipment:

Office equipment	5 years
Transportation equipment	5 years
Leasehold improvements	7 years or term of the lease, whichever is shorter
Buildings and improvement	40 years
Farms equipment	20 years

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes materials used, professional fees and for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy.

Depreciation of these assets, on the same basis as other property assets, commences at the time the assets are ready for their intended use.

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

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment. The lease term includes assumption of lease renewals when such have been determined to be reasonably assured. The lease renewal is reasonably assured when failure to renew the lease imposes a penalty to the lessee.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation, amortization and any impairment in value are removed from the accounts and any resulting gain or loss arising on the disposal or retirement of an asset, determined as the difference between the sales proceeds and the carrying amount of the asset, is recognized in the consolidated statement of income.

2.14 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets such as investment properties and property and equipment are reviewed at each reporting date to determine whether there is any indication of impairment or an impairment loss previously recognized no longer exists or may have decreased. If any such indication exists, the Group makes a formal estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or its CGU's fair value less costs of disposal and its value in use. Recoverable amount 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. When 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. For an asset that does not generate cash flows independent of those from other assets, the recoverable amount is determined for the CGU to which the asset belongs. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized. Reversals of impairment are recognized in the consolidated statement of income.

2.15 Trade and other payables

Trade payables are liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with supplier. Payables are non-interest bearing and are stated at their nominal value. Trade payables are recognized initially at the transaction price and subsequently measured at amortized cost using the EIR method.

2.16 Provisions and contingencies

Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) 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 determined 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 finance cost. When the Group expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement.

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed in the notes 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 in the notes to consolidated financial statements when an inflow of economic benefits is probable.

2.17 Employee benefits

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a consolidated entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability or asset recognized in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually using projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of all related pension obligations.

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 the statement of income. 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 statement of income.

Remeasurements comprising actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Change in presentation

Upon adoption of the Amendments to PAS 19, the presentation of the consolidated statement of income was updated to reflect the interest cost under finance expense line item while the presentation of the consolidated statement of comprehensive income was updated so that all actuarial gains or losses are recognized immediately through other comprehensive income, in order for the net pension liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The Amendments also provided a new definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee's entitlement to the benefits. In addition, it requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized. The changes to the definition of short-term employee benefits and the timing of the recognition for termination benefits do not have any impact to the Group's financial position and performance.

The changes have been applied retrospectively in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, resulting in the adjustment of prior year financial information

2.18 Share capital

Share capital is measured at par value for all shares issued. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to the "Share premium" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Group, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds. Costs that relate to the stock market listing, or otherwise are not incremental costs directly attributable to issuing new shares, should be recorded as an expense in the consolidated statement of income.

Transaction costs that relate jointly to more than one transaction (for example, costs of a concurrent offering of some shares and a stock exchange listing of other shares) are allocated to those transactions using a basis of allocation that is rational and consistent with the joint transactions.

2.19 Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in share premium.

2.20 Retained earnings

Retained earnings represent the cumulative balance of periodic net income or loss, dividend distribution, prior period adjustments, effect of changes in accounting policy and other capital adjustments. When retained earnings account has a debit balance, it is called "deficit", and presented as a deduction from equity.

2.21 Dividends

Dividends are recognized when they become legally payable. Dividend distribution to equity shareholders is recognized as a liability in the consolidated financial statements in the period in which the dividends are declared and approved by the Parent Company's BOD.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognized directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognized in the consolidated statement of income.

2.22 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty and represents amounts receivable for goods and services provided in the normal course of business.

The specific recognition criteria described below must also be met before revenue is recognized:

Sale of goods

Revenue from the sale of goods is recognized when all of the following conditions are satisfied:

a. the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
b. the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
c. the amount of revenue can be measured reliably;
d. it is probable that the economic benefits associated with the transaction will flow to the Group; and
e. the costs incurred or to be incurred in respect of the transaction can be measured reliably.

If it is probable that discount will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sale is recognized.

Rendering of services

When the outcome of a transaction involving revenue from farming operations can be estimated reliably, revenue associated with the transaction is recognized by reference to the stage of completion of the service activity and performance at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

a. the amount of revenue can be measured reliably;
b. it is probable that the economic benefits associated with the transaction will flow to the Group;
c. the stage of completion of the transaction can be measured reliably; and
d. the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the farming operations cannot be estimated reliably, revenue is recognized only to the extent of the expenses recognized that are recoverable.

Finance income

For all financial instrument measured at amortized cost, interest income is recorded using the EIR which is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. Interest income is included in “finance income” in the consolidated statement of income.

2.23 Costs and expense recognition

Costs and expenses are recognized in the consolidated statement of income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Costs and expenses are recognized in the consolidated statement of income: on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the consolidated statement of financial position as an asset.

Costs and expenses in the consolidated statement of income are presented using the function of expense method. Costs of sales and services are expenses incurred that are associated with the goods sold and services rendered and include purchases of goods, distribution costs, labor cost and overhead. Operating expenses are costs attributable to administrative, marketing and other business activities of the Group.

2.24 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The Group does not have any leases under finance lease.

The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.25 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in the statement of income in the period in which they are incurred.

2.26 Taxes

Current income tax

Current income tax assets and liabilities for the current period is 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 reporting date.

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

Deferred tax

Deferred tax is provided using the liability method on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for reporting purposes.

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

(i) when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and

(ii) in respect of taxable temporary differences associated with investments in subsidiaries and associates and interest in joint ventures, when timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry-forward of unused tax credits from excess minimum corporate income tax (MCIT) and net operating loss carry over (NOLCO), and any unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits from MCIT and NOLCO and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences 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).

- in respect of deductible temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in 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 reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle the liabilities simultaneously.

Value-added Tax (VAT)

Revenue, expenses and assets are recognized net of the amount of VAT, except when the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

For acquisition of capital goods over P1,000,000, the VAT is deferred and amortized over the useful life of the related capital goods or 60 months, whichever is shorter, commencing on the date of the acquisition.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of ‘other current assets’ or ‘trade and other payables’ in the consolidated statements of financial position.

2.27 Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party 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. Related parties may be individuals or corporate entities. The key management personnel of the Group and post–employment benefit plans for the benefit of the Group's employees are also considered to be related parties.

2.28 Earnings per share (EPS)

Basic EPS is calculated by dividing the profit attributable to equity holders of the Group by weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Group and held as treasury shares.

Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding and assume conversion of all dilutive potential ordinary shares.

2.29 Events after the reporting date

Post year-end events up to the date when the consolidated financial statements were authorized for issue by the BOD that provide additional information about the Group's position at reporting date (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.

2.30 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the CEO that makes strategic decisions.

An operating segment may engage in business activities for which it has yet to earn revenues, for example, start-up operations may be operating segments before earning revenues.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, interest income and expenditures and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, and equipment.

NOTE 3 – SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements in conformity with PFRS requires the management to make estimates, assumptions and judgments that affect the amounts reported in the consolidated financial statements and accompanying notes.

The estimates and associated assumptions are based on historical experiences and other various factors that are believed to be reasonable under the circumstances including expectations of related future events, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates, assumptions and judgments are reviewed and evaluated on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments

Determination of functional currency

the consolidated financial statements are presented in Philippines Peso, which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

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 guidelines set by PAS 39 on the definitions of a financial asset, a financial liability or an equity instrument. In addition, the Group also determines and evaluates its intention and ability to keep the investments until its maturity date.

The substance of a financial instrument, rather than its legal form, and the management's intention and ability to hold the financial instrument to maturity generally governs its classification in the consolidated statements of financial position.

The classification of financial assets and liabilities is presented in Note 4.

Determination 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 at the inception of the lease. The arrangement is assessed for whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in the arrangement.

The Group has entered into operating lease arrangement as a lessee. The Group, as a lessee, has determined that the lessor retains substantial risks and rewards of ownership of these properties, which are on operating lease agreements.

Leases accounted for as operating leases are disclosed in Note 26.

Estimates

Impairment of loan and trade and other receivables

The Group reviews its loans and receivables at each reporting date to assess whether a provision for impairment should be recognized in its consolidated statement of income or loans and receivables balance should be written off. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance is required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. Moreover, management evaluates the presence of objective evidence of impairment which includes observable data that comes to the attention of the Group about loss events such as but not limited to significant financial difficulty of the counterparty, a breach of contract, such as a default or delinquency in interest or principal payments, probability that the borrower will enter bankruptcy or other financial re-organization.

The carrying value of loans receivable amounted to P9,650,000 as at March 31, 2014 and December 31, 2013 (see Note 10). The carrying value of trade and other receivables amounted to P213,553,621 and P221,392,171 as at March 31, 2014 and December 31, 2013, respectively (see Note 9). The Group did not provide an allowance for impairment loss on trade receivables for the three-month periods ended March 31, 2014 and 2013.

Impairment of inventories

At each reporting date, inventories are assessed for impairment by comparing the carrying amount of each item of inventory (or group of similar items) with its selling price less costs to sell. If an item of inventory (or group of similar items) is impaired, its carrying amount is reduced to selling price less costs to sell, and an impairment loss is recognized immediately in profit or loss.

Based on management's assessment, inventories are fairly stated, thus, no impairment loss needs to be recognized for the years ended March 31, 2014 and December 31, 2013. The carrying amount of inventories amounted to P186,391,060 and P160,230,593 as at March 31, 2014 and December 31 2013, respectively (see Note 11).

Estimation of useful lives of property and equipment

The Group reviews annually the estimated useful lives of property and equipment based on the period over which the assets are expected to be available for use. It is possible that future results of operations could be materially affected by changes in these estimates. A reduction in the estimated useful lives of property and equipment would increase recorded depreciation and amortization expense and decrease the related asset accounts.

The estimated useful lives of property and equipment are discussed in Note 2.13 to the consolidated financial statements which showed no changes during the three-month periods ended March 31, 2014 and 2013.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that the carrying amount of all non-financial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. At the reporting date, the Group assesses whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

Management has reviewed the carrying values of the Group's investment properties and property and equipment as at March 31, 2014 and December 31, 2013 for impairment. Based on the results of its evaluation, there were no indications that the property and equipment were impaired, thus, no impairment loss needs to be recognized in 2014 and 2013. The details of the carrying values as at March 31, 2014 and December 31, 2013 of the Group's non-financial assets are as follow:

	2014	2013
Investment properties (Note 12)	**P197,030,425**	P197,030,425
Property and equipment (Note 13)	**376,965,261**	381,609,616
	P573,995,686	P578,640,041

Realizability of deferred tax assets

Management reviews the carrying amount of deferred tax assets at each reporting date. The carrying amount of deferred tax assets is reduced to the extent that it is no longer probable that sufficient taxable profit will be available against which the related tax assets can be utilized. Management believes that sufficient taxable profit will be generated to allow all or part of the deferred tax assets to be utilized.

The Group's recognized deferred tax assets amounted to P3,636,591 and P3,544,358 as at March 31, 2014 and December 31, 2013, respectively (see Note 26).

Revenue recognition

The Group's revenue recognition policy with regard to its farming operations requires the use of estimates and assumptions that may affect the reported amounts of revenues and receivables. The Company identifies at the end of every month the stage of completion of service activity based on the expected housing population at the end of each operating cycle, or the housing time. Housing time is the period when the obligation of the Company as stated in the service agreements is carried out (see Note 26). Differences between the amounts initially recognized and actual settlements are taken up in the accounts upon reconciliation. However, there is no assurance that such use of estimates may not result in material adjustments in future periods.

The Group started its farming operations during the year ended December 31, 2013. The revenue from farming operations for the three-month period ended March 31, 2014 and 2013 amounted to P6,913,477 and Nil, respectively (see Note 17).

Estimation of retirement benefits

The costs of retirement benefits as well as the present value of the retirement obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions by management. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement obligations due to the complexity of the valuation, the underlying assumptions and its long-term nature, thus, all assumptions are reviewed at each reporting date. In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

The details of the Group's retirement benefit costs are provided in Note 24. Retirement liability amounted to P5,593,247 and P5,285,805 as at March 31, 2014 and December 31, 2013, respectively. Net retirement benefit costs presented under operating expenses amounted to P257,915 and P306,174 for the three-month periods ended March 31, 2014 and 2013, respectively, (see Note 19) while net interest on defined benefit obligation presented under finance costs amounted to P49,527 and P289,542 for the three-month periods ended March 31, 2014 and 2013, respectively (see Note 22).

NOTE 4 – FINANCIAL INSTRUMENTS

The following table shows the classification, carrying values and fair values of the Group's financial assets and financial liabilities as at March 31, 2014 and December 31, 2013:

	2014		2013	
	Carrying value	**Fair value**	Carrying value	Fair value
Financial assets:				
Loans and receivables				
Cash and cash equivalents (Note 8)	**P317,788,954**	**P317,788,954**	P444,963,063	P444,963,063
Trade and other receivables, net* (Note 9)	**209,267,664**	**209,267,664**	216,469,616	216,469,616
Loans receivable (Note 10)	**9,650,000**	**9,650,000**	9,650,000	9,650,000
Advances to related parties (Note 23)	**198,211,827**	**198,211,827**	47,871,102	47,871,102
Refundable security deposit (Note 26)	**3,121,688**	**3,060,939**	3,121,688	3,049,060
	P738,040,133	**P737,979,384**	P722,075,469	P722,002,841

Exclusive of advances to suppliers and employees

	2014		2013	
	Carrying value	**Fair value**	Carrying value	Fair value
Financial liabilities:				
Other financial liabilities				
Trade and other payables (Note 14)*	**P38,901,442**	**P38,901,442**	P41,977,596	P41,977,596
Borrowings (Note 15)	**622,920,345**	**622,920,345**	613,735,303	613,735,303
Advances from related parties (Note 23)	**8,870,350**	**8,870,350**	14,821,776	14,821,776
	P670,692,137	**P670,692,137**	P670,534,675	P670,534,675

Exclusive of output VAT and other payables

Due to the short-term nature of the transactions, the carrying amounts of cash and cash equivalents, trade and other receivables, short-term loans receivables, advances to (from) related parties, trade and other payables, and short-term borrowings approximate its fair values as at the reporting date.

The fair value of the refundable security deposit is based on the approximate discounted value of future cash flows using an interest rate of 3% on similar financial instruments with a term of three years. The difference in the fair value and the carrying value of the refundable security deposits will not materially affect the Group's financial position.

The fair value of the long term borrowings from a bank is based on its carrying amount which approximates the discounted value of future cash flows using interest rates ranging from 9.87% to 10.47%.

The income, expense, gains and/or losses recognized from financial instruments for the three-month periods ended March 31, 2014 and 2013 are as follows:

	2014	2013
Finance costs (Note 15)	**P9,023,621**	P8,037,380
Finance income (Note 21)	**P719,808**	P2,494,742

The following table shows the financial asset and liability as presented in the consolidated statement of financial position as December 31, 2013 that are set-off in accordance with PAS 32:

Financial asset	Gross amount of recognized financial asset	Gross amount of recognized liability set off	Net amount of financial asset
December 31, 2013			
Loans receivable	P120,000,000	(P120,000,000)	P-
Trade and other receivables	237,592,171	(16,200,000)	221,392,171
	P357,592,171	(P136,200,000)	P221,392,171

Financial liability	Gross amount of recognized financial liability	Gross amount of recognized financial asset set off	Net amount of financial liability
December 31, 2013			
Advances from related parties	P151,021,776	(P136,200,000)	P14,821,776

Non-cash settlement was made by the Group on its advances from related parties through offsetting on the amount of loans receivable and the related accrued interest receivable as at December 31, 2013.

There are no settlement made during the three-month period ended March 31, 2014 that involves the offsetting of financial assets and liabilities.

There are no amounts subject to an enforceable master netting arrangement or similar arrangement that are not otherwise included in the table above.

NOTE 5 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

General objectives, policies and processes

The BOD has overall responsibility and authority for the determination of the Group's risk management objectives and policies and designing and operating processes that ensure the effective implementation of such objectives and policies. The BOD has constituted certain committees to effectively manage the operations of the Group. The Group's principal committees of the BOD include the Executive Committee, the Audit Committee, the Compensation Committee and the Nominations Committee. A brief description of the functions and responsibilities of the key committees are set out below:

Executive Committee

The Executive Committee is composed of three (3) members of the BOD. The Executive Committee may act by majority of all its members, on such specific matters within the competence of, and as may be delegated by the BOD.

Audit Committee

The Audit Committee provides an oversight of financial management functions, specifically in the areas of managing credit, liquidity, market, operational, legal and other risks and is primarily responsible for monitoring the statutory requirements of the Group. The Audit Committee is responsible for the setting up of an internal audit department and for the appointment of an internal auditor, as well as an independent external auditor. It monitors and evaluates the adequacy and effectiveness of the Group's internal control systems. It ensures that the BOD is taking appropriate corrective action in addressing control and compliance functions with regulatory agencies. It also ensures the Group's adherence to corporate principles, best practices and compliance with the Manual on Corporate Governance.

Compensation Committee

The Compensation Committee is primarily responsible for establishing a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers who are receiving compensation from the Group. It is responsible for providing an oversight of remuneration of senior management and other key personnel and ensuring that compensation is consistent with the Group's culture, strategy and control environment.

Nomination Committee

The Nomination Committee is primarily responsible for the review and evaluation of the qualifications of all persons nominated to positions requiring appointment by the BOD and the assessment of the BOD's effectiveness in directing the process of renewing and replacing Board members.

The overall objective of the BOD is to set polices that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

Financial risk management objectives and policies

The Group is exposed through its operations to market risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The policies for managing specific risks are summarized below:

(a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, foreign currency risk and commodity price risk. Financial instruments affected by market risk include cash equivalents and bank borrowings.

i. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowings. To mitigate this risk, it is the Group's practice to obtain financing generally from short term loans with average renewable terms of 90 to 120 days. The Group has never been in default in making principal and interest payments.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of borrowings with all other variables held constant, the Group's profit before tax is affected as follows:

	Increase/decrease in interest rate	Effect on profit before tax
2014	**+1%**	**(P6,229,203)**
	-1%	**P6,229,203**
2013	+1%	(P6,137,353)
	-1%	P6,137,353

The assumed movement in interest rates for the interest rate sensitivity analysis is based on the management's assessment of the reasonably possible change in interest rates during the years presented.

ii. Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to cash equivalent denominated in a currency different from the Group's functional currency. The principal currency risks to which the Group is exposed involve the U.S. Dollar (US$). With the exception of maintaining a foreign currency denominated bank deposit, the Group does not enter into foreign currency denominated transactions which will result to recognition of either a foreign currency denominated monetary liability or asset to mitigate the risk of changes in foreign exchange rates at the reporting date, or upon settlement or collection of said financial instruments.

The Group is exposed to foreign exchange risk on its foreign currency denominated monetary asset since the effect of foreign currency changes on the consolidated financial statements is material. The carrying amounts of the Group's foreign currency denominated monetary asset as at March 31, 2014 and December 31, 2013 are as follows:

	2014		2013	
	Amount in foreign currency	**Peso equivalent**	Amount in foreign currency	Peso equivalent
Monetary asset				
Cash in bank	**US$4,000,000**	**P177,656,000**	US$4,000,000	P177,656,000

Foreign currency sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in the foreign currency exchange rate, with all other variables held constant, of the Group's profit before tax.

	Changes in foreign currency rates	**Effect on profit before tax***	
		2014	2013
US$	+10%	**P17,765,600**	P17,380,000
	-10%	**(P17,765,600)**	(P17,380,000)

**Amounts were translated using foreign exchange rates from the Bangko Sentral ng Pilipinas.*

iii. Commodity price risk

Commodity price risk is the risk related to the volatility of price of certain commodities. The Group is not exposed to this risk as its operations do not constitute goods which prices are volatile.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The receivable balances are monitored on an ongoing basis with the result that the Group's exposure to impairment is not significant. The Group has a credit and collection department that is consolidated and independent from the sales department. The Group instituted this consolidated department even though the normal practice in its industry is that the sales people are also the ones who collect the receivables. The Group deals only with creditworthy counterparty duly approved by the management.

The credit quality of the financial assets that are neither past due nor impaired is considered to be good quality and expected to be collectible without incurring any credit losses.

Credit losses from balances with banks are managed by ensuring that the Group's deposit arrangements are with reputable and financially sound counterparty.

The following table provides information regarding the maximum credit risk exposure of the Group arising from its financial assets as at March 31, 2014 and December 31, 2013:

	2014	2013
Cash in banks and cash equivalents (Note 8)	**P299,100,371**	P426,003,658
Trade and other receivables* (Note 9)	**215,796,389**	222,998,341
Advances to related parties (Note 23)	**198,211,827**	47,871,102
Loans receivables (Notes 10 and 23)	**9,650,000**	9,650,000
Refundable security deposit (Note 26)	**3,121,688**	3,121,688
	P725,880,275	P709,644,789

**Exclusive of advances to suppliers and employees*

The following table provides information regarding the Group's analysis of the age of financial assets by class as at March 31, 2014 and December 31, 2013:

		Neither past due nor	Past due but not impaired			
March 31,2014	Total	impaired	31-60 days	61-90 days	Over 90 days	Impaired
Loans and receivables						
Cash in banks and cash equivalents	**P299,100,371**	**P299,100,371**	**P-**	**P-**	**P-**	**P-**
Trade and other receivables*	**215,796,389**	**200,065,645**	**1,608,473**	**349,731**	**7,243,815**	**6,528,725**
Loans receivable	**9,650,000**	**9,650,000**				
Advances to related parties	**198,211,827**	**198,211,827**	**-**	**-**	**-**	**-**
Refundable security deposit	**3,121,688**	**3,121,688**				
	P725,880,275	**P710,149,531**	**P1,608,473**	**P349,731**	**P7,243,815**	**P6,528,725**

**Exclusive of advances to suppliers and employees*

December 31,2013	Total	Neither past due nor impaired	Past due but not impaired			Impaired
			31-60 days	61-90 days	Over 90 days	
Loans and receivables						
Cash in banks and cash equivalents	P426,003,658	P426,003,658	P-	P-	P-	P-
Trade and other receivables*	222,998,341	207,267,597	1,608,473	349,731	7,243,815	6,528,725
Advances to related parties	47,871,102	47,871,102	-	-	-	-
Loans receivable	9,650,000	9,650,000	-	-	-	-
Refundable security deposit	3,121,688	3,121,688	-	-	-	-
	P709,644,789	P693,914,045	P12,685,647	P13,640,231	P27,115,144	P6,393,652

Exclusive of advances to suppliers and employees

There were no credit enhancements attached to the Group's financial assets.

Credit quality per class of financial assets

The Group's bases in grading its financial assets are as follows:

High grade - These are receivables which have a high probability of collection (the counterparty has the apparent ability to satisfy its obligation and the security on the receivables are readily enforceable).

Standard grade - These are receivables where collections are probable due to the reputation and the financial ability of the counterparty to pay but have been outstanding for a certain period of time.

Substandard grade - These are receivables that can be collected provided the Group makes persistent effort to collect them.

The table below shows the credit quality by class of financial assets of the Group based on their historical experience with the corresponding parties as at March 31, 2014 and December 31, 2013:

	March 31, 2014						
	Neither past due nor impaired						
	High grade	**Standard grade**	**Substandard grade**	**Unrated**	**Past due but not impaired**	**Impaired**	**Total**
Loans and receivables							
Cash in banks and cash equivalents	**P299,100,371**	**P-**	**P-**	**P-**	**P-**	**P-**	**P299,100,371**
Trade and other receivables	**200,065,645**	**-**	**-**	**-**	**9,202,019**	**6,528,725**	**215,796,389**
Loans receivable	**9,650,000**	**-**	**-**	**-**	**-**	**-**	**9,650,000**
Advances to related parties	**198,211,827**	**-**	**-**	**-**	**-**	**-**	**198,211,827**
Refundable security deposit	**3,121,688**	**-**	**-**	**-**			**3,121,688**
	P710,149,531	**P-**	**P-**	**P-**	**P9,202,019**	**P6,528,725**	**P725,880,275**

	December 31, 2013						
	Neither past due nor impaired						
	High grade	Standard grade	Substandard grade	Unrated	Past due but not impaired	Impaired	Total
Loans and receivables							
Cash in banks and cash equivalents	P426,003,658	P-	P-	P-	P-	P-	P426,003,658
Trade and other receivables	207,267,597				9,202,019	6,528,725	222,998,341
Advances to related parties	47,871,102	-	-	-	-	-	47,871,102
Loans receivable	9,650,000	-	-	-	-	-	9,650,000
Refundable security deposit	3,121,688	-	-	-	-	-	3,121,688
	P693,914,045	P-	P-	P-	P9,202,019	P6,528,725	P709,644,788

The credit quality of the Group's financial assets is evaluated using internal credit rating. Financial assets are considered high grade if the counterparties are not expected to default in settling their obligations, thus credit risk exposure is minimal. These counterparties include banks, customers with no past due accounts and related parties who pay on or before due date.

The Group has no financial assets whose terms have been renegotiated.

(c) Liquidity risk

This represents the risk or difficulty in raising funds to meet the Group's commitment associated with financial obligation and daily cash flow requirement. The Group is exposed to the possibility that adverse exchanges in the business environment and/or its operations would result to substantially higher working capital requirements and the subsequent difficulty in financing additional working capital.

The Group addresses liquidity concerns primarily through cash flows from operations and short-term borrowings, if necessary. The Group has credit lines with several of the top banks of the Philippines which gives it financial flexibility in its operations. The Group likewise regularly evaluates other financing instruments to broaden the Group's range of financing sources.

The following table summarizes the maturity profile of the Group's other financial liabilities as at March 31, 2014 and December 31, 2013, respectively, based on the contractual undiscounted payments:

At March 31, 2014

	On demand	**Within 1 year**	**More than 1 year but not more than 5 years**	**Total**
Trade and other payables	**P38,901,442**	**P-**	**P-**	**P38,901,442**
Borrowings	**-**	**617,364,035**	**4,552,332**	**621,916,367**
Advances from related parties	**8,870,350**	**-**	**-**	**8,870,350**
	P47,771,792	**P617,364,035**	**P4,552,332**	**P669,688,159**

**Exclusive of other payables*

At December 31, 2013

	On demand	Within 1 year	More than 1 year but not more than 5 years	Total
Trade and other payables*	P41,977,596	P-	P-	P41,977,596
Borrowings	-	615,075,488	5,807,329	615,067,134
Advances from related parties	14,773,972	-	-	14,773,972
	56,751,568	P609,149,666	P5, 917,468	P671,818,702

**Exclusive of other payables*

The contractual undiscounted payments related to borrowings consist of the principal amount and future interests, details of which are as follow:

	2014	2013
Principal of loan	**P620,858,519**	P613,735,304
Current portion	**(616,855,265)**	(608,600,107)
Net of current portion	**P4,003,254**	P5,135,197
Future interest	**P1,057,848**	P1,340,184
Current portion	**(508,770)**	(668,052)
Net of current portion	**P549,078**	P672,132
Cash flow from principal of loan	**P620,858,519**	P613,735,304
Cash flow from future interest	**1,057,848**	1,340,184
	P621,916,367	P615,075,488

The Group holds liquid financial assets amounting to P725,880,275 and P709,644,788 as at March 31, 2014 and December 31, 2013, respectively, that are expected to readily generate cash inflows for managing liquidity risk (see Note 5.b).

Capital risk management

The Group manages its capital structure (total equity) and makes adjustments to it, in light of changes in economic conditions. Total equity comprises all components of equity including share capital, share premium, treasury shares, remeasurement loss on defined benefit plans and retained earnings which amounted to P770,517,524 and P745,615,324 as at March 31, 2014 and December 31, 2013, respectively. To maintain or adjust the capital structure, the Group may adjust or delay the dividend payment to shareholders and appropriate a percentage of retained earnings towards expansion and capital expenditures.

The Group through the Finance function sets operational targets and performance indicators in order to assure that the capital and returns requirements are achieved. Appropriate monitoring and reporting systems accompany these targets and indicators to assess the achievement of Group goals and institute appropriate action.

No changes were made in the objectives, policies and processes in 2014 and 2013.

The Group has no externally imposed capital requirements.

NOTE 6 – BUSINESS COMBINATION

On July 19, 2012, the Parent Company's BOD approved the conversion of its P55,455,249 worth of advances to equity shares in APC as well as the purchase of all the issued and outstanding shares of stock therein. On August 3, 2012, the SEC approved said conversion which resulted to the Parent Company owning 85.37% ownership in APC. The investing public, including all the shareholders of the Parent Company have been informed of this development through timely and complete disclosures with the SEC via the filing of the requisite SEC Form 17-C and the uploading thereof with the PSE via the PSE Online Disclosure System.

APC is a corporation established to engage in import/export, buying, selling, distributing and marketing at wholesale and retail all kinds of goods of every kind and description such as but not limited to agricultural products. The Parent Company acquired APC since the subsidiary's retail chain stores allow the Parent Company to sell its products on a significant larger area than it has previously access to, thus increasing its market share. APC has been included in the consolidated financial statements by the time the Parent Company gained control.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of APC as at the date of acquisition were:

Assets	
Cash and cash equivalents	P21,529,109
Other receivables	606,887
Inventories	94,141,759
Property and equipment	28,045,513
	144,323,268
Liabilities	
Advances from related parties	29,944,280
Trade and other payables	47,842,868
	77,787,148
Total identifiable net assets at fair value	**66,536,120**
Non-controlling interest measured at the non-controlling interest's share of the acquiree's identifiable net assets	(2,867,706)
Gain from bargain purchase	(8,213,165)
Purchase consideration transferred	**P55,455,249**

The fair value of other receivables equals its book value. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

APC has contributed P183,434,068 and P193,827,458 of revenue and P19,904,149,389 and P13,598,481 to the profit before tax from continuing operations of the Group for the three-month period ended March 31, 2014 and 2013, respectively.

On September 30, 2012, the Parent Company completed the acquisition of 100% ownership over APC. Cash consideration of P9,500,000 was paid to all the minority shareholders comprising 14.63% of the issued and outstanding capital stock of APC. APC has been included in the consolidated financial statements for the year ended December 31, 2012.

The carrying value of the net assets of APC at the acquisition date was P68,696,134, and the carrying value of the additional interest acquired was P2,867,706. The difference of P6,632,294 between the consideration and the carrying value of the interest acquired has been recognized in retained earnings within equity.

NOTE 7 – SEGMENT REPORTING

The CEO is the Group’s CODM. Management has determined the operating segments based on the reports reviewed by the CEO that are used to make strategic decisions.

The CEO considers the business based on the differences in the Group’s products and services. Management considers the performance based on the three revenue-generating activities by the Group: the distributorship and the retailing of agro-products and farming operations.

The reportable operating segments of distributorship and retailing derive its revenue primarily from different agro-products such as feeds, seeds, chemicals and fertilizers. The revenue of the reportable segments arises both from a related party and external customers. The reportable operating segment of farming operations derives its revenue from growing, raising and caring for hogs and poultry owned by a third party. Transfer prices between the related parties are set on an arm’s length basis in a manner similar to transactions with third parties. Any inter-revenue are eliminated in consolidation.

The operating segments are organized and managed separately according to the different products and services, with each segment representing a strategic business unit that offers products sold through wholesale or retail or services rendered in farming operations. These divisions are the basis on which the Group reports its primary segment information. All operating business segments used by the Group meet the definition of a reportable segment under PFRS 8, *Operating Segments*.

The CEO assesses the performance of the operating segments based on a measure of Earnings Before Interests, Taxes and Depreciation and Amortization (EBITDA). This measurement basis excludes the effects of non-recurring expenditure from the operating segments and common operating expenses. Interest expense is not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

Segment assets and liabilities

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories and other current assets. Segment liabilities include all operating liabilities and consist principally of trade and other payables. Segment assets and liabilities do not include deferred income taxes.

Segment transactions

Segment sales, expenses and performance include sales and purchases with a related party and third parties. Intercompany balances and transactions between segments, if any, are eliminated during the preparation of the consolidated financial statements.

The segment information provided to the CEO for the three-month period ended March 31, 2014 and 2013 is as follows (amounts in thousands):

	Distribution		Retail		Farming		Unallocated	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
Sales	**P184,243**	P294,317	**P183,434**	P193,827	**P6,913**	P-	**P-**	P-
Cost of sales	**(156,432)**	(258,377)	**(154,807)**	(168,419)	**(2,087)**	-	**-**	-
Operating expenses	**(16,911)**	952	**(7,528)**	-	**(704)**	-	**-**	-
Other operating income	**7,797**	(19,658)	**-**	(9,919)	**-**	-	**-**	-
Finance income	**462**	2,495	**113**	-	**-**	-	**145**	-
Finance costs	**-**	-	**-**	-	**-**	-	**(9,073)**	(8,037)
Provision for income tax	**(3,062)**	(3,530)	**(6,364)**	(4,647)	**(1,237)**	-	**-**	-
Profit (loss) for the year	**16,097**	16,199	**14,848**	P10,842	**2,885**	-	**(8,928)**	(8,037)
Interest	**-**	**-**	**-**	-	**-**	-	**9,073**	8,037
Taxes	**3,062**	3,530	**6,364**	4,647	**1,237**	-	**-**	-
Depreciation and amortization	**1,266**	1,364	**2,155**	1,891	**1,523**	-	**-**	P-
EBITDA	**P20,425**	P21,093	**P23,367**	P17,380	**P5,645**	P-	**P145**	P-

A reconciliation of the total EBITDA of the reportable segments to the Group's profit for the year is provided as follows (amounts in thousands):

	Total	
	2014	2013
Sales	**P374,590,023**	P488,143,877
Cost of sales	**(313,326,357)**	(426,796,196)
Operating expenses	**(25,143,390)**	951,670
Other operating income	**7,797,377**	(29,576,793)
Finance income	**719,808**	2,494,742
Finance costs	**(9,073,148)**	(8,037,380)
Provision for income tax	**(10,662,113)**	(8,176,725)
Profit for the year	**24,902,201**	P19,003,195
Interest	**9,073,148**	8,037,380
Taxes	**10,662,113**	8,176,725
Depreciation and amortization	**4,943,838**	3,254,870
EBITDA	**P49,581,299**	P38,472,170

The segment assets and liabilities as at March 31, 2014 and December 31, 2013 are as follow (amounts in thousands):

	Distribution		Retail		Farming		Unallocated	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
Segment assets	**P789,886**	P899,870	**P63,676**	P63,891	**P210,768**	P212,291	**P444,961**	P296,303
Segment liabilities	**P53,152**	P73,065	**P47,963**	P19,600	**P85,221**	P85,221	**P552,438**	P548,853
Additions to property and equipment	**P190**	P22	**P109**	P5,769	**P-**	P47,199	**P-**	P2,014

The total reportable segments' assets are reconciled to the Group's total assets as at March 31, 2014 and December 31, 2013 is as follows:

	2014	2013
Reportable segments' assets	**P1,064,330,270**	P1,176,051,698
Unallocated:		
Loans receivable (Note 10)	**9,650,000**	9,650,000
Advances to related parties (Note 23)	**198,211,827**	47,871,102
Investment properties (Note 12)	**197,030,425**	197,030,425
Property and equipment (Note 13)	**33,126,972**	34,902,091
Deferred tax assets (Note 25)	**3,636,591**	3,544,358
Other noncurrent assets (Note 26)	**3,305,132**	3,305,132
	P1,509,291,217	P1,472,354,806

The total reportable segments' liabilities are reconciled to the Group's total liabilities as at March 31, 2014 and December 31, 2013 is as follows:

	2014	2013
Reportable segments' liabilities	**P186,335,993**	P177,886,264
Unallocated:		
Borrowings	**537,699,078**	528,514,036
Advances from related parties (Note 23)	**8,870,350**	14,821,776
Retirement benefit liability (Note 24)	**5,593,247**	5,285,805
Deferred tax liabilities (Note 25)	**275,025**	231,600
	P738,773,693	P726,739,482

The amounts provided to the CEO with respect to total assets and total liabilities are measured in a manner consistent with that of the consolidated financial statements.

The reportable segments' assets are allocated based on the operations of the segment and the physical location of the assets. The Group's loans receivable, advances to related parties, investment properties, leasehold improvements, deferred tax assets and other noncurrent assets are not considered as segment assets.

The reportable segments' liabilities are allocated based on the operations of the segment. The Group's borrowings, advances from related parties, dividends payable, retirement benefit liability and deferred tax liabilities are not considered as segment liabilities.

Unallocated assets and liabilities are managed by the central administrative and treasury functions.

The Group does not have revenues from transactions with a single external customer amounting to ten percent (10%) or more of the Group's total revenues.

NOTE 8 - CASH AND CASH EQUIVALENTS

The account consists of:

	2014	2013
Cash on hand	**P18,688,583**	P8,720,691
Cash in banks	**249,100,371**	386,242,372
Cash equivalents	**50,000,000**	50,000,000
	P317,788,954	P444,963,063

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents represent time deposit placements with maturities of three months. Interest income earned from bank deposits amounted to P575,058 and P549,992 for the three-month periods ended March 31, 2014 and 2013, respectively (see Note 21).

NOTE 9 – TRADE AND OTHER RECEIVABLES, NET

The account consists of:

	2014	2013
Trade receivables	**P209,797,644**	P216,315,958
Advances to suppliers	**2,474,826**	2,915,804
Advances to employees	**1,811,130**	2,006,751
Accrued interest on loans receivable (Note 10)	**916,750**	772,000
Other receivables	**5,081,996**	5,910,383
	220,082,346	227,920,896
Allowance for impairment loss on trade receivables	**(6,528,725)**	(6,528,725)
	P213,553,621	P221,392,171

Trade receivables are from dealers and customers of the Group and are not interest-bearing. Normal credit terms of trade receivables are 30 days and 60 days.

Advances to suppliers represent advanced payments made to suppliers for purchases of goods. These are deducted from the purchase price upon receipt of the goods.

Advances to employees are subject to liquidation upon utilization.

The Group provided for an allowance for impairment loss on trade receivables amounting to P6,528,725 as at March 31, 2014 and December 31, 2013, respectively. Details of changes in allowance for impairment loss of receivables are as follows:

	2014	2013
January 1	**P6,528,725**	P5,693,975
Provision during the year	-	834,750
March 31 and December 31	**P6,528,725**	P6,528,725

NOTE 10 – LOANS RECEIVABLE

The movements in the account are as follows:

Borrower	Interest rate	Terms	Security	**Balance at January 1, 2013**	Collection during the year	**Balance at December 31, 2013 and March 31, 2014**
Avestha Holdings Corporation (i)	6% per annum	3 years	Real estate properties	**P120,000,000**	(P120,000,000)	**P-**
Andres Lipana (ii)	6% per annum	1 year, renewable	Unsecured	**9,650,000**	-	**9,650,000**
Total				**129,650,000**	(P120,000,000)	**9,650,000**
Less: Current portion				**(9,650,000)**		**(9,650,000)**
Loans receivable, net of current portion				**P120,000,000**		**P-**

i. On September 26, 2011, the Group granted a loan to Avestha Holding Corporation, a related party, amounting to P120,000,000 for a term of three (3) years. The principal of the loan will be payable after two (2) years in which an interest at the rate of six percent (6%) will be payable on the balance at the end of every month. The loan is fully secured by the borrower's various real estate properties independently valued by Cuervo Appraisers, Inc. at P166,549,000. During the year ended December 31, 2013, the parties to the loan agreement agreed to a non-cash settlement of this loan through offsetting on the Parent Company's advances from related parties (see Note 23).

ii. On November 4, 2010, the Group granted a loan to Andres Lipana amounting to P15,000,000 for a term of one (1) year, renewable annually upon mutual agreement of both parties. The principal of the loan is subject to an interest at the rate of 6 percent (6%) payable at the end of every month. In 2014 and 2013, the loan is renewed with the same terms and conditions. This loan receivable is presented under current assets in the consolidated statements of financial position.

The details of and movements of accrued interest on these loans receivable are as follows (see Note 9):

	2014	2013
January 1	**P772,000**	P9,165,000
Interest earned (Note 21)	**144,750**	7,807,000
Interest received	**-**	(16,200,000)
December 31	**P916,750**	P772,000

NOTE 11 – INVENTORIES

The account consists of:

	2014	2013
Chemicals	**P105,932,501**	P85,038,715
Fertilizers	**58,675,219**	52,596,556
Feeds	**11,218,363**	8,581,223
Seeds	**10,564,977**	7,237,807
Soya	**-**	6,776,292
	P186,391,060	P160,230,593

The above inventories are carried at the lower of cost and NRV. The Group has no unusual purchase commitments or inventories pledged as security for liabilities.

The cost of inventories recognized as expense amounted to P310,623,596 and P426,796,196 for the three-month periods ended March 31, 2014 and 2013, respectively (see Note 18).

NOTE 12 – INVESTMENT PROPERTIES

Investment properties consist of land properties acquired by the Group. The movements in this account are as follows:

	2014	2013
At January 1	**P197,030,425**	P112,865,000
Acquisitions during the year	**-**	84,165,425
Transfers to property and equipment (Note 13)	**-**	-
At December 31	**P197,030,425**	P197,030,425

During 2013, the Group acquired various lands set aside for undetermined future use.

The Group applies the cost model in its investment properties. Management believes that the carrying amounts of the said properties approximate the fair values as at the reporting date.

There were no income recognized on these investment properties for the three-month periods ended March 31, 2014 and 2013.

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

NOTE 13 – PROPERTY AND EQUIPMENT, NET

The details of and movements in this account are as follows:

	Office equipment	Transportation equipment	Leasehold improvement	Buildings and improvement	Farm equipment	Farms	Construction in-progress	Total
Cost								
At January 1, 2013	P14,373,076	P 38,468,289	P45,924,726	P-	P-	P22,287,965	P241,532,992	P362,587,048
Additions	705,077	5,085,788	2,013,597	-	-	580,000	46,618,863	55,003,325
Transfer from construction in-progress	-	-	-	134,515,907	54,567,080	1,863,050	(190,946,037)	-
Disposals	(3,620,000)	(4,882,400)	(502,724)	-	-	-	-	(9,005,124)
At December 31, 2013	11,458,153	38,671,677	47,435,599	134,515,907	54,567,080	24,731,015	97,205,818	408,585,249
Additions	-	190,563	108,921	-	-	-	-	299,484
At March 31, 2014	11,458,153	38,862,240	47,544,520	134,515,907	54,567,080	24,731,015	97,205,818	408,884,733
Accumulated depreciation and amortization								
At January 1, 2013	2,990,446	9,009,031	5,143,502	-	-	-	-	17,142,979
Depreciation and amortization	2,442,039	4,627,196	7,515,687	840,724	682,089	-	-	16,107,735
Disposals	(1,267,000)	(4,882,400)	(125,681)	-	-	-	-	(6,275,081)
At December 31, 2013	4,165,485	8,753,827	12,533,508	840,724	682,089	-	-	26,975,633
Depreciation and amortization	481,916	1,055,069	1,884,040	840,724	682,089	-	-	4,943,838
At March 31, 2014	4,647,401	9,808,896	14,417,548	1,681,449	1,364,178	-	-	31,919,472
Net book values								
March 31, 2014	**P6,810,752**	**P29,053,344**	**P33,126,972**	**P132,834,458**	**P53,202,902**	**P24,731,015**	**P97,205,818**	**P376,965,261**
December 31, 2013	**P7,292,668**	**P29,917,850**	**P34,902,091**	**P133,675,183**	**P53,884,991**	**P24,731,015**	**P97,205,818**	**P381,609,616**

During the three-month period ended March 31, 2014 and the year ended December 31, 2013, the Group capitalized expenditures amounting to Nil and P46,618,863, respectively, related to properties under construction. These expenditures consist of farm equipment, materials, labor and overhead directly related to the construction of the assets. The Group had not capitalized any borrowing costs attributable to the construction of such assets. The details of the construction in-progress as at the reporting date are as follows:

Project	Location	Estimated project cost	Cumulative percentage of completion		Expected date of completion
			2014	2013	
Magnolia Broiler Growing Farm	Kinawe, Libona, Bukidnon	P91.84million	78%	78%	September 30, 2014
Monterey Hog Growing Farms	Ula, Tugbok District, Calinan, Davao City	P49.88million	50%	50%	November 30, 2014
Magnolia Broiler Growing Farm	Matina, Biao Tienda, Calinan, Davao City	P93.60million	30%	30%	May 30, 2015
Magnolia Broiler Growing Farm	Nangka, Libona, Bukidnon	P103.31million	9%	9%	March 30, 2015
Magnolia Broiler Breeder Farm	Delfin Albano, Isabela	P57.81million	11%	11%	October 30, 2014

The Monterey Hog Breeder Farm project will breed, raise and care for piglets to be grown in hog growing farms. The project will have a total of 1,100 sows producing the piglets. An estimated 26,460 piglets will be produced per annum.

The Magnolia Broiler Breeder Farm project will produce eggs intended to be broiler breeder stock to be grown, cared for and managed for sale by Magnolia to fast foods and supermarkets under the Magnolia brand name. The project will produce a total of 9.36million eggs per annum.

The Magnolia Broiler Growing Farm project will have a capacity to grow 450,000 broiler heads at 8 growing cycles a year or a total of 3.60million broiler heads per annum.

The Monterey Hog Growing Farm project will have the capacity to grow 3,000 hogs at 3 cycles per year or a total of 9,000 hogs per annum.

The details of agreements related to these projects are provided in Note 26.

As at December 31, 2013, the Group completed the construction of certain farm facilities which amounted to P190,946,037. The related amount in construction in-progress was eventually transferred to the respective items of property and equipment. The Group commenced the depreciation of these assets at the time that these are ready for their intended use.

The Group's transportation equipment is subject to a chattel mortgage used as security for the long-term borrowings (see Note 15).

Aside from the abovementioned chattel mortgage, there are neither restrictions on title on the Group's property and equipment nor was any of it pledged as security for liability. The Group has no contractual commitment for the acquisition of property and equipment.

Depreciation and amortization expense amounted to P4,943,838 and P3,254,870 for the three-month periods ended March 31, 2014 and 2013, respectively (see Notes 18 and 19).

The cost of fully depreciated property and equipment still in use amounted to P21,268,029 and P21,267,669 in March 31, 2014 and December 31, 2013, respectively.

Management has reviewed the carrying values of the Group's property and equipment as at March 31, 2014 and December 31, 2013 for impairment. Based on the results of its evaluation, there were no indications that the property and equipment were impaired.

NOTE 14 – TRADE AND OTHER PAYABLES

The account consists of:

	2014	2013
Trade payables	**P38,901,442**	P41,977,596
Output VAT	**5,319,856**	6,769,360
Others	**2,477,461**	848,148
	P46,698,759	P49,595,104

Trade payables are from suppliers of agro-products and are non-interest-bearing. Normal credit terms are 30 to 60 days.

Other payables mainly consist of the one percent (1%) tax withheld by the Group on its collections from customers.

NOTE 15 – BORROWINGS

The borrowings as at March 31, 2014 and December 31, 2013 consist of secured short-term and long-term peso denominated loans obtained from local banks.

The secured short-term peso-denominated loans were obtained to augment the Group's funding for its farming operations. Various properties owned by the shareholders were used as collateral for these types of loans. The details of and movements in these loans are as follows:

Lending institution	Interest rate	Terms	Security	Balance at January 31, 2013	Payments during the year	Availments during the year	Balance at December 31, 2013	Payments during the year	Availments during the year	**Balance at March 31, 2014**
Banco de Oro Unibank Inc.	Prevailing market rate	Renewable	Unsecured	P154,000,000	P-	P36,000,000	P190,000,000	P-	P20,000,000	**P210,000,000**
Metropolitan Bank and Trust Company	Prevailing market rate	Renewable	Real estate properties	60,000,000	(20,000,000)	-	40,000,000	-	-	**40,000,000**
Bank of the Philippine Islands	Prevailing market rate	Renewable	Suretyship	170,000,000	(50,000,000)	-	120,000,000	-	-	**120,000,000**
Planters Bank	Prevailing market rate	Renewable	Deed of Assignment	45,000,000	-	5,000,000	50,000,000	(10,000,000)	-	**40,000,000**
Development Bank of the Philippines	9%	Renewable	Real estate properties	71,700,000	-	13,521,267	85,221,267	-	-	**85,221,267**
Land Bank of the Philippines	Prevailing market rate	Renewable	Real estate properties and suretyship	-	-	90,000,000	90,000,000	-	-	**90,000,000**
Bank of Commerce	Prevailing market rate	Renewable	Suretyship	-	-	30,000,000	30,000,000	-	-	**30,000,000**
				P500,700,000	(P70,000,000)	P174,521,267	P605,221,267	(P10,000,000)	P20,000,000	**P615,221,267**

Finance costs arising from these loans amounted to P8,795,614 and P7,849,927 in March 31, 2014 and 2013, respectively (see Note 22).

The secured long-term peso-denominated loans were obtained to finance the Group's acquisition of transportation equipment. These loans are secured by a chattel mortgage on the Group's transportation equipment with a carrying amount of P5,838,637 (see Note 13). The details of and movements in these loans are as follows:

Lending institution	Interest rate	Terms	Security	Balance at January 1, 2013	Payments during the year	Availments during the year	**Balance at December 31, 2013**	Payments during the year	**Balance at March 31, 2014**
Bank of the Philippine Islands	9.87%-10.47%	30 or 60 equal monthly installments	Chattel mortgage	P7,460,285	(P3,109,408)	P4,163,160	**P8,514,037**	**(P814,959)**	**P7,699,078**
Less: Current portion				(1,437,982)			**(3,378,841)**		**(3,378,841)**
Long-term borrowings, net of current portion				P6,022,303			**P5,135,196**		**P4,320,237**

Finance costs arising from these loans amounted to P150,642 and P187,453 for the three-month period ended March 31, 2014 and 2013 (see Note 22).

There were no breaches of loan agreement terms such as any defaults of principal and interest of these borrowings during the period.

NOTE 16 - SHARE CAPITAL

The account consists of:

	Number of shares	Amount
Authorized:	845,400,000	P845,400,000
Issued and outstanding at March 31, 2014 and December 31, 2013:	360,112,000	P360,112,000

Share premium

On May 23, 2012, the Parent Company issued an additional 36,012,000 shares by way of a primary offer. The share premium resulting from the said offer is as follows:

Gross proceeds	**P269,551,028**
Tax on Initial Public Offering	(10,782,041)
Underwriting and selling fees for the offer shares	(8,102,700)
Professional fees	(4,582,587)
Philippine SEC filing and legal research fees	(733,991)
Documentary Stamp Tax	(180,060)
Total expenses	**(24,381,379)**
Net proceeds	**245,169,649**
Par value of offer shares	**(36,012,000)**
	P209,157,649

Share premium arises when the amount subscribed for share capital is in excess of nominal value.

Treasury shares

During the year ended December 31, 2013, the Group reacquired at cost its own shares, details of which are as follows:

	Number of shares	Amount
November 22, 2013	100,000	P353,580
November 26, 2013	75,000	267,000
November 27, 2013	60,000	209,800
December 3, 2013	50,000	184,810
	285,000	**P1,015,190**

NOTE 17 – REVENUE

The account consists of:

	2014	2013
Sale of goods		
Fertilizers	**P145,055,057**	P148,104,825
Chemicals	**129,305,381**	159,443,756
Feeds	**47,611,772**	150,464,911
Seeds	**29,595,802**	30,130,385
Soya	**10,494,322**	-
Others	**5,614,213**	-
	430,694,370	488,143,877
Rendering of services		
Farms	**6,913,477**	-
	P374,590,023	P488,143,877

The Group's revenue may be affected by any program developed or supported by the Department of Agriculture of the Philippines

The Group's revenue comes primarily from the sale of agricultural products. Any agricultural program that the Department of Agriculture develops for the farmers of the country may affect the Group's revenue. In the event that the government is unable to effectively implement its programs, this might result in a slowdown of the Group's business as farmers might not have the required resources to purchase the Group's products. There is no guarantee that the Philippine government will not change or prioritize programs for agriculture in the coming years.
To mitigate this risk, the Group updates itself regularly with the Department of Agriculture's policies or programs developed for the agricultural product industry. This allows the Group to react quickly to government programs relating to agricultural products. It also enables the Group to plan ahead to meet the Department of Agriculture's ongoing or future policies or programs.

The Group also conducts its own marketing activities to promote the use or consumption of its product. The Group intends to strengthen its marketing efforts nationwide.

Risk of natural calamities and effects of pestilence

The Group's revenue are highly dependent on the weather conditions in the Philippines. Severe drought or flooding in a certain agricultural region will significantly affect the productivity of the farmer. This will highly affect the demand for fertilizers, pesticides and other agricultural chemicals.

Furthermore, the effects of pestilence on agricultural crops can have a significant effect on the demand for the distribution products used in growing them. Crop farmers may be unable to engage in their farming and growing activities since the agricultural land may not be fit for planting.

To mitigate this risk related to natural calamities, the Group, in partnership with its key suppliers, would distribute new products manufactured through the use of modern technology to withstand if not totally resist the devastating effects forces of nature bring. The Group likewise distributes other agricultural products which are unaffected by natural calamities such as animal feeds for poultry, hogs and ducks.

Lastly, to mitigate the effects of pestilence, apart from the distribution of superior quality agricultural products which can help in strengthening the immunity of plants to any damage caused, the Group designates its farm aid technicians to provide an information campaign to educate farmers on how to combat pestilence through proper farming practices as well as the introduction and proper utilization of modern farming technology.

Risk of outbreak of animal diseases

The Group's revenue may be affected by the outbreak of swine and poultry diseases because the demand for animal feeds decreases in case an outbreak happens.

To mitigate this risk the Group, in partnership with its key suppliers, currently deploys farm assistant technicians in the field to prevent and/or treat swine and poultry diseases. In addition, the Group also distributes veterinary medicines that help prevent or treat the said diseases.

NOTE 18 – COST OF SALES AND SERVICES

The account consists of:

	2014	2013
Cost of sales		
Inventories, beginning	**P160,230,593**	P220,483,700
Net purchases	**335,877,123**	477,942,953
Cost of goods available for sale	**496,107,716**	698,426,653
Inventories, ending (Note 11)	**186,391,060**	271,630,457
	309,716,657	P426,796,196
Cost of services		
Depreciation and amortization (Note 13)	**1,522,813**	-
Communication, light and water	**885,906**	-
Salaries, wages and benefits	**609,242**	-
Fuel and oil	**194,252**	-
Repairs and maintenance	**80,750**	-
Office supplies	**19,039**	-
Others	**297,698**	-
	3,609,700	-
	P313,326,357	P426,796,196

NOTE 19 – OPERATING EXPENSES

The account consists of:

	2014	2013
Salaries, wages and benefits	**P7,635,430**	P8,673,953
Rental (Note 26)	**4,446,779**	5,245,459
Depreciation and amortization (Note 13)	**3,421,025**	3,254,870
Taxes and licenses	**1,353,164**	1,019,097
Communication, light and water	**1,299,752**	1,265,434
Transportation and travel	**1,179,950**	1,771,921
Marketing	**1,158,841**	1,887,418
Professional fees	**1,151,847**	1,553,103
Representation and entertainment	**729,628**	673,883
Association dues	**603,669**	547,640
Insurance	**498,588**	272,209
Repairs and maintenance	**452,115**	607,404
Office supplies	**344,829**	406,021
Retirement benefit costs (Note 24)	**257,915**	306,174
Commissions	**34,152**	734,128
Others	**575,706**	1,358,079
	P25,143,390	P29,576,793

NOTE 20 – OTHER OPERATING INCOME, NET

The account consists of:

	2014	2013
Rebate income	**P7,684,127**	P951,670
Others	**113,250**	-
	P7,797,377	P951,670

NOTE 21 – FINANCE INCOME

The account consists of:

	2014	2013
From bank deposits (Note 8)	**P575,058**	P549,992
From loans receivable (Note 10)	**144,750**	1,944,750
	P719,808	P2,494,742

NOTE 22 – FINANCE COSTS

The account consists of:

	2014	2013
From borrowings (Note 15)	**P9,023,621**	P7,849,927
From defined benefit obligation (Note 24)	**49,527**	187,453
	P9,073,148	P8,037,380

NOTE 23 – RELATED PARTY TRANSACTIONS

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprises and their key management personnel, directors or its shareholders.

The details of the Group's related parties are summarized as follows:

Name of the related party	Relationship	Nature of operations	Country of incorporation
Calata Builders	Under common control	A corporation established in the Philippines which ventures as a subcontractor and into the realty business	Republic of the Philippines
Calata Farms	Under common control	A sole proprietorship owned by which offers high efficiency poultry growing using climate-controlled system	Republic of the Philippines
Avestha Holdings Corporation	Under common control	A corporation established to engage in holding of shares of different corporations	Republic of the Philippines
Individuals	Shareholders	Individuals who own shares of the Parent Company	-
Individuals	Key management personnel	Individuals who have authority and responsibility for planning, directing and controlling the activities of the Group	-

Significant transactions and outstanding balances with related parties are as follows:

Transactions

Related parties	Relationship	Rent expense (i) 2014	Rent expense (i) 2013	Key management personnel compensation (ii) 2014	Key management personnel compensation (ii) 2013	Cash advances to (from) (iv) 2014	Cash advances to (from) (iv) 2013
Individuals	Key management personnel	**P-**	P-	**P1,034,718**	P1,374,842	**P-**	P-
Individuals	Shareholders	**-**	-	**-**	-	**157,527,752**	178,649,818
Calata Farms		**-**	-	**-**	-	**(1,300,000)**	
Calata builders	Under common control	**-**	-	**-**	-	**64,399**	(1,457,880)
		P-	P-	**P1,034,718**	P1,374,842	**P156,292,151**	P177,191,938

Outstanding balances

Related parties	Relationship	Advances to related parties (iv) 2014	Advances to related parties (iv) 2013	Terms and conditions	Security	Nature of consideration to be provided upon settlement	Guarantees given or received	Allowance for impairment loss	Impairment loss
Calata Builders	Under common control	**P3,361,462**	P3,297,063	Demandable	Unsecured	Cash	N/A	**-**	-
Individuals	Shareholder	**194,850,365**	44,574,039	Demandable	Unsecured	Cash	N/A	**-**	-
		P198,211,827	P47,871,102					**P-**	P-

Related parties	Relationship	Advances from related parties (vi) 2014	Advances from related parties (vi) 2013	Terms and conditions	Security	Nature of consideration to be provided upon settlement	Guarantees given or received
Calata Farms	Under common control	**P6,800,000**	P5,500,000	Demandable	Unsecured	N/A	N/A
Individuals	Shareholder	**2,070,350**	9,321,776	Demandable	Unsecured	N/A	N/A
		P8,870,350	P14,821,776				

i) The Group also has an operating lease agreement with its subsidiary for the latter's rent-free use of office premises in Makati (see Note 26).

An operating lease agreement was executed between the Group and the shareholders whereby the latter granted the former with the rent-free use of office premises and a warehouse located in Bulacan (see Note 26).

ii) The key management personnel compensation recognized in salaries, wages and other benefits under operating expenses in the consolidated statements of income consists of short-term benefits. There are no long term compensation and post-employment and termination benefits of key management personnel for the three-month periods ended March 31, 2014 and 2013.

Movements of the outstanding balances showing the nature and amount of transactions under each category are as follows:

iii) Loans receivable

	2014	2013
Avestha Holdings Corporation		
January 1	P-	P120,000,000
Collections from	-	(120,000,000)
Loaned to	-	-
March 31 and December 31	P-	P-

The term of the loan is three (3) years. The principal of the loan will be payable after two (2) years in which an interest at the rate of six percent (6%) per annum will be payable on the balance at the end of every month. The loan is fully secured by the borrower's various real estate properties independently valued at P166,549,000 on June 21, 2011 by Cuervo Appraisers, Inc. In exchange for the settlement of the loan, as at the reporting date, , the parties to the loan agreement agreed to a non-cash settlement of this loan through offsetting on the Group's advances from related parties (see Note 23.vi).

iv) Advances to related parties

	2014	2013
Calata Builders		
January 1	**P3,297,063**	P6,821,592
Cash advances to (collections from)	**64,399**	(3,524,529)
December 31	**3,361,462**	3,297,063
Individuals		
January 1	**44,574,039**	34,745,737
Cash advances to	**231,857,887**	14,372,967
Cash advances from	**(81,581,561)**	(4,544,665)
December 31	**194,850,365**	44,574,039
Total advances to related parties	**P198,211,827**	P47,871,102

Cash advances were made to related parties to support their operating capital requirements. These are repayable once the related parties have sufficient cash flows to support their respective operations. These advances are non-interest bearing, unsecured and payable on demand. Cash advances were made to individual shareholders for the respective shareholders' investment in entities for which the Group has the option to purchase in the future. These investments are in line with the Group's expansion programs.

v) The assessment of the allowance for impairment loss related to the amount of outstanding balances of the Group's loans receivable and advances to related parties and the expense recognized during the period in respect of impairment loss is undertaken through examining the financial position of the related parties and the market in which they operate.

vi) Advances from related parties

	2014	2013
Calata Farms		
January 1	**(P5,500,000)**	P-
Cash advances from	**(1,300,000)**	(5,500,000)
December 31	**(6,800,000**	(5,500,000)
Individuals		
January 1	**(9,321,776)**	(2,070,350)
Cash advances from	**(72,269,501)**	(144,264,107)
Cash advances to	**79,520,927**	-
Purchase of property and equipment on behalf of the Company	**-**	580,000
Sale to a related party of property and equipment	**-**	(1,392,681)
Collection of loans receivable thru offsetting (Notes 9 and 23.iii)	**-**	(136,200,000)
	(2,070,350)	(9,321,776)
Total advances from related parties	**(P8,870,350)**	(P14,821,776)

Cash advances from shareholders are used to support the operating capital requirements of the Group.

NOTE 24 - RETIREMENT BENEFITS

The Group maintains an unfunded, non-contributory defined benefit retirement plan covering all qualified employees. Normal retirement benefit costs are equal to the employee's retirement pay as defined in Republic Act No. 7641 multiplied by his years of service. Normal retirement date is the attainment of age 60 and completion of at least five years of service. The law does not require minimum funding of the plan.

The following tables summarize the components of net retirement benefit recognized in the consolidated statement of income and the amounts recognized in the consolidated statements of financial position:

The movements in the defined benefit obligation and the amount recognized in the consolidated statements of financial position are as follows:

	2014	2013
Balance at January 1	**P5,285,805**	P5,151,994
Service cost - current	**257,915**	1,031,661
Interest cost	**49,527**	289,542
Included in profit or loss	**5,593,247**	1,321,203
Remeasurements in other comprehensive income:		
Changes in financial assumptions	**-**	147,265
Changes in demographic assumptions	**-**	(3,159,542)
Experience adjustments	**-**	1,824,885
	-	(1,187,392)
Balance at March 31 and December 31	**P5,593,247**	P5,285,805

The principal assumptions used in determining retirement benefit liability of the Group are shown below:

	2014	2013
Discount rates	**3.75%**	5.26%
Future salary increase rates	**5.00%**	5.00%

The average duration of the defined benefit obligation is 17.9 years as at March 31, 2014 and December 31, 2013.

NOTE 25 – INCOME TAXES

a. The components of the Group's provision for income tax as reported in the statements of income are as follows:

	2014	2013
Current	**P10,710,921**	P40,330,866
Deferred	**(48,808)**	(2,383,186)
	P10,662,113	P37,947,680

b. The components of the Group's deferred tax assets are as follows:

	Balance at January 1, 2013	Charged to operations during the period	**Balance at December 31, 2013**	Charged to operations during the period	**Balance at March 31, 2014**
Allowance for impairment losses on trade receivables	P1,708,193	P250,425	**P1,958,618**	P-	**P1,958,618**
Retirement benefit liability	881,571	396,361	**1,277,932**	92,233	**1,370,165**
Remeasurement loss (gain) on defined benefit plans	664,026	(356,218)	**307,808**	-	**307,808**
	P3,253,790	P290,568	**P3,544,358**	P92,233	**P3,636,591**

The Group reviews deferred tax assets at each reporting date and recognizes these to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Deferred tax assets were recognized as at March 31, 2014 and December 31, 2013 as management believes that the carryforward benefit would be realized in its future operations.

c. The components of the Group's deferred tax liabilities are as follows:

	Balance at January 1, 2013	Charged to operations during the year	Balance at December 31, 2013	Charged to operations during the year	**Balance at December 31, 2013**
Movement in accrued interest	P1,893,000	(P1,661,400)	P231,600	P43,425	**P275,025**
Unrealized gain on disposal of equipment	75,000	(75,000)	-	-	**-**
	P1,968,000	(P1,736,400)	P231,600	P43,425	**P275,025**

d. The reconciliation of the provision for income tax computed at the statutory income tax rate to provision for income tax shown in the consolidated statements of income are as follows:

	2014	2013
Income tax computed at 30%	**P10,669,294**	P37,922,218
Add (deduct) income tax effects resulting from:		
Non-deductible expenses	**208,762**	797,002
Income subjected to final tax	**(215,942)**	(771,540)
	P10,662,113	P37,947,680

NOTE 26 – COMMITMENTS

Distributorship agreements

a. The Group has an existing Sales Agreement with New Hope Tarlac Agriculture Inc. (New Hope) wherein the parties agreed that the Group will exclusively distribute in the whole territory of the Republic of the Philippines animal feeds under the brand name "Golden Bean". New Hope shall not designate any other authorized distributor without the written consent of the Group.

b. The Group has other distributorship agreements but on a non-exclusive basis. In general, all supply and distribution agreements are renewed on a yearly basis. Renewal may be expressed when parties opt to execute a written agreement or implied when parties continue to do business dealings with each other such as taking of orders of supplies. The Group does not usually have duly executed distribution agreements with the rest of its suppliers of agro chemicals, fertilizers and seeds. Furthermore, based on industry practice, actual exclusive distribution agreements are not issued on a yearly basis. In the case of non-exclusive distribution agreements, no formal agreement is executed except for some. Instead, certifications are issued to attest that the Group is a distributor of the pertinent supplier products indicating therein exclusivity or non-exclusivity. However, for other non-exclusive suppliers, certifications are not even given since supply of the products continues for so long as the Group places an order.

Service agreements

The Group has various existing Service Agreements with San Miguel Foods, Inc. (SMFI) the details of which are as follows:

a. Magnolia Broiler Breeder – The parties agreed that the Group will grow, care and manage breeder stock owned and belonging to SMFI with the end result of producing quality hatching eggs for SMFI. The term of the agreement is from December 2012 to October 2015. The contract can be renewed upon written mutual agreement and upon confirmation of the number (either 1 or 2) of brood-grow-lay cycles selected. Each growing cycle will last for 6 months (26 weeks) while each laying-brooding cycle will last for 10.5 months (42 weeks).

b. Monterey Hog Breeder - The parties agreed that the Group will breed, raise and care for pigs owned by and belonging to SMFI. The term of the agreement is from March 2012 to 2017. The contract can be renewed upon written mutual consent.

c. Monterey Hog Nursery - The parties agreed that the Group will grow, raise and care for pigs owned by and belonging to SMFI. The term of the agreement is from January 2013 to 2018. The contract can be renewed upon written mutual consent.

Lease agreements

a. The Group has entered into various lease agreements with different entities for the lease of store outlets and warehouses located in various provinces in Luzon, all of which fall under the category of operating leases. The lease agreements are renewable every year where terms and conditions are subject to the agreement of both parties. The security deposit and advanced rental related to these leases amounted to P1,469,122, respectively, as at March 31, 2014 and December 31, 2013.

b. The Group has entered in a lease agreement with its shareholders for the lease of office premises and warehouse located in Bulacan. The said lease is rent-free and renewable every year upon mutual agreement by the parties (see Note 23).

c. On August 1, 2012, the Group entered into a lease agreement with KSA Realty Corporation for the lease of its office premises in Makati. The terms of the lease is for three (3) years and is subject to annual escalation rate of ten percent (10%). The lease agreement has a renewal option. The details of the security deposit and advanced rental on this lease agreement are as follows:

	Terms and conditions	**2014**	2013
Refundable security deposit	Equivalent to three (3) months' lease payment and refundable at the end of the lease term	**P1,652,566**	P1,652,566
Advanced rental	Equivalent to three (3) months' lease payment and to be applied on the last three months of the lease term	**1,652,566**	1,652,566
		P3,305,132	P3,305,132

The refundable security deposit and the advanced rental are recognized in the consolidated statements of financial position under other noncurrent assets.

The Group has a sublease agreement with Agri Phil Corporation whereby the latter is granted a rent-free use of a portion of these office premises (see Note 23).

There were no contingent rent related to or restrictions imposed by these lease arrangements such as those concerning dividends, additional debt and further leasing.

The rent expense charged to operations for the three-month periods ended March 31, 2014 and 2013 amounted to P4,446,799 and P5,245,459, respectively (see Note 19).

Future minimum annual rentals are as follows:

	2014	2013
Not later than one year	**P4,914,303**	P11,309,590
More than one year but not later than five years	**3,855,988**	3,855,988
	P8,770,291	P15,165,578

NOTE 27 – EARNINGS PER SHARE

Basic EPS amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year.

The financial information pertinent to the derivation of the basic earnings per share for the years ended March 31, 2014 and December 31, 2013, are as follows:

	2014	2013
Profit from continuing operations attributable to ordinary equity holders of the Parent Company	**P24,902,200**	P19,003,195
Weighted average number of shares outstanding	**359,827,000**	360,112,000
Basic and diluted earnings per share from continuing operations	**P0.07**	P0.05

There are no dilutive potential ordinary shares for the years ended March 31, 2014 and December 31, 2013. Therefore, the Group's basic and diluted EPS for the said years are equal.