

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
Jun 30, 2015
2. SEC 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 principal office
Mc Arthur Hi Way, Banga 1st, Plaridel, Bulacan
Postal Code
3004
8. Issuer's telephone number, including area code
(044) 795 0136
9. Former name or former address, and former fiscal year, if changed since last report
N/A
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	359,827,000

11. Are any or all of registrant's securities listed on a Stock Exchange?
 - Yes No
 - If yes, state the name of such stock exchange and the classes of securities listed therein:
Philippine Stock Exchange
12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the SRC 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 that 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

The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.

Calata Corporation CAL

PSE Disclosure Form 17-2 - Quarterly Report References: SRC Rule 17 and Sections 17.2 and 17.8 of the Revised Disclosure Rules

For the period ended	Jun 30, 2015
Currency (indicate units, if applicable)	Php

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Jun 30, 2015	Dec 31, 2014
Current Assets	941,548,295	915,304,235
Total Assets	1,820,719,964	1,810,052,701
Current Liabilities	865,536,635	922,060,443
Total Liabilities	875,143,767	930,681,938
Retained Earnings/(Deficit)	156,909,584	305,789,976
Stockholders' Equity	945,576,197	879,370,763

Stockholders' Equity - Parent	940,771,436	873,755,628
Book Value per Share	2.63	2.45

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Operating Revenue	567,977,032	550,127,047	1,082,801,842	932,514,447
Other Revenue	4,189,500	212,316	4,189,500	932,124
Gross Revenue	572,166,532	550,339,363	1,086,991,342	933,446,571
Operating Expense	514,826,653	490,489,146	964,577,628	828,958,892
Other Expense	10,792,057	6,674,857	21,425,553	15,748,005
Gross Expense	525,618,710	497,164,003	986,003,181	844,706,897
Net Income/(Loss) Before Tax	46,547,822	53,175,360	100,988,161	88,739,674
Income Tax Expense	16,343,880	15,915,188	34,782,727	26,577,301
Net Income/(Loss) After Tax	30,203,942	37,260,172	66,205,434	62,162,373
Net Income Attributable to Parent Equity Holder	30,624,715	37,260,172	67,015,808	62,162,373
Earnings/(Loss) Per Share (Basic)	0.1	0.1	0.18	0.17
Earnings/(Loss) Per Share (Diluted)	0.1	0.1	0.18	0.17

Other Relevant Information

Calata Corporation's Quarterly Report as of June 30, 2015

Filed on behalf by:

Name	Jose Marie Fabella
Designation	Corporate Secretary/Corporate Information Officer

A 1 9 9 9 1 1 6 6 6

SEC Registration Number

C A L A T A C O R P O R A T I O N

(Company's Full Name)

M C A R T H U R H I - W A Y B A N G A 1 S T
P L A R I D E L B U L A C A N

(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 No. of Stockholders

Domestic

Foreign

Total Amount of Borrowings

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

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Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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



- 1. For the quarterly period ended June 30, 2015
- 2. 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)

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- 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 interim unaudited financial statements as of 31 March 2015.

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 to be signed on its behalf by the undersigned thereunto duly authorized.

CALATA CORPORATION

By:



JOSEPH H. CALATA
President/CEO
Date: August 19, 2015



BENISON PAUL B. DE TORRES
COO / CFO
Date: August 19, 2015

CALATA CORPORATION AND ITS SUBSIDIARY

**CONSOLIDATED FINANCIAL STATEMENTS
AS AT JUNE 30, 2015 (UNAUDITED)
AND DECEMBER 31, 2014 (AUDITED)
AND FOR THE SIX-MONTH PERIODS ENDED
JUNE 30, 2015 AND 2014 (UNAUDITED)**

CALATA CORPORATION AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 (UNAUDITED) AND DECEMBER 31, 2014 (AUDITED)

	Note	June 30, 2015	December 31, 2014
ASSETS			
Current assets			
Cash and cash equivalents	9	P337,179,638	P378,513,908
Trade and other receivables, net	10	283,469,802	268,582,864
Loans receivable	11	9,650,000	9,650,000
Inventories	12	189,027,326	153,656,818
Current biological assets	13	13,007,997	3,344,996
Advances to related parties	25	101,647,634	97,176,174
Other current assets		7,565,898	4,379,475
Total current assets		<u>941,548,295</u>	<u>915,304,235</u>
Noncurrent assets			
Noncurrent biological assets	13	47,191,318	56,162,357
Investment properties	14	396,803,232	392,071,683
Property and equipment, net	15	431,169,484	439,375,297
Deferred tax assets	27	4,007,635	3,833,997
Other noncurrent assets	28	-	3,305,132
Total noncurrent assets		<u>879,171,669</u>	<u>894,748,466</u>
Total assets		<u>P1,820,719,964</u>	<u>P1,810,052,701</u>
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	16	P118,887,803	P132,174,659
Borrowings	17	702,827,933	714,146,105
Advances from related parties	26	9,040,525	22,719,986
Income tax payable		34,780,374	53,019,693
Total current liabilities		<u>865,536,635</u>	<u>922,060,443</u>
Noncurrent liabilities			
Borrowings, net of current portion	17	2,104,200	2,836,408
Retirement benefit liability	27	6,072,382	5,611,387
Deferred tax liabilities	28	1,430,550	173,700
Total noncurrent liabilities		<u>9,607,132</u>	<u>8,621,495</u>
Total liabilities		<u>875,143,767</u>	<u>930,681,938</u>
Equity			
Equity attributable to owners of the Parent Company			
Share capital	18	360,112,000	360,112,000
Share premium	18	425,053,849	209,157,649
Treasury shares	18	(1,015,190)	(1,015,190)
Remeasurement loss on retirement benefit plans	27	(288,807)	(288,807)
Retained earnings		156,909,584	305,789,976
		<u>940,771,436</u>	<u>873,755,628</u>
Equity attributable to non-controlling interests		<u>4,804,761</u>	<u>5,615,135</u>
Total equity		<u>945,576,197</u>	<u>879,370,763</u>
Total liabilities and equity		<u>P1,820,719,964</u>	<u>P1,810,052,701</u>

(The notes on pages 7 to 83 are an integral part of these consolidated financial statements.)

CALATA CORPORATION AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED
JUNE 30, 2015 AND 2014 (UNAUDITED)

	Note	For six-month period ended June 30, 2015	For three-month period ended June 30, 2015	For six-month period ended June 30, 2014	For three-month period ended June 30, 2014
Revenue	20	P1,070,638,683	P564,797,844	P923,598,987	P549,008,964
Cost of sales and services	21	<u>(916,233,201)</u>	<u>(491,102,808)</u>	<u>(782,626,554)</u>	<u>(469,300,197)</u>
Gross profit		154,405,482	73,695,036	140,972,433	79,708,767
Operating expenses	22	<u>(48,344,427)</u>	<u>(23,723,845)</u>	<u>(46,332,338)</u>	<u>(21,188,949)</u>
Other operating income, net	23	<u>12,163,159</u>	<u>3,179,188</u>	<u>8,915,460</u>	<u>1,118,083</u>
Profit from operations		118,224,214	53,150,379	103,555,555	59,637,901
Finance income	24	4,189,500	4,189,500	932,124	212,316
Finance costs	25	<u>(21,425,553)</u>	<u>(10,792,057)</u>	<u>(15,748,005)</u>	<u>(6,674,857)</u>
Profit before tax		100,988,161	46,547,822	88,739,674	53,175,360
Provision for income tax	28	<u>(34,782,727)</u>	<u>(16,343,880)</u>	<u>(26,577,301)</u>	<u>(15,915,188)</u>
Profit for the year		<u>P66,205,434</u>	<u>P30,203,942</u>	<u>P62,162,373</u>	<u>P37,260,172</u>
Profit attributable to:					
Owners of the Parent Company		P67,015,808	P30,624,715	P62,162,373	P37,260,172
Non-controlling interests		<u>(810,374)</u>	<u>(420,773)</u>	-	-
		<u>P66,205,434</u>	<u>P30,203,942</u>	<u>P62,162,373</u>	<u>P37,260,172</u>
Basic and diluted earnings per share	30	<u>P0.18</u>	<u>P0.10</u>	<u>P0.17</u>	<u>P0.10</u>

(The notes on pages 7 to 83 are an integral part of these consolidated financial statements.)

CALATA CORPORATION AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED
JUNE 30, 2015 AND 2014 (UNAUDITED)

	Note	For six-month period ended June 30, 2015	For three-month period ended June 30, 2015	For six-month period ended June 30, 2014	For three-month period ended June 30, 2014
Profit for the year		P66,205,434	P30,203,942	P62,162,373	P37,260,173
<i>Other comprehensive income</i>					
<i>Item that will not be reclassified to profit or loss</i>		-	-	-	-
Remeasurement gain (loss) on defined benefit plans, net of tax		-	-	-	-
Total comprehensive income		<u>P66,205,434</u>	<u>P30,203,942</u>	<u>P62,162,373</u>	<u>P37,260,173</u>
<i>Attributable to:</i>					
Owners of the Parent		P67,015,808	P30,624,715	P62,162,373	P37,260,172
Non-controlling interests		(810,374)	(420,773)	-	-
		<u>P66,205,434</u>	<u>P30,203,942</u>	<u>P62,162,373</u>	<u>P37,260,172</u>

(The notes on pages 7 to 83 are an integral part of these consolidated financial statements.)

CALATA CORPORATION AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2015 AND YEAR ENDED December 31, 2014 (UNAUDITED)

	Attributable to owners of the Parent Company						Total	Non-controlling interests	Total equity
	Note	Share capital (Note 18)	Share premium (Note 18)	Treasury shares (Note 18)	Retained earnings (Note 19)	Remeasurement gain (loss) on defined benefit plans			
At January 1, 2014		P360,112,000	P209,157,649	(P1,015,190)	P178,079,086	(P718,221)	P745,615,324	P-	P745,615,324
Initial investment		-	-	-	-	-	-	3,062,500	3,062,500
Net income for the six-month period		-	-	-	24,902,200	-	24,902,200	-	24,902,200
Total comprehensive income		-	-	-	-	-	-	-	-
At June 30, 2014		<u>360,112,000</u>	<u>209,157,649</u>	<u>(1,015,190)</u>	<u>202,981,286</u>	<u>(718,221)</u>	<u>P70,517,524</u>	<u>3,062,500</u>	<u>773,580,024</u>
Net income for the six-month period		-	-	-	102,808,690	-	-	-	102,808,690
Other comprehensive income		-	-	-	-	429,414	-	-	-
At December 31, 2014		<u>360,112,000</u>	<u>209,157,649</u>	<u>(1,015,190)</u>	<u>305,789,976</u>	<u>(288,807)</u>	<u>873,755,628</u>	<u>5,615,135</u>	<u>879,370,763</u>
Net income for the six-month period		-	-	-	67,015,808	-	67,015,808	(801,374)	66,205,434
Stock dividends distributable		-	215,896,200	-	(215,896,200)	-	-	-	-
At June 30, 2015		<u><u>P360,112,000</u></u>	<u><u>P425,053,849</u></u>	<u><u>(P1,015,190)</u></u>	<u><u>156,909,584</u></u>	<u><u>(P288,807)</u></u>	<u><u>940,771,436</u></u>	<u><u>P4,804,761</u></u>	<u><u>945,576,197</u></u>

(The notes on pages 7 to 83 are an integral part of these consolidated financial statements.)

CALATA CORPORATION AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIODS ENDED
JUNE 30, 2015 AND 2014 (UNAUDITED)

	Notes	2015	2014
Cash flows from operating activities			
Profit before tax		P100,988,161	P88,739,674
Adjustments for:			
Depreciation and amortization	15, 22	10,504,369	(9,919,310)
FV adjustment		-	-
Impairment loss on trade receivables		-	-
Retirement benefit costs	22, 27	330,499	515,831
Gain on disposal of property and equipment		-	-
Finance income	24	(4,189,500)	(932,124)
Finance costs	25	21,425,553	15,748,005
Operating income before working capital changes		<u>129,059,082</u>	<u>94,152,076</u>
Decrease (increase) in:			
Trade and other receivables		(14,886,937)	(59,720,023)
Advances to related parties		(5,163,422)	(69,832,291)
Inventories		(35,370,508)	27,565,909
Other current assets		(309,818)	(12,200)
Increase (decrease) in:			
Trade and other payables		(13,286,856)	5,121,606
Advances from related parties		<u>(7,519,271)</u>	<u>(4,951,426)</u>
Cash provided by operations		52,522,269	(7,676,349)
Finance income received		4,189,500	642,624
Income tax paid		<u>(51,510,308)</u>	<u>(43,069,892)</u>
Net cash provided by (used in) operating activities		<u>5,201,461</u>	<u>(50,103,617)</u>
Cash flows from investing activities			
Acquisition of investment properties		(4,731,549)	-
Decrease (increase) in advances to related parties	26	-	(1,053,085)
Acquisition of property and equipment	15	(8,458,745)	17,895,840
Acquisition of biological assets		-	3,062,500
Disposal of property and equipment		-	19,905,255
Net cash used in investing activities		<u>(13,190,294)</u>	<u>(1,053,085)</u>
Cash flows from financing activities			
Non-controlling interests in subsidiary			-
Net availments (payments) of borrowings	17	(12,050,380)	79,907,211
Finance costs paid		<u>(21,295,057)</u>	<u>(15,642,786)</u>
Net cash used in financing activities		<u>(33,345,437)</u>	<u>(95,549,997)</u>
Net decrease in cash and cash equivalents		(41,334,270)	(125,748,359)
Cash and cash equivalents			
January 1		<u>378,513,908</u>	<u>444,963,063</u>
June 30		<u><u>P337,179,638</u></u>	<u><u>P319,214,704</u></u>

(The notes on pages 7 to 83 are an integral part of these consolidated financial statements.)

CALATA CORPORATION AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT JUNE 30, 2015 (UNAUDITED) AND DECEMBER 31, 2014 (AUDITED) AND FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2015 AND 2014 (UNAUDITED)

NOTE 1 - CORPORATE INFORMATION

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

Calata Corporation

Calata Corporation (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, swine livestock, 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.

On January 5, 2010, the Parent Company's Board of Directors (BOD) amended its By-laws to change the corporate name from Planters Choice Agro Products, Inc. to Calata Corporation. On February 22, 2010, the SEC issued a Certificate of Amendment approving the said amendment.

On August 5, 2011, the Parent Company's BOD amended its article of incorporation to increase its authorized share capital from P1,000,000 to P345,400,000 with par value of P100 to P1, respectively (see Note 18). On August 17, 2011, the SEC issued a Certificate of Amendment approving the said amendment.

On August 18, 2011, the Parent Company's BOD amended its article of incorporation to increase its authorized share capital from P345,400,000 to P845,400,000 (see Note 18). On August 25, 2011, the SEC issued a Certificate of Amendment approving the said amendment.

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 18). 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.

On January 31, 2012, the Parent Company's BOD amended its article of incorporation to change the primary purpose of the Parent Company to include the cultivation of land and other natural resources and on the other hand, to include the sale, at wholesale or retail, of livestock such as chicken, fowl, cattle, calves, swine livestock, goats, sheep, lambs, all kinds of livestock and other animals, as may be permitted by law, for food purposes; and food and agricultural products including all kinds of goods, commodities, wares and merchandise of every kind and descriptions whether natural or artificial. On February 6, 2012, the SEC issued a Certificate of Amendment approving the said amendment.

On July 19, 2012, the Parent Company's BOD approved the conversion of its P55,455,249 worth of advances to equity shares in Agri Phil Corporation (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 Current Report (SEC Form 17-C) and the uploading thereof with the PSE via the PSE Online Disclosure System.

On September 30, 2012, the complete acquisition of APC had been implemented and reflected in the books of the Parent Company's SEC Form 17-Q which was filed with the SEC and uploaded with the PSE via the PSE Online Disclosure System. APC has been included in the consolidated financial statements for the year ended December 31, 2012.

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

The Parent Company's common shares were listed and commenced trading on May 23, 2012 in the Philippine Stock Exchange (PSE) with the ticker code CAL.

Agri Phil Corporation

Agri Phil Corporation (APC) was incorporated under the laws of the Republic of the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) per Registration No. CS201100828 on January 18, 2011.

The primary purpose of APC is to engage in, conduct, and carry on the business of import/export, buying, selling, distributing, marketing, at wholesale and retail in so far as permitted by law, all kinds of goods, commodities, wares and merchandise of every kind and description such as but not limited to agricultural products likes pesticides, fertilizers, feeds, pet supplies and accessories and agricultural equipments and machineries; to enter into all kinds of contracts for the export, import, purchase, acquisition, sale at wholesale or retail and other distribution for its own account as principal or in representative capacity as manufacturer's representative, merchandise broker, commission merchants, factors or agents, upon consignment of all kinds of goods, wares, merchandise, or products whether natural or artificial.

APC is a wholly-owned subsidiary of the Parent Company.

APC's registered office address and principal place of business is at McArthur Highway, Banga 1st, Plaridel, Bulacan.

Brookfields Meat, Inc.

Brookfields Meat Inc. (BMI) was organized under the laws of the Republic of the Philippines and registered in the Securities and Exchange Commission (SEC) on December 11, 2013 per SEC Registration No. CS201323470.

BMI is engaged in trading and processing of goods such as, but not limited to, meat and its by-products and other animals as may be permitted by law, for food purposes on wholesale and retail basis, the business of manufacturing, preparing, stocking, packing, buying, selling, importing and exporting, dealing in and delivering all kinds of livestock, meat additives, all types of chemicals and substances used for livestock and agriculture, which may be necessary or incidental to their manufacture inside or outside the Philippines and all kinds of materials and products and by-products arising out or used in the breeding and slaughtering of livestock and all agricultural activities for food purposes.

BMI is 51% owned of the Parent Company.

BMI started its commercial operation on January 2, 2014.

BMI's registered office address and principal place of business is at #35 Doña Rosario Ave., Doña Rosario Subdivision, Quezon City.

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 years presented, unless otherwise stated.

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

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 except for current biological assets which are measured at fair market value less estimated cost to sell at the point of harvest.

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

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

- **Amendments to PAS 1, *Presentation of Financial Statements, Disclosure Initiative*:** The amendments clarify some of its presentation and disclosure requirements to ensure that entities are able to use judgment when disclosing information in the financial statements. The amendments also require separate disclosure of an entity's share on items of other comprehensive income arising from investments accounted for using the equity method.

The amendments are effective beginning on or after January 1, 2016, with early adoption permitted. The adoption of the Amendments to PAS 1 will have no significant impact on the Group's consolidated financial position or performance.

- **Amendments to PAS 16 and PAS 38, *Clarification of Acceptable Methods of Depreciation and Amortization*:** The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have significant impact to the Group since the Group has not used a revenue-based method to depreciate its noncurrent assets.
- **Amendments to PAS 41, *Biological Assets - Agriculture: Bearer Plants*:** the amendments extend the scope of PAS 16 Property, Plant and Equipment to include bearer plants and define a bearer plant as a living plant that is used in the production process of agricultural produce, is expected to bear produce for more than one period; and has a remote likelihood of being sold (except incident scrap sales). The changes made result in bearer plants being accounted for in accordance with PAS 16 using either the cost or revaluation model. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. The Group is currently assessing the impact of the Amendments to PAS 41 and plans to adopt the Amendments on the required effective date.

ii. Standards, interpretations and amendments not relevant to the Group

- PFRS 14, *Regulatory Deferral Accounts (effective beginning on or after January 1, 2016)*
- Amendments to PFRS 11, *Accounting for Acquisitions of an Interest in a Joint Operation (effective beginning on or after January 1, 2016)*
- Amendments to PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements*

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries. Control is achieved when the Parent Company is exposed to, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee, if and only if, the Parent Company has:

- Power over the investee
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Parent Company's voting rights and potential voting rights

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Parent Company's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to intra-group transactions are eliminated in full on consolidation.

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.

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 profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of PAS 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
- It is held primarily for the purpose of trading
- It is 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 generally classified as noncurrent assets and liabilities.

2.5 Fair value measurement

For measurement and disclosure purposes, the Group determines the fair value of an asset or liability at initial measurement or at each statement of financial position date. 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 a 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.

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 OCI 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 OCI.

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 9, 10, 11, 26 and 29).

(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 June 30, 2015 and December 31, 2014.

(d) AFS financial assets

AFS financial assets 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 assets are subsequently measured at fair value with unrealized gains or losses recognized as OCI 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 assets 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.

Continuing involvement that takes the form of a guarantee over transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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 financial assets

For AFS financial assets, 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 OCI 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 OCI.

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 16, 17, and 26).

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, 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. The Group designates a financial instrument as equity instrument if, and only if, the following conditions are met:

- (a) The instrument includes no contractual obligation:
 - i. to deliver cash or another financial asset to another entity; or
 - ii. to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer; and
- (b) If the instrument will or may be settled in the issuer's own equity instruments, it is:
 - i. a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments; or

- ii. a derivative that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments. For this purpose, rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.

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 (FIFO) 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 Biological Assets

The biological assets of the Group consist of swine livestock and are divided into three major categories as follows:

- Breeders (livestock bearer i.e. Great Grand Parent “GGP” and/or Grand Parent “GP”)
- Sucklings (breeders’ offspring which is still dependent or attached to the bearer biological asset)
- Weanlings (comes from sucklings intended to be a replenishment breeder or to be sold as a breeder or a fattener)

Consumable biological assets are those that are to be harvested as agricultural produce or sold as biological assets while bearer biological assets are those other than consumable biological assets. Bearer biological assets are not agricultural produce but, rather, are self-regenerating.

Biological assets are also classified either as mature biological assets or immature biological assets. Mature biological assets are those that have attained harvestable specifications (for consumable biological assets) or are able to sustain regular harvests (for bearer biological assets).

Biological assets are measured on initial recognition and at each reporting date at its fair value less costs to sell, except for a biological asset where fair value is not clearly determinable. Agricultural produce harvested from an entity’s biological assets are measured at its fair value less estimated costs to sell at the time of harvest.

The Group is unable to measure fair values reliably for its swine livestock breeders and sucklings in the absence of: (a) available market-determined prices or values; and (b) alternative estimates of fair values that are determined to be clearly reliable; thus, these biological assets are measured at cost less accumulated depreciation and impairment loss, if any. However, once the fair values become reliably measurable, the Group measures these biological assets at their fair values less estimated costs to sell.

Agricultural produce is the harvested product of the Group’s biological assets. A harvest occurs when agricultural produce is either detached from the bearer biological asset or when the biological asset’s life processes cease. A gain or loss arising on initial recognition of agricultural produce at fair value less costs to sell shall be included in profit or loss in the statement of comprehensive income in the period in which it arises. The agricultural produce in swine livestock is the suckling that transforms into weanling intended to be a replenishment breeder or to be sold as a breeder or a fattener.

Biological assets at cost

The cost of a biological asset comprises its purchase price and any costs attributable in bringing the biological asset to its location and conditions intended by management.

When fair value cannot be reliably, verifiably and objectively determined, biological assets are valued at production cost less accumulated depreciation, and any cumulative impairment loss (reduction). Depreciation related to biological assets forms part of the cost of biological assets for sale (weanlings) and is ultimately recognized within the cost of sales in the consolidated statement of income and other comprehensive income.

Depreciation is computed using the straight-line method over the EUL of the biological assets, regardless of utilization. The estimated useful life of biological assets is reviewed annually based on expected utilization as anchored on business plans and strategies that consider market behavior to ensure that the period of depreciation is consistent with the expected pattern of economic benefits from the biological assets. The EUL of biological assets is three years.

The carrying values of biological assets at cost are reviewed for impairment, when events or changes in circumstances indicate that the carrying values may not be recoverable (see further discussion under impairment of nonfinancial assets).

This accounting policy applies to the Group's swine livestock breeders.

Biological assets carried at fair values less estimated costs to sell

Swine livestock (weanlings) are measured at their fair values less costs to sell. The fair values are determined based on current market prices of livestock of similar age, breed and genetic merit. Costs to sell include commissions to brokers and dealers and nonrefundable transfer taxes and duties. Costs to sell exclude transport and other costs necessary to get the biological assets to the market.

A gain or loss on initial recognition of a biological asset carried at fair value less estimated costs to sell and from a change in fair value less estimated costs to sell of a biological asset is included under 'Cost of sales and services' in profit or loss in the consolidated statement of comprehensive income in the period in which it arises.

2.13 Investment properties

Investment properties consist of properties held to earn rentals and/or for capital appreciation but not for sale in the ordinary course of business, used in the production or supply of services or for administrative purposes.

Investment properties (including investment properties under construction) are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such an asset cannot be measured in which case the investment property acquired is measured at the carrying amount of the asset given up.

Subsequent to initial recognition, investment property is carried at cost less accumulated depreciation and impairment in value. Investment property is subject to regular impairment tests. An impairment loss is recognized for the amount by which the property's carrying amount exceeds its recoverable amount, which is the higher of the property's fair value less costs to sell and value in use.

Investment properties are derecognized either when they have been disposed of or when they are permanently withdrawn from use and no future benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the statement of income in the period of derecognition.

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are normally charged to operations in the year which the costs are incurred.

Land is not depreciated. Depreciation is charged so as to allocate the cost of the assets less their residual values, if any, over their estimated useful lives using straight-line method. The estimated useful life used for the depreciation of building is 10 years.

Transfers are made to (or from) investment properties only when there is a change in use. For a transfer from investment properties to owner-occupied properties, the deemed cost for subsequent accounting is the carrying amount at the date of change in use. If owner-occupied properties become investment properties, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of 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.

2.14 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.

Farm lands 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 statements of income.

The estimated useful lives and depreciation and amortization method are reviewed periodically, and adjusted prospectively, if appropriate, 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.

2.15 Refundable security deposits

Refundable security deposits represent payments made in relation to the lease agreements entered into by the Group. These are carried at cost and will generally be applied as lease payments toward the end of the lease terms or refunded to the Group.

2.16 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets such as inventories, investment properties, property and equipment, investment in subsidiaries and noncurrent biological assets 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.

2.17 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are classified as current liabilities if payment is due within one year or less (or within the normal operating cycle of the business if longer); otherwise, they are presented as noncurrent liabilities.

Withholding tax payable which represent taxes retained by the Group for an item of income required to be remitted to the BIR on or before the 10th day of the following month. The obligation of the Group to deduct and withhold the taxes arises at the time an income payment is paid or payable, or the income payment is accrued or recorded as an expense or asset, whichever comes first. The term "payable" refers to the date the obligation becomes due, demandable or legally enforceable.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the EIR method.

2.18 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 consolidated 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.

2.19 Employee benefits

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate 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 consolidated 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 OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

2.20 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost using EIR method, which ensures that any finance cost over the period of repayment is at a constant rate on the balance of the liability carried in the consolidated statements of financial position.

The Group classifies borrowings as current liabilities if settlement is expected within one year or less, and the Group does not have the right to defer settlement of the liabilities and does not breach any loan provisions on or before the end of the reporting period. Otherwise, these are presented as noncurrent liabilities.

2.21 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, are recorded as expenses 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.

2.22 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.

2.23 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.

2.24 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 Group's BOD.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value remeasurement 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.

2.25 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 agro-products, meat and swine livestock

Revenue from the sale of agro-products and swine livestock 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 agro-products, meat and swine livestock;
- b. the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the agro-products, meat and swine livestock 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 contract growing 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.

2.26 Costs and expense recognition

Costs and expenses are recognized in the consolidated statements 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 statements 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 statements of financial position as an asset.

Costs and expenses in the consolidated statements 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.

2.27 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.

2.28 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 OCI 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.

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.

2.29 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.

2.30 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.

2.31 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.

2.32 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 year to acquire property, and equipment.

Segment information is disclosed in Note 8 of the consolidated financial statements.

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

Going concern

The Group's management has made an assessment on the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue their business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

Determination of functional currency

The consolidated financial statements are presented in Philippines Peso, which is also the Group'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 6.

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 29.

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 June 30, 2015 and December 31, 2014 (see Note 11). The carrying value of trade and other receivables amounted to P283,469,802 and P268,582,864 as at June 30, 2015 and December 31, 2014, respectively (see Note 10). The Group did not provide an allowance for impairment loss on trade receivables for the six-month period ended June 30, 2015 and 2014.

Determination of NRV and impairment of inventories

The Group, in determining the NRV, considers any adjustment necessary for obsolescence which is generally providing a 100% write down for nonmoving items for more than one year. The Group adjusts the cost of inventory to the recoverable value at a level considered adequate to reflect any market decline in the value of the recorded inventories. The Group reviews the classification of the inventories and generally provides adjustments for recoverable values of new, actively sold and slow-moving inventories by reference to prevailing values of the same inventories in the market.

The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. An increase in inventory obsolescence and market decline would increase recorded operating expenses and decrease current assets.

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 six-month periods ended June 30, 2015 and 2014. The carrying amount of inventories amounted to P189,027,326 and P153,656,818 as at June 30, 2015 and December 31, 2014, respectively (see Note 12).

Impairment of non-financial assets other than inventories and biological assets for sale (weanlings)

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 non-current biological assets, investment properties and property and equipment as at June 30, 2015 and December 31, 2014 for impairment. Based on the results of its evaluation, there were no indications that the non-financial assets were impaired, thus, no impairment loss needs to be recognized in the six-month period June 30, 2015 and 2014.

The details of the carrying values as at June 30, 2015 and December 31, 2014 of the Group's non-financial assets are as follow:

	June 30, 2015	December 31, 2014
Noncurrent biological assets (Note 13)	P47,191,318	P56,162,357
Investment properties (Note 14)	396,803,232	392,071,683
Property and equipment, net (Note 15)	431,169,484	434,249,610
	<u>P875,164,034</u>	<u>P882,483,650</u>

Estimation of useful lives of investment properties and 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 six-month periods ended June 30, 2015 and 2014.

Estimation of useful lives of biological assets at cost

The EUL of noncurrent biological assets is reviewed annually based on expected utilization as anchored on business plans and strategies that considers market behavior to ensure that the period of depreciation is consistent with the expected pattern of economic benefits from items of biological assets. The EUL of noncurrent biological assets at cost is three years as set out in Notes 2.12.

Determination of fair values less estimated costs to sell of biological assets for sale (weanlings)

The fair values of swine for sales are determined based on current market prices of livestock of similar age, breed and genetic merit. Costs to sell costs include commissions to brokers and dealers, nonrefundable transfer taxes and duties. Costs to sell exclude transportation and other costs necessary to get the biological assets to the market. The fair values are reviewed and updated, if expectations differ from previous estimates due to changes brought by both physical change and price changes in the market. It is possible that future results of operations could be materially affected by changes in these estimates brought about by the changes in factors mentioned.

The Group recognized gains arising from changes in the fair market value of biological assets included in 'Other operating income net' in the consolidated statements of income amounting to nil in June 30, 2015 and 2014 (see Notes 13).

The carrying value of the Group's biological assets carried at fair values less estimated costs to sell is disclosed in Note 13 to the consolidated financial statements.

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 P4,007,635 and P3,833,997 as at June 30, 2015 and December 31, 2014, respectively (see Note 28).

Revenue from contract growing

The Group's revenue recognition policy with regard to its contract growing requires the use of estimates and assumptions that may affect the reported amounts of revenues and receivables. The Group 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 Group as stated in the service agreements is carried out (see Note 28). 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 contract growing operations in 2013 and the revenue earned from contract growing for the six-month periods ended June 30, 2015 and 2014 amounted to nil and P6,913,477 respectively (see Note 20).

Revenue from contract growing

The Group's revenue recognition policy with regard to its contract growing requires the use of estimates and assumptions that may affect the reported amounts of revenues and receivables. When the outcome of the transaction involving the rendering of services can be measured reliably, revenue associated with the transaction is recognized by reference to the stage of completion of the transaction.

The Group started its meat processing operations in 2013 and the revenue earned from meat processing for the six-month periods ended June 30, 2015 and 2014 amounted to Nil and P6,913,477, respectively. (see Note 19).

Revenue from meat processing

The Group's revenue recognition policy with regard to its meat processing requires the use of estimates and assumptions that may affect the reported amounts of revenues and receivables. When the outcome of the transaction involving the rendering of services can be measured reliably, revenue associated with the transaction is recognized by reference to the stage of completion of the transaction. Service is deemed completed when the meat has been processed into specified cuts as agreed with the customers.

The Group started its meat processing operations in 2014 and the revenue earned from meat processing for the six-month periods ended June 30, 2015 and 2014 amounted to Nil (see Note 19).

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 27. Retirement liability amounted to P6,072,382 and P5,611,387 as at June 30, 2015 and December 31, 2014, respectively. Net retirement benefit costs presented under operating expenses amounted to P330,498 and P515,831 for the six-month periods ended June 30, 2015 and 2014, respectively (see Notes 22) while net interest on defined benefit obligation presented under finance costs amounted to P130,496 and P105,219 the six-month periods ended June 30, 2015 and 2014, respectively (see Note 25).

NOTE 4 - FAIR VALUE MEASUREMENT

The following methods and assumptions were used to estimate the fair value of each asset and liability for which it is practicable to estimate such value:

Cash and cash equivalents, trade and other receivables, trade and other payables and short-term borrowings. Carrying amounts approximate their fair values due to the relatively short-term maturities of these instruments.

Amounts due from and due to related parties. Carrying amounts of due from and due to related parties which are collectible/payable on demand approximate their fair values. Due from related parties are unsecured and have no foreseeable terms of repayments.

Biological assets. Swine livestock for sale (weanlings) are measured at their fair values less costs to sell. The fair values are determined based on current market prices of livestock of similar age, breed and genetic merit. Costs to sell include commissions to brokers and dealers, nonrefundable transfer taxes and duties. Costs to sell exclude transport and other costs necessary to get the biological assets to the market.

Investment properties. The carrying amount of the investment properties approximates its fair value as of reporting date. Fair value of investment properties are based on market data (or direct sales comparison) approach. This approach relies on the comparison of recent sale transactions or offerings of similar properties which have occurred and/or offered with close proximity to the subject property. The fair values of the Group's investment properties have been determined by independent external appraisers, in the basis of the recent sales of similar properties in the same areas as the investment properties and taking into account the economic conditions prevailing at the time of the valuations are made. The Group has determined that the highest and best use of the property used for the land and building is its current use.

Long-term borrowings. The fair value of long-term borrowings is based on the discounted value of future cash flows (interests and principal) using the applicable rates for similar types of loans. The discount rates used range from 9.87% to 10.47% in 2014 and 2013.

Fair value hierarchy assets and liabilities

Assets and liabilities carried at fair value are those whose fair values are required to be disclosed.

- Level 1: quoted (unadjusted) prices in active market for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows the Parent Company's asset carried at fair value:

		June 30, 2015 and December 31, 2014				
		Carrying value	Level 1	Level 2	Level 3	Total fair value
Biological assets (Note 13)						
Current		P13,007,997	P13,007,997	P-	P-	P13,007,997
		December 31, 2014				
		Carrying value	Level 1	Level 2	Level 3	Total fair value
Biological assets (Note 13)						
Current		P3,344,996	P3,344,996	P-	P-	P3,344,996

The Group has no assets and liabilities carried at fair values as at December 31, 2013.

Significant Unobservable Inputs

Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of lots in the area and estimate the impact of the lot size differences in land value.
Shape	Particular form or configuration of the lot. A highly irregular shape limits the usable area whereas an ideal lot configuration maximizes the usable area of the lot which is associated in designing an improvement which conforms with the highest and best use of the property.
Location	Location of comparative properties whether on a main road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a main road are superior to properties located along a secondary road.
Time element	An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investor's perceptions of the market over time. In which case, the current data is superior to historic data.
Discount	Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equity.
Risk premium	The return in excess of the risk-free rate of return that an investment is expected.

Assets and liabilities carried at amortized cost for which fair values are disclosed:

The table below summarizes the fair value hierarchy of the Group's assets and liabilities which are not measured at fair value in the consolidated financial position as at June 30, 2015 December 31, 2014 and but for which fair values are disclosed.

	June 30, 2015				
	Carrying value	Level 1	Level 2	Level 3	Total fair value
Financial assets					
<i>Loans and receivables</i>					
Cash and cash equivalents (Note 9)	P337,179,638	P337,179,638	P-	P-	P337,179,638
Trade and other receivables, net* (Note 10)	278,398,630	-	-	278,398,630	278,398,630
Loans receivable (Note 11)	9,650,000	-	-	9,650,000	9,650,000
Advances to related parties (Note 26)	101,647,634	-	-	101,647,634	101,647,634
Refundable security deposit (Note 29)	1,652,566	-	-	1,652,566	1,652,566
	728,528,468	337,179,638	-	391,348,830	728,528,468
Investment properties (Note 14)	396,803,232	-	396,803,232	-	396,803,232
Biological assets					
Noncurrent (Note 13)	47,191,318	-	47,191,318	-	47,191,318
	443,994,550	-	443,994,550	-	443,994,550
	P1,172,523,018	P337,179,638	P443,994,550	P391,348,830	P1,172,523,018
	June 30, 2015				
	Carrying value	Level 1	Level 2	Level 3	Total fair value
Financial liabilities					
<i>Other financial liabilities</i>					
Trade payables and other payables (Note 16)*	P108,738,728	P-	P-	P108,738,728	P108,738,728
Borrowings (Note 17)	704,932,133	-	-	704,932,133	704,932,133
Advances from related parties (Note 26)	9,040,525	-	-	9,040,525	9,040,525
	P822,711,386	P-	P-	P822,711,386	P822,711,386
	December 31, 2014				
	Carrying value	Level 1	Level 2	Level 3	Total fair value
Financial assets					
<i>Loans and receivables</i>					
Cash and cash equivalents (Note 9)	P378,513,908	P378,513,908	P-	P-	P378,513,908
Trade and other receivables, net* (Note 10)	261,847,051	-	-	261,847,051	261,847,051
Loans receivable (Note 11)	9,650,000	-	-	9,650,000	9,650,000
Advances to related parties (Note 26)	97,176,174	-	-	97,176,174	97,176,174
Refundable security deposit (Note 29)	1,652,566	-	-	1,652,566	1,652,566
	P748,839,699	P378,513,908	P-	P370,325,791	P748,839,699
Investment properties (Note 14)	392,071,683	-	392,071,683	-	392,071,683
Biological assets					
Noncurrent (Note 13)	56,162,357	-	56,162,357	-	56,162,357
	448,234,040	-	448,234,040	-	448,234,040
	P1,197,073,739	P378,513,908	P448,234,040	P370,325,791	P1,197,073,739
	December 31, 2014				
	Carrying value	Level 1	Level 2	Level 3	Total fair value
Financial liabilities					
<i>Other financial liabilities</i>					
Trade payables and other payables (Note 16)*	P112,329,759	P-	P-	P112,329,759	P112,329,759
Borrowings (Note 17)	716,982,511	-	-	716,982,511	716,982,511
Advances from related parties (Note 26)	22,719,986	-	-	22,719,986	22,719,986
	P852,032,256	P-	P-	P852,032,256	P852,032,256

*Excluding government liabilities

**Excluding advances to employees and suppliers

Description of significant unobservable inputs to valuation:

Account	Valuation technique	Significant unobservable inputs
Loans and receivable	Discounted cash flow method	4.85% risk premium rate
Investment properties	Market data approach	Price per square meter, size, shape, location, time, element and discount
Long term borrowings	Discounted cash flow method	5.12% to 5.72% risk premium rate

Significant increases (decreases) in price per square meter and size of investment properties would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in discount would result in a significantly lower (higher) fair value of the properties.

NOTE 5 - FINANCIAL INSTRUMENTS

The following table shows the classification, carrying values and fair values of the Group's financial assets and financial liabilities as at December 31, 2014 and June 30, 2015:

	June 30, 2015		December 31, 2014	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
<i>Loans and receivables</i>				
Cash and cash equivalents (Note 9)	P337,179,638	P337,179,638	P378,513,98	P378,513,908
Trade and other receivables, net* (Note 10)	278,398,630	278,398,630	261,847,051	261,847,051
Loans receivable (Note 11)	9,650,000	9,650,000	9,650,000	9,650,000
Advances to related parties (Note 25)	101,647,634	101,647,634	97,176,174	97,176,174
Refundable security deposit (Note 28)	1,652,566	1,652,566	1,652,566	1,652,566
	P728,528,468	P728,528,468	P748,839,69	P748,839,699

*Exclusive of advances to suppliers and employees

	June 30, 2015		December 31, 2014	
	Carrying value	Fair value	Carrying value	Fair value
Financial liabilities:				
<i>Other financial liabilities</i>				
Trade and other payables (Note 16)*	P108,738,728	P108,738,728	P112,329,759	P112,329,759
Borrowings (Note 17)	704,932,133	704,932,133	716,982,511	716,982,511
Advances from related parties (Note 25)	9,040,525	9,040,525	22,719,986	22,719,986
	P822,711,386	P822,711,386	P852,032,256	P852,032,256

*Exclusive of government liabilities

Due to the short-term nature of the transactions, the carrying amounts of cash and cash equivalents, trade and other receivables, loans receivable, and borrowings, 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 fair value of the long term loans receivable is based on its carrying amount which approximates the discounted value of future cash flows using its interest rate of 6% payable on the balance at the end of every month.

The income, expense, gains and/or losses recognized from financial instruments for the six-month periods ended June 30, 2015 and 2014 are as follows:

	<u>June 30, 2015</u>	<u>December 31, 2014</u>
Finance costs (Note 24)	<u>P21,295,057</u>	<u>P15,642,786</u>
Finance income (Note 23)	<u>P4,189,500</u>	<u>P932,124</u>

There are no non-cash settlement made for the six-months period ended June 30, 2015 and 2014 that involves 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 6 - 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 policies 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

	<u>June 30, 2015</u>	<u>December 31, 2014</u>
Outstanding balance	P704,932,133	P716,982,513

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
2015	+1%	(P6,888,110)
	-1%	P6,888,110
2014	+1%	(P6,888,110)
	-1%	P6,888,110
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 June 30, 2015 and December 31, 2014 are as follows:

	June 30, 2015		December 31, 2014	
	Amount in foreign currency	Peso equivalent	Amount in foreign currency	Peso equivalent
Monetary asset				
Cash in bank (Note 9)				
US Dollar (US\$)	US\$4,000,000	P180,800,000	US\$4,000,000	P187,244,000
Monetary liabilities				
Trade payables (Note 16)				
Euro (€)	€250,000	P12,700,075	€250,000	P13,815,525

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*	
		2015	2014
US\$	+10%	P18,800,000	P18,724,400
	-10%	(P18,800,000)	(P18,724,400)
€	+10%	P1,270,008	P1,381,523
	-10%	(P1,270,008)	(P1,381,523)

*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 June 30, 2015 and December 31, 2014:

	June 30, 2015	December 31, 2014
Cash in banks and cash equivalents (Note 9)	P328,988,937	P369,755,519
Trade and other receivables* (Note 10)	281,562,764	265,011,185
Advances to related parties (Note 25)	9,650,000	97,176,174
Loans receivables (Note 11)	101,647,634	9,650,000
Refundable security deposit (Note 28)	1,652,566	1,652,566
	<u>P723,501,901</u>	<u>P743,245,444</u>

*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 June 30, 2015 and December 31, 2014:

June 30, 2015	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		31-60 days	61-90 days	Over 90 days		
<i>Loans and receivables</i>						
Cash in banks and cash equivalents	P328,988,937	P-	P-	P-	P-	P328,988,937
Trade and other receivables*	269,890,583	1,837,103	36,445	6,634,499	3,164,134	281,562,764
Advances to related parties	9,650,000	-	-	-	-	9,650,000
Loans receivable	101,647,634	-	-	-	-	101,647,634
Refundable security deposit	1,652,566	-	-	-	-	1,652,566
	P711,829,720	P1,837,103	P36,445	P6,634,499	P3,164,134	P723,501,901

December 31, 2014	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		31-60 days	61-90 days	Over 90 days		
<i>Loans and receivables</i>						
Cash in banks and cash equivalents	P339,678,735	P-	P-	P-	P-	P369,755,519
Trade and other receivables*	246,362,107	1,837,103	36,445	6,634,499	3,164,134	258,034,288
Advances to related parties	9,650,000	-	-	-	-	97,176,174
Loans receivable	150,275,682	-	-	-	-	9,650,000
Refundable security deposit	1,652,566	-	-	-	-	1,652,566
	P747,619,090	P1,837,103	P36,445	P6,634,499	P3,164,134	P736,268,547

*Exclusive of advances to suppliers and employees

There were no other 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 June 30, 2015 and December 31, 2014:

	June 30, 2015						
	Neither past due nor impaired				Past due but not impaired	Impaired	Total
	High grade	Standard grade	Substandard grade	Unrated			
<i>Loans and receivables</i>							
Cash in banks and cash equivalents	P328,988,937	P-	P-	P-	P-	P-	P328,988,937
Trade and other receivables	269,890,583	-	-	-	8,508,047	3,164,134	281,562,764
Advances to related parties	9,650,000	-	-	-	-	-	9,650,000
Loans receivable	101,647,634	-	-	-	-	-	101,647,634
Refundable security deposit	1,652,566	-	-	-	-	-	1,652,566
	<u>P711,829,720</u>	<u>P-</u>	<u>P-</u>	<u>P-</u>	<u>P8,508,047</u>	<u>P3,164,134</u>	<u>P723,501,901</u>
	December 31, 2014						
	Neither past due nor impaired				Past due but not impaired	Impaired	Total
	High grade	Standard grade	Substandard grade	Unrated			
<i>Loans and receivables</i>							
Cash in banks and cash equivalents	369,755,519	P-	P-	P-	P-	P-	P369,755,519
Trade and other receivables	253,339,005	-	-	-	8,508,046	3,164,134	265,011,185
Advances to related parties	97,176,174	-	-	-	-	-	97,176,174
Loans receivable	9,650,000	-	-	-	-	-	9,650,000
Refundable security deposit	1,652,566	-	-	-	-	-	1,652,566
	<u>P731,573,264</u>	<u>P-</u>	<u>P-</u>	<u>P-</u>	<u>P8,508,046</u>	<u>P3,164,134</u>	<u>P743,245,444</u>

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 June 30, 2015 and December 31, 2014 respectively, based on the contractual undiscounted payments:

At June 30, 2015

	On demand	Within 1 year	More than 1 year but not more than 5 years	Total
Trade and other payables*	P108,738,728	P-	P-	P108,738,728
Borrowings	-	703,130,501	2,463,626	705,594,127
Advances from related parties	9,040,525	-	-	9,040,525
	<u>P117,779,253</u>	<u>P703,130,501</u>	<u>P2,463,626</u>	<u>P823,373,380</u>

**Exclusive of government liabilities*

At December 31, 2014

	On demand	Within 1 year	More than 1 year but not more than 5 years	Total
Trade and other payables*	P100,476,938	P-	P-	P100,476,938
Borrowings	-	714,540,382	3,114,262	717,654,644
Advances from related parties	66,070,899	-	-	66,070,899
	<u>P166,547,837</u>	<u>P714,540,382</u>	<u>P3,114,262</u>	<u>P884,202,481</u>

**Exclusive of government liabilities*

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

	June 30, 2015	December 31, 2014
Principal of loan	P704,932,132	P716,982,512
Current portion	(702,827,932)	(714,146,105)
Net of current portion	<u>P2,104,200</u>	<u>P2,836,407</u>
Future interest	P661,996	P672,132
Current portion	(302,568)	(394,277)
Net of current portion	<u>P359,428</u>	<u>P277,855</u>
Cash flow from principal of loan	P704,932,132	P716,982,512
Cash flow from future interest	661,996	672,132
	<u>P705,594,127</u>	<u>P717,654,644</u>

The Group holds liquid financial assets amounting to P722,297,075 and P800,864,614 and as at June 30, 2015 and December 31, 2014 respectively, that are expected to readily generate cash inflows for managing liquidity risk (see Note 6).

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 P940,287,063 and P873,755,628 as at June 30, 2015 and December 31, 2014, 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 2015 and 2014.

The Group has no externally imposed capital requirements.

NOTE 7 - BUSINESS COMBINATION

The following table summarizes the Parent Company's shareholdings on the investees:

Subsidiaries	Date of incorporation	Total number of shares subscribed	Par value	Total value of shares subscribed	Amount paid	Percentage of ownership
Agri Phil Corporation	January 18, 2011	64,955,249	P1	P64,955,249	P64,955,249	100%
Brookfields Meat Inc.	December 11, 2013	3,187,500	1	3,187,500	3,187,500	51%
				<u>68,142,749</u>	<u>P68,142,749</u>	

a. Agri Phil Corporation (APC)

Acquisition of APC

As discussed in Note 1 to the consolidated financial statements, 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 July 19, 2012. On August 3, 2012, the SEC approved said conversion which resulted to the Parent Company owning 85.37% equity stake in the shareholdings of APC. The investing public, including all the shareholders of the Parent Company have been informed of this development through timely and complete disclosure 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. 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.

Assets acquired and liabilities assumed

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

Assets	
Cash and cash equivalents	P21,529,109
Other receivables	606,887
Inventories	94,141,759
Property and equipment	28,045,513
	<u>144,323,268</u>
Liabilities	
Advances from related parties	29,944,280
Trade and other payables	47,842,868
	<u>77,787,148</u>
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	<u>P55,455,249</u>

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

On December 31, 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.

APC has contributed P- and 183,434,068 and revenues P- and P7,698,783 and profit before tax from continuing operations to the Group for the years six-month periods ended June 30, 2015 and December 31, 2014 respectively.

b. Brookfields Meat Inc. (BMI)

BMI was incorporated under the laws of the Republic of the Philippines and registered with the Philippine SEC. BMI is engaged in trading and processing of goods such as, but not limited to, meat and its by-products and other animals as may be permitted by law, for food purposes on wholesale and retail basis, the business of manufacturing, preparing, stocking, packing, buying, selling, importing and exporting, dealing in and delivering all kinds of livestock, meat additives, all types of chemicals and substances used for livestock and agriculture, which may be necessary or incidental to their manufacture inside or outside the Philippines and all kinds of materials and products and by-products arising out or used in the breeding and slaughtering of livestock and all agricultural activities for food purposes.

Acquisition of BMI

As discussed in Note 1 to the consolidated financial statements, the Parent Company acquired a 51% ownership stake in the shareholdings of BMI for a total cash consideration of P3,187,500 through the execution of a deed of acknowledgment of trust with assignment, which acknowledges and confirms that the majority shareholders of BMI entrust their shares as well as all the rights and interests accruing therefrom to the Parent Company on June 16, 2014. The acquisition of BMI was disclosed accordingly in the PSE via the PSE Online Disclosure System on June 17, 2014. The acquisition of BMI allows the Parent Company to pursue its meat business while enabling them to establish major supply agreements with large scale supermarkets including supply agreement with the country's largest retail chain, Puregold Supermarkets, hence, leading to increase in corporate profitability.

Assets acquired and liabilities assumed

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

Asset	
Cash and cash equivalents	P8,355,000
Liability	
Advances from related parties	<u>2,105,000</u>
Total identifiable net assets at fair value	6,250,000
Non-controlling interest measured at the non-controlling interest's share of the acquiree's identifiable net assets	<u>(3,062,500)</u>
Purchase consideration transferred	<u><u>P3,187,500</u></u>

BMI has contributed P69,273,615 revenue and P7,441,453 profit before tax from continuing operations to the Group for the year ended December 31, 2014.

BMI has been included in the consolidated financial statements for the year ended December 31, 2014.

NOTE 8 - 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 swine livestock and poultry owned by a third party and from selling meat. 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 six-month periods ended June 30, 2015 and 2014 are as follows (amounts in thousands):

	Distribution		Retail		Farming		Unallocated	
	2015	2014	2015	2014	2015	2014	2015	2014
Sales	P545,921	P544,430	P454,815	P372,256	P45,932	P6,913	P-	P-
Cost of sales	(468,128)	468,020	(401,044)	312,520	(28,917)	(2,087)	-	-
Operating expenses	(8,992)	25,894	(16,060)	21,220	-	(218)	(15,831)	-
Other operating income	11,974	8,915	127	-	-	-	-	-
Finance income	-	539,000	-	104	-	-	4,190	290
Finance costs	-	-	(16)	-	-	-	(21,410)	(15,748)
Provision for income tax	(18,244)	(13,369)	(11,351)	(11,586)	(5,104)	(1,382)	-	-
Profit (loss) for the year	62,529	47,361	26,471	27,034	11,910	3,226	(33,051)	(15,458)
Interest	-	-	16	-	-	-	15,831	15,748
Taxes	18,244	13,609	11,351	11,586	5,104	1,382	21,410	-
Depreciation and amortization	2,541	2,484	4,589	4,389	3,046	3,046	-	-
EBITDA	P83,315	P63,454	P42,427	P43,009	P20,060	P7,654	P4,190	P290

	Meat	
	2015	2014
Sales	P23,971	P-
Cost of sales and services	(18,144)	-
Operating expenses	(7,461)	-
Other operating income	62	-
Finance income	-	-
Finance costs	-	-
Provision for income tax	(82)	-
Profit (loss) for the year	(1,654)	-
Common operating expenses	-	-
Interest	-	-
Taxes	82	-
Depreciation and amortization	219	-
EBITDA	(P1,352)	P-

A reconciliation of the total EBITDA of the reportable segments to the Group's profit for the six-month periods ended June 30, 2015 and 2014 is provided as follows (amounts in thousands):

	Total	
	2015	2014
Sales	P1,070,639	P923,599
Cost of sales	(916,233)	(782,626)
Operating expenses	(48,344)	(46,332)
Other operating income	12,163	8,915
Finance income	4,190	932
Finance costs	(21,426)	(15,748)
Provision for income tax	(34,783)	(26,577)
Profit for the year	66,205	62,163
Interest	15,847	15,748
Taxes	56,192	26,577
Depreciation and amortization	10,395	9,919
EBITDA	P148,640	P114,407

The segment assets and liabilities as at June 30, 2015 and December 31, 2014 are as follows (amounts in thousands):

	Distribution		Retail		Farming	
	2015	2014	2015	2014	2015	2014
Segment assets	P913,403	P762,573	P221,228	P204,949	P203,154	P239,147
Segment liabilities	124,972	P139,012	29,174	P38,366	651,467	P66,847
Additions to property and equipment	6,836	P1,355	-	P3,463	-	P-

	Meat production		Unallocated	
	2015	2014	2015	2014
Segment assets	P81,350	P89,011	P497,082	P502,911
Segment liabilities	71,545	P77,552	-	P611,548
Additions to property and equipment	1,623	P56,570	-	P-

The total reportable segments' assets are reconciled to the Group's total assets as at June 30, 2015 and December 31, 2014 are as follows:

	<u>June 30, 2015</u>	<u>December 31, 2014</u>
Reportable segments' assets	P1,323,637,512	P1,322,239,637
Unallocated:		
Loans receivable (Notes 11 and 26)	9,650,000	9,650,000
Advances to related parties (Note 26)	74,808,511	64,777,097
Investment properties (Note 14)	396,803,232	392,071,683
Property and equipment (Note 15)	8,543,280	29,273,312
Deferred tax assets (Note 28)	3,972,296	3,833,997
Other noncurrent assets (Note 29)	3,305,133	3,305,132
	<u>1,820,719,964</u>	<u>P1,825,150,858</u>

The total reportable segments' liabilities are reconciled to the Group's total liabilities as at June 30, 2015 and December 31, 2014 is as follows:

	<u>June 30, 2015</u>	<u>December 31, 2014</u>
Reportable segments' liabilities	P223,677,263	P186,435,318
Unallocated:		
Borrowings	641,000,000	716,982,513
Advances from related parties (Note 25)	2,963,572	22,719,986
Retirement benefit liability (Note 26)	6,072,382	5,611,387
Deferred tax liabilities (Note 27)	1,430,550	173,700
	<u>P874,936,178</u>	<u>P931,922,904</u>

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, retirement benefit liability and deferred tax liabilities are not considered as segment liabilities.

All other segments include operating segment that did not meet the criteria to be included as reportable segment. It derives its revenue through sales from trading of meat products.

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 9 - CASH AND CASH EQUIVALENTS

The account consists of:

	<u>June 30, 2015</u>	<u>December 31, 2014</u>
Cash in banks	P272,988,937	P288,755,519
Cash on hand	8,190,701	8,758,389
Cash equivalents	56,000,000	81,000,000
	<u>P337,179,638</u>	<u>P378,513,908</u>

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 Nil for the six-month periods ended June 30, 2015 and 2014 (see Note 21).

NOTE 10 - TRADE AND OTHER RECEIVABLES, NET

The account consists of:

	<u>June 30, 2015</u>	<u>December 31, 2014</u>
Trade receivables	P271,034,560	P261,124,312
Advances to suppliers	3,524,030	3,524,030
Advances to employees	1,547,141	3,211,783
Accrued interest on loans receivable		
Third Party (Note 11)	-	-
Related Party (Notes 11 and 26)	4,768,500	579,000
Accrued interest on time deposits	184,458	184,458
Other receivables	5,575,207	3,123,415
	<u>286,633,896</u>	<u>271,746,998</u>
Allowance for impairment loss on trade receivables	<u>(3,164,134)</u>	<u>(3,164,134)</u>
	<u>P283,469,802</u>	<u>P268,582,864</u>

Trade receivables are from dealers and customers of the Group and are not interest-bearing. Normal credit terms of trade receivables are 30 days to 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 Nil and P3,164,134 as at June 30, 2015 and December 31, 2014, respectively. Details of changes in allowance for impairment loss of receivables are as follows:

	<u>June 30, 2015</u>	<u>December 31, 2014</u>
January 1	P3,164,134	P6,528,725
Provision during the year (Note 22)	-	639,880
Recovery of accounts previously provided with an allowance (Note 22)	-	(3,935,885)
Accounts written off	-	(68,586)
December 31	<u><u>P3,164,134</u></u>	<u><u>P3,164,134</u></u>

NOTE 11 - LOANS RECEIVABLE

The movements in the account are as follow:

Borrower	Interest rate	Terms	Security	At January 1, 2013	Collection during the year	At December 31, 2013	Availment during the year	Offsetting through purchase of investment properties and assumption of debt by a shareholder	Assumed by a related party	At December 31, 2014 and June 30, 2015
Avestha Holdings Corporation (Notes 25 and i)	6% per annum	3 years	Real estate properties	P120,000,000	(P120,000,000)	P-	P130,000,000	(P130,000,000)	P-	P-
Andres Lipana (ii)	6% per annum	1 year, renewable	Unsecured	9,650,000	-	9,650,000	-	-	(9,650,000)	--
Joseph H. Calata (ii)	6% per annum	1 year, renewable	Unsecured	-	-	-	-	-	9,650,000	9,650,000
Total				129,650,000	(P120,000,000)	9,650,000	P130,000,000	(P130,000,000)	P-	9,650,000
Less: Current portion				(9,650,000)		(9,650,000)				9,650,000
Loans receivable, net of current portion				<u>P120,000,000</u>		<u>P-</u>				<u>P-</u>

- i. On September 26, 2011, the Parent Company granted a loan to Avestha Holdings 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 25).

On June 30, 2014, Avestha Holdings Corporation re-availed a loan amounting to P130,000,000 from the Parent Company where principal of the loan will be payable after three (3) years with the same terms of the original loan agreement. On December 31, 2014, the parties to the loan agreement agreed to a non-cash settlement/offsetting of the said loan through purchase of various investment properties amounting to P143,310,844 (see Note 14).

- ii. The Parent Company has an existing outstanding loans receivable from Andres Lipana amounting to P9,650,000 out of the original P10,000,000 loan granted on November 4, 2010. The loan has a one-year term, renewable annually upon mutual agreement of both parties. The principal of the loan is subject to an interest rate of six percent (6%) per annum, payable at the end of every month. The original loan has been renewed in 2014, 2013 and 2012 with the same terms and conditions. On December 31, 2014, Joseph H. Calata (JHC) assumed the said loans receivable from Andres Lipana with the same terms of the original agreement. This loans receivable is presented under current assets in the consolidated statement of financial position.

The details and movements of accrued interest on these loans receivable are as follows (see Note 10):

	<u>June 30, 2015</u>	<u>December 31, 2014</u>
At January 1	P579,000	P772,000
Interest earned	4,189,500	4,479,000
Interest received	-	(4,672,000)
At March 31 and December 31	<u>P4,768,500</u>	<u>P579,000</u>

NOTE 12 - INVENTORIES

The account consists of:

	<u>June 30, 2015</u>	<u>December 31, 2014</u>
<i>Agro products</i>		
Chemicals	P84,505,585	P58,304,633
Feeds	79,030,069	8,976,350
Fertilizers	3,676,873	46,924,532
Seeds	3,606,008	14,164,012
Soya	1,456,476	3,409,585
	<u>172,275,011</u>	<u>131,779,112</u>
<i>Meat products</i>		
Beef cuts	2,390,486	7,929,361
Major primal cuts	4,512,131	5,803,116
Primal cuts	7,553,150	4,112,893
Retail cuts	2,296,547	4,032,336
	<u>16,752,314</u>	<u>21,877,706</u>
	<u>P189,027,326</u>	<u>P153,656,818</u>

The above inventories are carried at cost which is lower than the net realizable value (NRV). The Group has no unusual purchase commitments or inventories pledged as security for liabilities.

The major primal cuts consist of pork ham, pork shoulder, pork chop, and pork belly, primal cuts include pork leg, chuck ribs, pig tail, pork joints, shoulder blade, pork ribs and tenderloin, retail cuts include country style, adobo cut, ground pork, steak, steak, trotters and butterfly cut and beef cuts consist of briskets, cubes, sirloin, T-bone, ground beef, tenderloin, and tapa.

The cost of inventories recognized as expense amounted to P- and P425,130,393 and for the six-month periods ended June 30, 2015 and December 31, 2014, respectively (see Note 18).

NOTE 13 - BIOLOGICAL ASSETS

On October 15, 2014, the Group purchased one thousand one hundred 1,100 heads of breeder swine livestock composed of great grandparent (GGP) and grandparent (GP) breeding stocks for P45,000,000 from Topigs Philippines Inc. The Group paid of P10,000,000 for the down payment and the remaining balance of P35,000,000 to be paid based on the cash that will be generated from the farm operations (see Note 16).

On December 31, 2014, the Group purchased additional one hundred fifteen (115) GP breeding stock costing €250,000 payable in three (3) monthly equal installments starting February 15, 2015.

The Group is exposed to risks relating to its biological assets:

- Price volatility may negatively affect the Company's margins and results; and
- Animal breeding and meat processing are subject to sanitary risks and natural disasters.
- Typhoons and other adverse climate conditions may result in additional inventory losses and damage to the Group's facilities and equipment.

The movements of the biological assets are as follows:

	Current biological assets	Non- current biological assets	Total
Cost			
At January 1, 2014	P-	P-	P-
Net additions			-
Purchases	-	58,815,525	58,815,525
Depreciation from noncurrent biological assets	-	2,855,356	2,855,356
Production cost	811,827	622,551	1,434,378
Transfers to current	1,546,499	(1,546,499)	-
Fair value adjustment due to birth (Note 22)	(64,735)	-	(64,735)
Sales (Note 20)	(118,107)	-	(118,107)
Mortalities (Note 22)	(25,677)	(1,078,280)	(1,103,957)
Fair value adjustment due to growth (Note 22)	1,195,189	-	1,195,189
Culling (Note 22)	-	(736,363)	(736,363)
At December 31, 2014	<u>3,344,996</u>	<u>58,932,290</u>	<u>62,277,286</u>
Net additions			-
Depreciation from noncurrent biological assets	-	9,550,315	9,550,315
Production cost	-	1,610,000	1,610,000
Transfers to current	8,516,901	(8,516,901)	-
Fair value adjustment due to birth (Note 22)	(5,945,611)	-	(5,945,611)
Sales (Note 20)	(3,517,398)	-	(3,517,398)
Mortalities (Note 22)	-	(1,274,990)	(1,274,990)
Fair value adjustment due to growth (Note 22)	10,609,109	-	10,609,109
Culling (Note 22)	-	(789,149)	(789,149)
At June 30, 2015	<u>₱13,007,997</u>	<u>₱59,511,565</u>	<u>₱60,199,315</u>

Accumulated depreciation			
At January 1, 2014	-	-	-
Depreciation	-	(2,855,356)	(2,855,356)
Mortalities (Note 22)	-	43,280	43,280
Culling (Note 22)	-	42,143	42,143
At December 31, 2014	-	-	(2,769,933)
Depreciation	-	(2,769,933)	(2,769,933)
Mortalities (Note 22)	-	(9,550,315)	(9,550,315)
Culling (Note 22)	-	-	-
At June 30, 2015	-	<u>(12,320,247)</u>	<u>(12,320,247)</u>
Carrying value	<u>P13,007,997</u>	<u>P47,191,318</u>	<u>P60,199,315</u>
June 30, 2015			
Breakdown of mature and immature are as follows:			
Immature	P13,007,997	P1,610,001	P14,617,998
Mature	-	45,581,317	45,581,317
	<u>P13,007,997</u>	<u>P47,191,318</u>	<u>P60,199,315</u>
Breakdown of consumable and bearer are as follows:			
Consumable	P13,007,997	P1,610,001	P14,617,998
Bearer	-	45,581,317	45,581,317
	<u>P13,007,997</u>	<u>P47,191,318</u>	<u>P60,199,315</u>
December 31, 2014			
Breakdown of mature and immature are as follows:			
Immature	P1,126,400	P1,630,401	P2,756,801
Mature	2,218,596	54,531,956	56,750,552
	<u>P3,344,996</u>	<u>P56,162,357</u>	<u>P59,507,353</u>
Breakdown of consumable and bearer are as follows:			
Consumable	P3,344,996	P1,630,401	P4,975,397
Bearer	-	54,531,956	54,531,956
	<u>P3,344,996</u>	<u>P56,162,357</u>	<u>P59,507,353</u>

Based on management's assessment, there is no indication of impairment. The carrying amount of the biological assets can be recovered through its intended use.

The Group has no unusual purchase commitments or biological assets pledged as security for liabilities. The Company has no biological assets classified as held for sale.

NOTE 14 - INVESTMENT PROPERTIES

Investment properties consist of various land and building properties acquired by the Group set aside for undetermined future use. The movements in this account are as follows:

	<u>June 30, 2015</u>	<u>December 31, 2014</u>
At January 1	P392,071,683	P197,030,425
Acquisitions during the year	4,731,549	195,041,258
At December 31	<u>P396,803,232</u>	<u>P392,071,683</u>

Included in the addition are lands acquired on November 25, 2014 from the Group's related parties amounting to P143,689,975 of which P13,689,975 and P130,000,000 were settled through offsetting from the balances of advances to related parties and loans receivable from related party loans receivable, respectively. These lands are located in various places like Plaridel, Pulilan and Guiguinto, all of which are municipalities in Bulacan.

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.

The Group capitalized expenditures related to building under construction amounting to P14,828,783 as at December 31, 2014. The details of the construction in progress as at June 30, 2015 and December 31, 2014 are as follows:

	Location	Actual cost to date	Estimated project cost	Cumulative percentage of completion		Expected date of completion
				6/31/15	12/31/14	
Building under construction	Guiguinto, Bulacan	P14.8 million	P28,963,513	65%	65%	September 2015

There were no income earned and direct operating expenses incurred on these investment properties for the three month periods ended June 30, 2015 and December 31, 2014.

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 15 - PROPERTY AND EQUIPMENT, NET

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

	Land	Office Equipment	Store Equipment	Transportation Equipment	Storage Equipment	Production Equipment	Leasehold improvement	Buildings and improvements	Farm Equipments	Farm Land	Construction in-progress	Total
Cost												
At December 31, 2014	15,500,000	4,885,270	7,357,250	37,551,125	3,521,296	200,270	49,518,756	167,566,079	54,567,080	24,731,015	119,089,806	484,487,947
Additions				125,590								125,590
At March 31, 2015	15,500,000	4,885,270	7,357,250	37,676,715	3,521,296	200,270	49,518,756	167,566,079	54,567,080	24,731,015	119,089,806	484,613,537
Additions		7,278,090		1,580,731								
			2,212,969									
At June 30, 2015	15,500,000	12,163,360	5,144,281	39,257,446	3,521,296	200,270.00	54,727,354	167,566,078	54,567,079	24,731,015	119,089,806	492,946,692
Accumulated depreciation and amortization												
At December 31, 2014	-	1,494,630	4,671,149	10,689,696	269,007	25,118	20,245,444	4,307,164	3,410,443	-	-	45,112,651
Depreciation and amortization Disposal												
At March 31, 2015	-	2,582,559	6,625,697	11,574,170	377,528	35,732	20,400,684	4,989,252	3,778,305	-	-	50,363,927
Depreciation and amortization Disposal		4,790,761	(6,138,443)	2,081,643	(377,528)	10,732	8,962,455	1,087,347	996,314			11,413,281
At June 30, 2015		7,373,320	487,254	13,655,813	-	46,464	29,363,139	6,076,599	4,774,619			61,777,208
Net book values												
June 30, 2015	15,500,000	4,790,040	4,657,027	25,601,633	-	153,806	25,364,215	161,489,479	49,792,460	24,731,015	119,089,806	431,169,484
March 31, 2015	P15,500,000	P2,302,711	P731,553	P26,102,545	P3,143,768	P164,538	P29,118,072	P162,576,827	P50,788,775	P24,731,015	P119,089,806	P434,249,610
December 31, 2014	P15,500,000	P3,390,640	P2,686,101	P26,861,429	P3,252,289	P175,152	P29,273,312	P163,258,915	P51,156,637	P24,731,015	P119,089,806	P439,375,296

During the six-month periods ended June 30, 2015 and December 31, 2014 the Group capitalized expenditures amounting to Nil and P21,883,988, 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	Actual cost		Estimated project cost		Cumulative percentage of completion		Expected date of completion
		2015	2014	2015	2014	2015	2014	
Broiler Growing Farm (Bukidnon)	Kinawe, Libona, Bukidnon	P53.07 million	P53.07 million	P91.84 million	P91.84 million	58%	58%	March 31, 2016
Hog Growing Farms (Davao)	Ula, Tugbok District, Calinan, Davao City	P11.71 million	P11.71 million	P49.88 million	P49.88 million	23%	23%	March 31, 2016
Broiler Growing Farm (Davao)	Matina, Biao	P24.49 million	P24.49 million	P93.60 million	P93.60 million	26%	26%	June 30, 2016
Broiler Growing Farm (Bukidnon)	Tienda, Calinan, Davao City	P6.95 million	P6.95 million	P103.31 million	P103.31 million	7%	7%	June 30, 2016
Broiler Breeder Farm (Isabela)	Nangka, Libona, Bukidnon	P22.87 million	P22.87 million	P57.81 million	P57.81 million	40%	40%	September 31, 2016

The Swine livestock Breeder Farm project will breed, raise and care for piglets to be grown in swine livestock 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 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 9.36 million eggs per annum.

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

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

The details of agreements related to these projects are provided in Note 28.

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 with a carrying value of P4,004,153 and P6,764,917 is subject to a chattel mortgage used as security for the long-term borrowings (see Note 17).

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 P10,504,369 and P9,919,310 for the six-month periods ended June 30, 2015 and 2014 respectively (see Notes 21 and 22).

The cost of fully depreciated property and equipment still in use amounted to P20,165,529 and P21,268,029 in December 31, 2014 and June 30, 2015.

Management has reviewed the carrying values of the Group's property and equipment as June 30, 2015 and December 31, 2014 for impairment. Based on the results of its evaluation, there were no indications that the property and equipment were impaired.

NOTE 16 - TRADE AND OTHER PAYABLES

The account consists of:

	<u>June 30, 2015</u>	<u>December 31, 2014</u>
Trade payables	P99,221,934	P112,329,758
Government liabilities		
Output VAT	6,003,758	12,651,554
Withholding tax payable	5,553	1,766,137
Accrued payable	4,139,763	4,139,763
Others	9,516,794	1,287,447
	<u>P118,887,802</u>	<u>P132,174,659</u>

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

The trade payables account include the P35,000,000 due to Topigs Philippines Inc. for the purchase of breeder swine livestock on November 7, 2014 (see Note 13). Payments to Topigs is payable in monthly installments at the latest 6 months after sales invoice date and at a minimum of the fifty percent (50%) of the revenue generated in the previous month.

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

NOTE 17 - BORROWINGS

The borrowings as at December 31, 2014 and June 30, 2015 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	At January 31, 2014	Payments during the year	Availments during the year	At December 31, 2014	Payments during the period	Availments during the period	At June 30, 2015
Banco de Oro Unibank Inc.	Prevailing market rate	Renewable	Unsecured	P190,000,000	P-	30,000,000	P220,000,000	P-	P30,000,000	250,000,000
Metropolitan Bank and Trust Company	Prevailing market rate	Renewable	Real estate properties	40,000,000	-	20,000,000	60,000,000	-	10,000,000	70,000,000.
Bank of the Philippine Islands	Prevailing market rate	Renewable	Suretyship	120,000,000	-	-	120,000,000	-	-	120,000,000
Planters Bank	Prevailing market rate	Renewable	Deed of Assignment	50,000,000	-	25,000,000	75,000,000	(75,000,000)	-	-
Development Bank of the Philippines	9%	Renewable	Real estate properties	85,221,267	(18,373,951)	-	66,847,316	(6,843,515)	-	60,363,801
Land Bank of the Philippines	Prevailing market rate	Renewable	Real estate properties and suretyship	90,000,000	-	-	90,000,000	-	10,000,000	100,000,000
Bank of Commerce	Prevailing market rate	Renewable	Suretyship	30,000,000	-	-	30,000,000	-	11,000,000	41,000,000
May Bank	Prevailing market rate	Renewable	-	-	-	50,000,000	50,000,000	-	10,000,000	60,000,000
				<u>P605,221,267</u>	<u>(P18,373,951)</u>	<u>P125,000,000</u>	<u>P711,847,316</u>	<u>(P81,843,515)</u>	<u>P71,000,000</u>	<u>P701,363,801</u>

Finance costs arising from these loans amounted to P20,923,808 and P15,226,198 in June 30, 2015 and 2014, respectively (see Note 25).

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 P4,004,153 and P6,764,917 (see Note 15). The details of and movements in these loans are as follows:

<u>Lending institution</u>	<u>Interest rate</u>	<u>Terms</u>	<u>Security</u>	<u>At January 1, 2014</u>	<u>Payments during the year</u>	<u>Availments during the year</u>	<u>At December 31, 2014</u>	<u>Payments during the year</u>	<u>At June 30, 2015</u>
Bank of the Philippine Islands	9.87%-10.47%	30 or 60 equal monthly installments	Chattel mortgage	P6,022,303	(P1,593,210)	P-	P4,429,093	(P860,761)	P3,568,332
Metropolitan Bank and Trust Company	8.7%-9.87%	36 equal monthly installment	Chattel mortgage	2,491,734	(1,785,630)	-	706,104	(706,104)	-
Total				<u>8,514,037</u>	<u>(P3,378,840)</u>	<u>P-</u>	<u>5,135,197</u>	<u>(P1,566,865)</u>	<u>3,568,332</u>
Less: Current portion				<u>(3,378,841)</u>			<u>(2,298,789)</u>		<u>(1,464,132)</u>
Long-term borrowings, net of current portion				<u>P5,135,196</u>			<u>P2,836,408</u>		<u>2,104,200</u>

Finance costs arising from these loans amounted to P210,622 and P294,428 for the six-month period ended June 30, 2015 and 2014(see Note 24).

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

NOTE 18 - SHARE CAPITAL

The account consists of:

	<u>Number of shares</u>	<u>Amount</u>
Authorized:	<u>845,400,000</u>	<u>P845,400,000</u>
Issued and outstanding at December 31, 2014 and June 30, 2015:	<u>360,112,000</u>	<u>P360,112,000</u>

Movements in the share capital are as follows:

	<u>2014</u>		<u>2013</u>		<u>2012</u>	
	<u>Number of shares</u>	<u>Amount</u>	<u>Number of shares</u>	<u>Amount</u>	<u>Number of shares</u>	<u>Amount</u>
At January 1	360,112,000	P360,112,000	360,112,000	P360,112,000	324,100,000	P324,100,000
Issuances during the year	-	-	-	-	36,012,000	36,012,000
At December 31	<u>360,112,000</u>	<u>P360,112,000</u>	<u>360,112,000</u>	<u>P360,112,000</u>	<u>360,112,000</u>	<u>P360,112,000</u>

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
Expenses	
Tax on Initial Public Offering	(P10,782,041)
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	<u>(180,060)</u>
Net proceeds	<u>245,169,649</u>
Par value of offer shares	<u>(36,012,000)</u>
	<u>P209,157,649</u>

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

Stock dividend declaration

On May 4, 2015, the Company's Board of Directors approved the declaration of a stock dividend at the rate of 12% equivalent to 43,179,240 common shares with an equivalent value of P215,896,200 subject to the stockholders approval in a meeting duly called for the purpose and such other approvals from the Commission and the Philippine Stock Exchange ("Exchange") as may be deemed necessary (see Note 19).

Treasury shares

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

	<u>Number of shares</u>	<u>Amount</u>
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
	<u>285,000</u>	<u>P1,015,190</u>

NOTE 19 - DIVIDENDS

On a meeting held on May 4, 2015, the Company's BOD approved the declaration of a stock dividend at the rate of 12% equivalent to 43,179,240 common shares with an equivalent value of P215,896,200 subject to the stockholders approval in a meeting duly called for the purpose and such other approvals from the Commission and the Philippine Stock Exchange ("Exchange") as may be deemed necessary.

Payment of said dividend shall be taken from the Company's unrestricted retained earnings as at December 31, 2014 in accordance with the provisions of the Corporation Code of the Philippines. The shares of stock to be distributed shall come from the unissued shares of the Company

NOTE 20 - REVENUE

The account consists of:

	<u>2015</u>	<u>2014</u>
<i><u>Sale of goods</u></i>		
Fertilizers	P599,088,220	P237,366,800
Chemicals	150,086,554	314,207,448
Feeds	225,413,482	285,815,395
Seeds	10,714,357	21,254,483
Soya	7,081,334	45,658,786
Others	8,351,329	12,382,598
	<u>1,000,735,276</u>	<u>916,685,510</u>
 <i><u>Sale of meat</u></i>		
Meat products	<u>23,971,343</u>	-
 <i><u>Sale of swine livestock</u></i>		
Swine livestock	<u>45,932,064</u>	-
 <i><u>Sale of services</u></i>		
Farms	-	6,913,477
	<u>P1,070,638,683</u>	<u>P374,590,023</u>

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

The Parent Company'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 Parent Company's revenue. In the event that the government is unable to effectively implement its programs, this might result in a slowdown of the Parent Company's business as farmers might not have the required resources to purchase the Parent Company'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 Parent Company updates itself regularly with the Department of Agriculture's policies or programs developed for the agricultural product industry. This allows the Parent Company to react quickly to government programs relating to agricultural products. It also enables the Parent Company to plan ahead to meet the Department of Agriculture's ongoing or future policies or programs.

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

Risk of natural calamities and effects of pestilence

The Parent Company'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 Parent Company, 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 Parent Company 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 Parent Company 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 Parent Company'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 Parent Company, 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 Parent Company also distributes veterinary medicines that help prevent or treat the said diseases.

Risk of production uncertainty

The amount and quality of the output that will result from a given bundle of production decisions are not known with certainty. Uncontrolled elements such as weather conditions play a fundamental role in agricultural production. Typhoons and other adverse climate conditions may result in additional inventory losses and damage to the Parent Company's facilities and equipment.

Financial risk on management strategies

The Parent Company is exposed to risks arising from environmental and climatic changes, commodity prices and financing risks.

The Parent Company actively manages the working capital requirement and has secured sufficient credit facilities sufficient to meet the cash flow requirements.

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.

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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, swine livestock 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 21 - COST OF SALES AND SERVICES

The account consists of:

	<u>2015</u>	<u>2014</u>
<i>Cost of sales</i>		
Inventories, beginning	P153,656,818	P160,230,593
Net purchases	<u>644,403,432</u>	<u>335,877,123</u>
Cost of goods available for sale	798,060,250	496,107,716
Inventories, ending (Note 11)	<u>189,027,326</u>	<u>(186,391,060)</u>
	<u>909,137,348</u>	<u>P309,716,657</u>
<i>Cost of services</i>		
Depreciation and amortization (Note 13)	3,154,957	1,522,813
Communication, light and water	-	885,906
Salaries, wages and benefits	-	609,242
Fuel and oil	2,033,498	194,252
Repairs and maintenance	-	80,750
Office supplies	-	19,039
Others	<u>1,907,398</u>	<u>297,698</u>
	<u>7,095,853</u>	<u>3,609,700</u>
	<u>P914,325,803</u>	<u>P313,326,357</u>

NOTE 22 - OPERATING EXPENSES

The account consists of:

	<u>2015</u>	<u>2014</u>
Salaries, wages and benefits	P14,241,578	P14,129,702
Depreciation and amortization (Note 15)	7,349,412	6,873,684
Rental (Note 28)	6,389,030	8,693,235
Communication, light and water	3,058,373	2,459,351
Taxes and licenses	2,654,318	2,269,536
Transportation and travel	2,304,818	1,087,009
Professional fees	2,277,783	1,567,753
Marketing	2,090,969	2,335,490
Representation and entertainment	1,853,171	1,540,360
Association dues	1,053,838	1,090,061
Repairs and maintenance	847,903	879,725
Office supplies	756,353	663,614
Insurance	528,933	926,089
Retirement benefit costs (Note 27)	330,499	515,831
Commissions	67,451	81,673
Others	<u>2,539,998</u>	<u>1,219,225</u>
	<u>P48,344,427</u>	<u>P46,332,338</u>

NOTE 23 - OTHER OPERATING INCOME, NET

The account consists of:

	<u>2015</u>	<u>2014</u>
Rebate income	P7,964,261	P8,773,822
Others	1,599,539	-
Loss on culling (Note 13)	1,822,562	
Loss on mortalities (Note 13)	241,576	
Gain on FV adjustment	<u>(4,663,497)</u>	<u>141,638</u>
	<u>P12,613,800</u>	<u>P8,915,460</u>

NOTE 24 - FINANCE INCOME

The account consists of:

	<u>2015</u>	<u>2014</u>
From bank deposits (Note 8)	P-	P642,624
From loans receivable (Note 10)	<u>4,189,500</u>	<u>289,500</u>
	<u>P4,189,500</u>	<u>P932,124</u>

NOTE 25 - FINANCE COSTS

The account consists of:

	<u>2015</u>	<u>2014</u>
Interest from borrowings (Note 17)	P21,295,057	P15,642,786
Interest from defined benefit obligation (Note 27)	<u>130,496</u>	<u>105,219</u>
	<u>P21,425,553</u>	<u>P15,748,005</u>

NOTE 26 - 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. Key management personnel are individuals who have authority and responsibility for planning, directing and controlling the activities of the Group.

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

<u>Name of the related party</u>	<u>Relationship</u>	<u>Nature of operations</u>	<u>Country of incorporation</u>
Calata Builders	Affiliate	A corporation established in the Philippines which ventures as a subcontractor and into the realty business	Republic of the Philippines
Seneca Farms	Affiliate	A sole proprietorship owned by which offers high efficiency poultry growing using climate-controlled system	Republic of the Philippines
Avestha Holdings Corporation	Affiliate	A corporation established to engage in holding of shares of different corporations	Republic of the Philippines
Twinnings Holding Incorporated	Affiliate	A corporation established to engage in financial holding activities.	Republic of the Philippines
Patient Hill	Affiliate	A sole proprietorship established to engage in and carry on the business of trading, export, import and processing of goods including but not limited to meat and its by-products and other animals as may be permitted by law, for food purposes, on wholesale or retail basis.	-
Individuals	Shareholders	-	-
Individuals	Key management personnel	-	-

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

Transactions

Related parties	Relationship	Sales		Rent expense ("i")		Key management personnel compensation ("ii")	
		2015	2014	2015	2014	2015	2014
Patient Hill Individuals	Affiliate Key management personnel	P23,971,343	P-	P-	P-	P-	P-
		-	-	-	-	1,890,741	P5,125,715
		P23,971,343	P-	P-	P-	P1,890,741	P5,125,715

Outstanding balances

Related party	Relationship	Trade receivables		Terms and conditions	Security	Nature of consideration to be provided upon settlement	Guarantees given or received	Allowance for impairment loss	Impairment loss
		2015	2014						
Patient hill	Affiliate	P3,846,608	P8,914,227	30 to 60 days	Unsecured	Cash	None	P-	P-

Related parties	Relationship	Advances to related parties ("iv")		Terms and conditions	Security	Nature of consideration to be provided upon settlement	Guarantees given or received	Allowance for impairment loss	Impairment loss
		2015	2014						
Calata Builders	Affiliate	P3,077,505	P2,916,390	Demandable	Unsecured	Cash	None	-	-
Twinnings Holding Incorporated	Affiliate	70,431,336	66,518	Demandable	Unsecured	Cash	None	-	-
Individuals	Shareholder	28,138,793	94,193,266	Demandable	Unsecured	Cash	None	-	-
		P101,647,634	P97,176,174					P-	P-

Related parties	Relationship	Advances from related parties ("vii")		Terms and conditions	Security	Nature of consideration to be provided upon settlement	Guarantees given or received
		2015	2014				
Calata Farms	Affiliate	P9,000,000	P9,800,000	Demandable	Unsecured	None	None
Individuals	Shareholders	40,525	12,919,986	Demandable	Unsecured	None	None
		P9,040,525	P22,719,986				

- (i) An operating lease agreement was executed between the Group and its shareholders whereby the latter granted the former with the rent-free use of office premises and a warehouse located in Bulacan (see Note 28).
- 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 years ended December 30, 2014, 2013 and 2012.

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

iii) Loans receivable

	<u>June 30, 2015</u>	<u>December 31, 2014</u>
Avestha Holdings Corporation/Individuals		
At January 1	P9,650,000	P-
Offsetting of loans receivable with advances from related party	-	-
Re-availment of loans (Note 10)	-	130,000,000
Offsetting through purchase of various investment properties (Note 14)	-	(130,000,000)
Assumption of a third party loans receivable by a major shareholder (Note 11)	-	9,650,000
At June 30 and December 31	<u>P9,650,000</u>	<u>P9,650,000</u>

The principal of the loan will be payable after three (3) 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 Parent Company's advances from related parties (see Note "vi").

On June 30, 2014, the loan was re-availed by Avestha Holding Corporation amounting to P130,000,000 from the Company payable in three (3) years under the same terms of original loan agreement as a result of the purchase of various properties amounting to P143,689,975 (see Note 14). On December 31, 2014, the parties to the loan agreed to a noncash settlement through offsetting on the Parent Company's advances from related parties.

The outstanding loans receivable from Andres Lipana amounting to P9,650,000 has a one- year term, renewable annually upon mutual agreement of both parties. The principal of the loan is subject to an interest rate of six percent (6%) per annum, payable at the end of every month. The original loan has been renewed in 2014, 2013 and 2012 with the same terms and conditions. On December 31, 2014, JHC assumed the said loans receivable from Andres Lipana with the same terms of the original agreement.

iv) Advances to related parties

	<u>June 30, 2015</u>	<u>December 31, 2014</u>
Calata Builders		
At January 1	P2,916,390	P3,297,063
Cash advances to (collections from)	<u>161,115</u>	<u>(380,673)</u>
December 31	<u>3,077,505</u>	<u>2,916,390</u>
Others		
At January 1	66,518	-
Cash advances to (collections from)	<u>70,364,818</u>	<u>66,518</u>
December 31	<u>70,431,336</u>	<u>66,518</u>
Individuals		
At January 1	94,193,266	44,574,039
Cash advances to	-	35,929,252
Cash advances from	(66,054,473)	-
Sale to a related party of property and equipment	-	-
Cash dividends distributed	-	-
Offsetting as a result of purchase of various investment properties (Note 14)	-	13,689,975
At December 31	<u>28,138,793</u>	<u>94,193,266</u>
Total advances to related parties	<u>P101,647,634</u>	<u>P97,176,174</u>

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

	<u>June 30, 2015</u>	<u>December 31, 2014</u>
Calata Farms		
January 1	(P9,800,000)	(P5,500,000)
Cash advances to (from)	800,000	(4,300,000)
December 31	<u>(9,000,000)</u>	<u>(9,800,000)</u>
Individuals		
January 1	(12,919,986)	(9,321,776)
Cash advances from	-	(12,919,986)
Cash advances to	12,879,461	9,321,776
Purchase of property and equipment on behalf of the Company	-	-
Sale to a related party of property and equipment (Note 15)	-	-
Collection of loans receivable thru offsetting (Note 9)	-	-
	<u>(40,525)</u>	<u>(12,919,986)</u>
Total advances from related parties	<u>P9,040,525</u>	<u>(P22,719,986)</u>

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

NOTE 27 - 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 benefits recognized in the consolidated statements of income and the movements and amounts of defined benefit liabilities recognized in 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:

	<u>June 30, 2015</u>	<u>December 31, 2014</u>
At January 1	<u>P5,611,387</u>	<u>P5,285,805</u>
Service cost - current	330,498	660,997
Interest cost	<u>130,496</u>	<u>278,033</u>
Included in profit or loss	<u>460,994</u>	<u>939,030</u>
<i>Remeasurements in OCI:</i>		
Changes in financial assumptions	-	138,233
Changes in demographic assumptions	-	(783,481)
Experience adjustments	-	31,800
	<u>-</u>	<u>(613,448)</u>
Balance at June 30 and December 31	<u><u>P6,072,382</u></u>	<u><u>P5,611,387</u></u>

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

	<u>June 30, 2015</u>	<u>December 31, 2014</u>
Discount rates	4.49%	4.49%
Future salary increase rates	5.00%	5.00%

Sensitivity analysis

The sensitivity analysis below has been determined based on a reasonably possible change of each significant assumption on the defined benefit obligation as at the December 31, with all other variables held constant:

	<u>Reasonably possible change</u>	<u>June 30, 2015</u>	<u>December 31, 2014</u>
Discount rate	1%	P210,930	P210,930
	-1%	(P174,861)	(P174,861)
Salary increase rate	1%	P192,659	P192,659
	-1%	(P164,046)	(P164,046)

The defined benefit obligation is calculated using the discount rate set with reference to government bonds. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the retirement benefit liability recognized in the consolidated statements of the financial position.

There were no changes from the previous years in the methods and assumptions used in preparing the sensitivity analysis.

The average duration of the defined benefit obligation is 16.3 as at June 30, 2015 and December 31, 2014, respectively.

Maturity analysis

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

	<u>June 30, 2015</u>	<u>December 31, 2014</u>
Between 1 to 5 years	P4,444,069	P4,444,069
Between 5 to 10 years	P1,096,820	P1,096,820

NOTE 28 - INCOME TAXES

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

	<u>June 30, 2015</u>	<u>December 31, 2014</u>
Current	33,699,515	P57,205,937
Deferred	1,083,212	(531,574)
	<u>34,782,727</u>	<u>P56,674,363</u>

b. The component of the Group's provision for income tax as reported in the consolidated statements of comprehensive income is as follows:

	<u>June 30, 2015</u>	<u>December 31, 2014</u>
Remeasurement gain (loss) on defined benefit plans	P429,414	P613,448
Deferred tax	-	(184,034)
Remeasurement gain (loss) on defined benefit plans, net of tax	<u>P429,414</u>	<u>P429,414</u>

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

	<u>June 30, 2015</u>	<u>December 31, 2014</u>
At January 1	P3,833,997	P3,544,357
Charged to consolidated statements of income during the year:		
Retirement benefits obligation	138,298	281,710
Allowance for impairment loss on trade and other receivables	-	191,964
MCIT	35,339	-
Charged to consolidated statements of comprehensive income during the year:		
Loss on remeasurement of the defined benefit obligation	-	(184,034)
At December 31	<u>P4,007,635</u>	<u>P3,833,997</u>

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 June 30, 2015 and December 31, 2014 as management believes that the carry forward benefit would be realized in its future operations.

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

	<u>June 30, 2015</u>	<u>December 31, 2014</u>
At January 1	P173,700	P231,600
Charged to consolidated statements of income during the year:		
Movement in accrued interest	1,256,850	(57,900)
Unrealized gain on disposal of equipment	-	-
At June 30 and December 31	<u>P1,430,550</u>	<u>P173,700</u>

e. 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:

	<u>June 30, 2015</u>	<u>December 31, 2014</u>
Income tax computed at statutory rate of 30%	P34,483,190	P57,328,814
Add (deduct) income tax effects resulting from:		
Non-deductible expenses	217,080	1,140,576
MCIT	82,457	-
Income subjected to final tax	-	(1,795,027)
	<u>P34,782,727</u>	<u>P56,674,363</u>

NOTE 29 - 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 Parent Company has entered into a non-exclusive distribution and production agreement with Topigs Philippines, Inc. in which the parties agreed that the Parent Company will establish an operation to produce Topigs breeding animals under license and to sell them within the territory of the Republic of the Philippines. Topigs will provide access to technology, knowhow and genetics to produce the breeding animals and assist the Company in the sales distribution and use of the products. The agreement does not provide any royalty and fees charged for the pigs produced. The distribution and production agreement shall have a term of ten (10) years beginning October 28, 2014.

- c. 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.

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 as at December 31, 2014 and June 30, 2015.
- 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 25).
- 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		June 30, 2015	December 31, 2014
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	<u>1,652,566</u> <u>P3,305,132</u>	<u>1,652,566</u> <u>P3,305,132</u>

The refundable security deposit and the advanced rental are recognized in the consolidated statements of financial position at June 30, 2015 and December 31, 2014 under other current assets and other noncurrent assets, respectively.

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 six-month periods ended June 30, 2015 and 2014 amounted to P6,389,030 and P8,693,235 respectively (see Note 22).

Future minimum annual rentals are as follows:

	<u>June 30, 2015</u>	<u>December 31, 2014</u>
Not later than one year	P4,011,988	P5,278,045
More than one year but not later than five years	-	1,099,655
	<u>P4,011,988</u>	<u>P6,377,700</u>

NOTE 30 - 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 six-month periods ended June 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Profit from continuing operations attributable to ordinary equity holders of the Parent Company	P65,205,434	P62,162,373
Weighted average number of shares outstanding	<u>359,827,000</u>	<u>359,827,000</u>
Basic and diluted earnings per share from continuing operations	<u>P0.18</u>	<u>P0.17</u>

There are no dilutive potential ordinary shares for the six-month period ended June 30, 2015 and 2014. Therefore, the Group's basic and diluted EPS for the said years are equal.

The reconciliations of the average number of shares outstanding as of the reporting date are as follows:

Date	Issuance (purchase) during the year			Number of shares outstanding			Weighted average number of shares		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
January 1	-	-	-	359,827,000	359,827,000	360,112,000	359,827,000	359,827,000	360,112,000
May 23	-	-	-	-	-	-	-	-	-
November 22	-	-	(100,000)	-	-	(100,000)	-	-	(8,333)
November 26	-	-	(75,000)	-	-	(75,000)	-	-	(6,250)
November 27	-	-	(60,000)	-	-	(60,000)	-	-	(5,000)
December 3	-	-	(50,000)	-	-	(50,000)	-	-	(4,167)
	-	-	(285,000)	359,827,000	359,827,000	359,827,000	359,827,000	359,827,000	360,088,250

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

Overview

The Company's revenues continues its upward momentum as Sales for the first half of 2015 amounted to P1.07 Billion or an increase of P147.04 Million or 15.9% increase from the same period last year.

RESULTS OF OPERATIONS

Results of operations for the second quarter June 30, 2015 compared to the same period June 30, 2014 ended last year.

Sales for the period increased by P147.04 Million or 16%. The sales increase is a result of the better sales performance of the Company's current sales mix which prioritizes high margin products. The previous year, this strategy was in the initial stages of implementation and sales have been lower as a result.

The Company's own products like Golden Bean and Agri generics have also seen increased market penetration; they are now distributed over a larger area of Luzon and now also in some small parts of Visayas and Mindanao.

The Company's farming operations has also increased its contribution to the Company.

Gross profit increased by P13.43 Million or 10%. The increase is mainly due to the increased proportion of sales generated from higher margin products which are the Company's own brand of agro products.

These are the AGRI brand of agro-chemicals and Golden Bean for animal feeds.

The Company's farm sales have also contributed significantly, and since the farms are capital intensive but high in margins, the overall Company margins have been significantly increased as a result.

Operating expenses increased by P2.01 Million or 4%. The increase is mainly due to the increased expenses from the farm operations of the Company.

Audited results for the fiscal year ended December 31, 2014 compared to Audited results for the fiscal year ended December 31, 2013

Sales for the period increased by P147.65 Million or 10%. The Sales increased as a result of better market penetration of the Company's own brands. The selling of the AGRI brand of agro-chemicals which was previously exclusive to the AGRI stores to other dealers has significantly increased the sales of this high margin product and has opened up new distribution channels.

The Company's Golden Bean brand of animal feeds has also seen increased market penetration to include provinces in Northern Luzon, Southern Luzon and even a small portion of Visayas and Mindanao thru the use of distributor partners in those areas.

The Company's Meat business division has also started contributing in 2014 but just a small amount since it was in its initial phases of operation in 2014. It is expected that division will contribute a

higher proportion of revenues in 2015.

Gross profit increased by P59.95 Million or 26%. The increase is mainly due to the increased proportion of sales generated from higher margin products which are the Company's own brand of agro products. These are the AGRI brand of agro-chemicals and Golden Bean for animal feeds.

Operating expenses decreased by P9.81 Million or 9%. The decrease is mainly due to decrease in salaries and rental expense. The decrease in these expense items is due to the streamlining of Agri stores to downsize the number of stores to consolidate the customer base in some areas, this is also in line with the strategy to sell the AGRI brand of agro-chemicals to other dealers, this necessitated the relocation or closing of some stores so that the dealers in the area will support our brand. This strategy was done in areas where there were established dealers and it was decided that it would be better to partner with them. This also resulted in the increase in market penetration of AGRI branded agro - chemicals as well as Golden Bean branded animal feeds as one AGRI store closed resulted in about 5 to 10 dealers carrying the said products.

Other operating income decreased by P7.07 Million or 26%. The decrease in this account is mainly due to the decrease in rebates received from Suppliers as the strategy of the Company has been to purchase the lowest prices and commit itself to sales targets with rebates when the targets are met.

Finance costs increased by P1.25 Million or 4%. This is mainly due to the increase in average loan balances during the year that were used to fund the increase in the Company's operations including its expansions.

Audited results for the fiscal year ended December 31, 2013 compared to Audited results for the fiscal year ended December 31, 2012

Sales for the period decreased by P652.40 Million or 29%. The decrease is mainly due to the Company's shift in focus from distribution sales to retail sales where the margins are higher. Also the Company shifted to the sales of its own brands rather than the third party brands. This is in line with the Company's focus to develop its own brand in the market for higher margins as well as more stable sales in the long term.

Gross profit decreased by P27.90 Million or 11%. The decrease is mainly due to the decrease in sales. It is noteworthy that the decrease is much lower compared to the decrease in sales; this is due to the abovementioned strategy of focusing on higher margin sales.

Operating expenses decreased by P0.63 Million or 1%. The decrease is mainly due to the scaling down of the distribution business and as a result most of the expenses from this business has been saved. As shown by the decrease in sales, the scale down of the business from distribution has been significant and the retail sales as projected has not yet been able to increase in the same pace. This is the main reason for the decrease in operating expenses.

Finance income decreased by P0.12 Million or 1%. The decrease is due to the decrease in interest bearing loans receivable.

Finance costs increased by P1.92 Million or 6%. This is mainly due to the higher loan balance this year.

Audited results for the fiscal year ended December 31, 2012 compared to Audited results for the fiscal year ended December 31, 2011

Sales for the year ended December 2012 amounted to P2.20 Billion which is the highest that the Company has achieved in its history. This represents an increase of P204.00 Million or 10%

compared to the 2011 sales. The increase in sales is mainly brought about by the sales contribution of the Company's wholly owned chain of stores under Agri Phil Corporation. The retail store chain allowed the Company to sell its products on a significantly larger area than it has previously access to.

Gross Profit increased by increased by P42.38 Million or 20% compared to 2011. Besides the increase in sales, the gross profit increased because of the increase in margins enjoyed by the Company in its sales direct to end users thru its retail stores.

Operating expenses increased significantly. The increase amounted to P48.03 Million or 82%. The increase is mainly due to increased expenses incurred from retail operations, which began its first full year of operations in 2012. The Company aggressively competed for market share for its retail shares thru extensive marketing activities in its area of operations. The operations of the retail stores incurred large amounts of expenditures most notably salaries due to the large number of the Company's stores that require a large number of people needed to operate.

Other operating income increased by P19.59 Million or 203%. This is mainly due to the P8.21 Million recorded as gain from the purchase of Agri Phil Corporation. The Company also recorded a gain from a liability that was forgiven by an affiliate which amounted to P5.28 Million.

Finance income increased by P6.67 Million or 174%. This is mainly due to the P7.97 Million interest from loans receivables recorded in 2011.

Finance costs increased by P5.96 Million or 22%. This is mainly due to the increase in loans payable balances mainly to fund the increased operations as well as for the construction of the Company's farms which resulted in a big increase in the Company's property and equipment.

FINANCIAL POSITION

Financial position as of June 30, 2015 compared to December 31, 2014 including discussion on Material Changes to the Balance Sheet as of June 30, 2015 compared to Audited Balance Sheet as of Fiscal year ended December 31, 2014 (increase/decrease of 5% or more).

Cash and cash equivalents decreased by P41.33 Million or 11%. The decreased is mainly due to the increased working capital needed for the Company's increased operations and increased sales. The Company's farm operations which expanded this year have increased the working capital needs of the Company.

Trade and other receivables increased by P14.89 Million or 6%. The increase is mainly due to increased sales levels and corresponding credit terms extended to customers.

Inventories increased by P35.37 Million or 23%. The increase is mainly due to increased inventory requirements needed to support the increased sales levels of the Company. The farm operations also started to increase its inventory compared to last year as the farms production has increased.

Current Biological Assets increased by P9.66 Million or 289%. The increase is due to increase in the Breeding Sows in the Company's farm.

Non-current Biological assets increased by P8.97 Million or 16%. The increase is due to the increase in the Breeding Sows of the Company's farms.

Trade and other payables decreased by P13.29 Million or 10%. The decrease is due to the Company's taking advantage of Cash discounts and shorter term discounts in order to have lower costs on its

products.

Advances from related parties decreased by P13.68 Million or 60%. The decrease is due to the Company's payment of some of the advances provided by related parties.

Audited financial position as of December 31, 2014 compared to December 31, 2013 including discussion on Material Changes to the Company's Audited Balance Sheet as of Fiscal year ended December 31, 2014 compared to Audited Balance Sheet as of Fiscal year ended December 31, 2013 increase/decrease of 5% or more)

Cash and cash equivalents decreased by P66.45 Million or 15%. The decrease is mainly due to the purchase and construction of facilities for the Company's expansion mainly on the farms business and meat business. The purchase of the hog breeding biological assets also affected the cash balance.

Trade receivables increased by P47.19 Million or 21%. This is mainly due to the increase in sales of the Company. The increase in the dealer and distribution network of the Company's products mainly the own brands resulted in an increase in the extension of credit to dealers and distributors.

Advances to related parties increased by P49.30 Million or 103%. The increase is mainly due to advances made to related parties for projects related to the Company's expansion mainly into the farms and meat businesses.

Other current assets increased by P1.62 Million or 59%. This is mainly due to various advance payments made by the Company.

Noncurrent biological assets amounted to P56.16 Million from last year's zero balance. This is composed of the hog breeding herd purchased from Topigs Norsvin, one of the largest hog genetics specialist Companies in the world.

Investment properties increased by P195.04 Million or 99%. These are various properties acquired by the Company for investment and intended for the later expansion programs by the Company.

Property and equipment increased by P57.77 Million or 15%. The increase is mainly due to the additions to the farms and also the Company's meat facility.

Trade and other payables increased by P82.58 Million or 167%. The increase in trade payables is mainly due to the increased orders for goods to support the higher level of sales this year. The different divisions like the retail, meat and farms businesses also had higher payable balances to support the increased level of operations.

Borrowings increased by P105.54 Million or 17%. The increase is mainly due to the increased requirements from the increased level of operations of the Company as reflected in the increased revenues and net income.

Audited financial position as of December 31, 2013 compared to December 31, 2012 including discussion on Material Changes to the Company's Audited Balance Sheet as of Fiscal year ended December 31, 2013 compared to Audited Balance Sheet as of Fiscal year ended December 31, 2012 increase/decrease of 5% or more)

Cash and cash equivalents decreased by 49.46 Million or 13%. The decrease is mainly due to the decrease in trade and other payables. Trade payables were paid up to take advantage of higher discounts on cash payments. The Company also purchased additional property and equipment.

Trade and other receivables decreased by P20.75 Million or 9%. The decrease is mainly due to the scaling down of the distribution business which is the main source of the Company's trade receivables.

Advances to related parties increased by P6.30 Million or 15%. The increase is mainly due to the expansion programs of affiliates for which the Company has the option to purchase if and when it decides to.

Inventories decreased by P60.25 Million or 27%. The decrease is mainly due to the decrease in inventory requirement in the distribution business segment.

Loans receivable decreased by P120.00 Million or 100%. The decrease is due to the collection of the receivable.

Investment properties increased by P84.16 Million or 74%. The increase is mainly due to purchase of various properties by the Company.

Property and equipment increased by P36.17 Million or 10%. The Company spent for additional property and equipment particularly for its farm projects.

Trade and other payables decreased by P137.33 Million or 73%. The trade payables were paid up to take advantage of higher discounts on cash payments. Purchases were also made as much as possible on cash terms or the short credit terms to take advantage of the lowest possible inventory costs for the Company. The decrease is also due to the shift in strategy of scaling down the distribution business which requires a high amount of inventory turnover, this resulted in a significant decrease in the amount of payables for inventory.

Borrowings increased by P106.46 Million or 21%. The increase is mainly due to payment of trade payables to take advantage of cash discounts. This was done because cash discounts are significantly higher compared to finance costs considering the low interest rates in the current market.

Advances from related parties increased by P12.75 Million or 615%. The increase is from various advances made by owners and other affiliates for various expenses and investments by the Company.

Audited financial position as of December 31, 2012 compared to December 31, 2011 including discussion on Material Changes to the Company's Audited Balance Sheet as of Fiscal year ended December 31, 2012 compared to Audited Balance Sheet as of Fiscal year ended December 31, 2011 increase/decrease of 5% or more)

Total assets increased by P443.72 Million or 42%. This is mainly due to the increase of P272.68 Million in the Property and equipment of the Company which increased due to the Construction of the Company's farming projects. The cash balance also increased by P190.71 Million mainly due to the Company's Initial Public Offering last year.

Trade receivables decreased by P10.38 Million or 4%. This is mainly due to the lower amount of credit sales for the year by the Company which is a result of the significant sales recorded by the Company's retail operations.

Current loans receivables decreased by P5.35 Million or 36%. This is mainly due to the payment received by the Company.

Advances to related parties P24.93 Million or 37%. This is mainly due to payment received from related parties.

Inventories increased by P40.65 Million or 23%. The inventories increased due to the amount of inventories stocked on the Company's retail stores.

Other current assets decreased by P2.41 Million or 43%. This is mainly due to the collection of other current receivables from different sources.

Loans receivable is unchanged at P120.00 Million. This loan earns a 6% interest rate per annum. This is fully secured by the borrower's various real estate properties independently valued by Cuervo Appraisers, Inc. at P166,549,000.

Investment properties decreased by P21.29 Million or 16%. The decrease is mainly due to the change in classification of some of the properties into the property and equipment account.

Property and equipment increased by P272.68 Million or 375%. The increase is mainly due to the construction of the Company's farms. The Company's farms total project cost is projected to be over P500 Million.

Other current assets amounted to P3.31 Million. There was no amount recorded in this account last year. This account consists of the security and rental deposits to the Company's numerous leased retail stores.

Trade and other payables increased by P52.23 Million or 39%. The increase is mainly due to the increased inventory requirements of the Company in order to support the inventory requirement of the Company's retail stores.

Current Loans payables increased by P109.64 Million or 28%. The increase is used mainly to fund the increased operations.

Advances from related parties decreased by P50.39 Million or 96%. The increase is mainly due to the payments made to the Company's related parties.

Dividends payable decreased by P25.00 Million. There is no balance in this account as of the end of 2012. The dividends recorded last year has already been paid in full.

Non-current loans payables increased by P6.02 Million. This account is for the loans for vehicles acquired by the Company.

Retirement benefit liability increased by P1.12 Million or 61%. This is due to the increased provision for the year mainly due to the increased number of employees to be covered by provision for retirement benefits.

Share capital increased by P36.01 Million or 11%. This is due to the capital raised from the Company's Initial Public Offering last year.

Share premium increased by P209.16 Million. This is due to the capital raised from the Company's Initial Public Offering last year.

Discussion and Representation on both Interim and Year End Audited Financial Statements

There are no known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in increasing or decreasing the Company's liquidity in any material way.

The Company does not anticipate having any cash flow or liquidity problems within the next twelve (12) months.

The Company is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments. No significant amount of the Company's trade payables have not been paid within the stated trade terms.

The Company does not foresee any event that will trigger direct or contingent financial obligation that is material to it, including any default or acceleration of an obligation.

There are no material commitments for capital expenditures, events or uncertainties that have had or that are reasonably expected to have a material impact on the continuing operations of the Company.

There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

No significant elements of income or loss had arisen from the Company's continuing operations.

There are no other material changes in the Company's financial position (5%) or more and condition that will warrant a more detailed discussion. Further, there are no material events and uncertainties known to management that would impact or change reported financial information and condition of the Company.

There were no seasonal aspects that had a material effect on the financial condition or results of operations of the Company.

LIQUIDITY AND CAPITAL RESOURCES

In the years 2011, 2012, 2013 and 2014, the Company's primary source of liquidity was proceeds from sales and bank financing activities and also the proceeds of the Company's IPO. Net cash from operating and financing activities were sufficient to cover the Company's working capital and capital expenditure requirements in the years 2010, 2011, 2012, 2013 and 2014. The Company has credit lines with several of the top banks of the Philippines which gives it financial flexibility in its operations.

The Company's cash position as of June 30, 2015 amounted to P337.18 Million compared to P378.51 million as of Dec. 31, 2014. This is a decrease of P41.33 Million or 11%.

The following table sets forth information from the Company's pro forma statements of cash flows for the periods indicated:

Cash Flows

	June 30, 2015	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2011
Net cash provided by (used in) operating activities	5,201,461	144,644,425	198,885,916	127,225,605	302,478,444
Net cash provided by (used in) investing activities	(13,190,294)	(281,478,957)	(129,298,178)	(257,813,354)	(335,961,664)
Net cash provided by (used in) financing activities	(33,345,437)	70,385,377	(20,128,452)	321,302,708	219,165,977
Beginning Cash	378,513,908	444,963,063	395,503,777	204,788,818	19,106,061
Ending Cash	337,179,638	378,513,908	444,963,063	395,503,777	204,788,818

Indebtedness

Almost all of the Company's bank financing are short term loans with average terms of 90 to 120 days with the exception of loans for the acquisition of Company vehicles.

To date, the Company has never been in default in making principal and interest payments.

KEY PERFORMANCE INDICATORS

The Company' top five (5) key performance indicators are listed below:

	<u>June 30, 2015</u>	<u>Dec. 31, 2014</u>	<u>Dec. 31, 2013</u>	<u>Dec. 31, 2012</u>	<u>Dec. 31, 2011</u>	<u>Dec. 31, 2010</u>
	<i>Unaudited</i>	<i>Audited</i>	<i>Audited</i>	<i>Audited</i>	<i>Audited</i>	<i>Audited</i>
Current Ratio ¹	1.09	0.99	1.24	1.24	1.11	0.91
Debt to Equity Ratio ²	0.75	0.96	0.82	0.67	0.98	271.25
Earnings per Share ³	0.18	0.35	0.25	0.32	0.31	33.84
Earnings before Interest and Taxes ⁴	122,413,714	223,140,255	161,357,218	190,408,476	169,794,248	75,015,214
Return on Equity ⁵	7.26%	15%	12%	19%	50%	407%

¹ Current Assets / Current Liabilities

² Bank Loans/Stockholders' Equity

³ Net Income/Outstanding Shares

⁴ Net Income plus Interest Expenses and Provision for Income Tax

⁵ Net Income / Average Stockholders' Equity

These key indicators were chosen to provide Management with a measure of the Company's financial strength (i.e., Current Ratio, Debt to Equity Ratio, and Earnings before Interest and Taxes) and the Company's ability to maximize the value of its stockholders' investment in the Company (i.e., Return on Equity, Earnings per Share). Current ratio shows the liquidity of the Company by measuring how much current assets it has over its current liabilities. The Debt to Equity Ratio indicates how much debt the Company has incurred for each amount of equity in the Company. A higher ratio means that the Company is more aggressive in its use of capital. Earnings per share show how much the Company is earning for each share that is currently issued and outstanding. Earnings before interest and taxes indicate how much income the Company is generating from its entire operations before interest charges.