



SECURITIES AND EXCHANGE COMMISSION

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

1. For the quarterly period ended **March 31, 2014**
2. Commission identification number **CS201320778**
3. BIR Tax Identification No. **008-647-589-000**
4. **Century Pacific Food, Inc.**  
Exact name of issuer as specified in its charter
5. **Pasig City, Philippines**  
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code:  (SEC Use Only)
7. **Suite 505 Centerpoint Bldg., Julia Vargas Ave. Garnet Rd. Ortigas Center Pasig City, 1604**  
Address of issuer's principal office Postal Code
8. **+632 – 633-8555**  
Issuer's telephone number, including area code
9. **Not Applicable**  
Former name, former address and former fiscal year, if changed since last report

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

Title of each Class	<b>Common Stock P1 par value</b>
Number of shares of common stock outstanding	<b>2,000,000,000 Shares</b>

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:

**Not Applicable**

**Note: On May 6, 2014, the Company listed on the Main Board of the Philippine Stock Exchange a total of 2,229,654,404 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

The unaudited interim consolidated financial statements of Century Pacific Food, Inc., and its wholly owned subsidiaries General Tuna Corporation and Snow Mountain Dairy Corporation (collectively, the ‘Company’ or “CNPF”) for the three months ended March 31, 2014 and the comparative period in 2013 is attached to this 17-Q report, comprising of the following : (pages 8 to 46)

- 1.1 Consolidated Balance Sheets as of March 31, 2014 and December 31, 2013
- 1.2 Consolidated Statement of Income and Retained Earnings for the period ended March 31, 2014
- 1.3 Consolidated Statement of Cash Flows for the period ended March 31, 2014
- 1.4 Consolidated Statement of Changes in Shareholder’s Equity for the period ended March 31, 2014 and December 31, 2013
- 1.5 Notes to Consolidated Financial Statements

### Item 2. Management Discussions and Analysis of Financial Condition and Results of Operations (Based on the unaudited consolidated financial statements for the period ended March 31, 2014)

#### *Business Overview*

Century Pacific Food, Inc. (CNPF) is the largest producer of canned foods in the Philippines. It owns a portfolio of well-known and trusted brands in the canned and processed fish, canned meat, and dairy and mixes business segments. These brands include *Century Tuna*, *555*, *Blue Bay*, *Fresca*, *Argentina*, *Swift*, *Wow*, *Lucky Seven*, *Angel*, *Birch Tree*, *Kaffe de Oro* and *Home Pride*, which have established leading market positions locally and a growing presence abroad. CNPF exports its branded products to the overseas, particularly where there are huge Filipino communities such as the United States and Middle East. The Company is also the Philippines’ largest exporter of private label original equipment manufacturer (OEM) tuna products.

CNPF traces its history from the Century Pacific Group, a focused branded food company for over 35 years. Century Pacific Group began in 1978 when Mr. Ricardo S. Po established Century Canning Corporation as an exporter of canned tuna. In the subsequent years, Century Canning Corporation then expanded and diversified into other food-related businesses. Establishing market leading positions, it built a multi-brand, multi-product portfolio catering to a broad and diverse customer base, and supported this with a distribution infrastructure with nationwide reach, directly serving hundreds of thousands of retail outlets and food service companies.

In October 2013, the Po Family reorganized the Century Pacific Group to maximize business synergies and shareholder value. It incorporated CNPF, carving out the branded canned seafood, meat, and dairy and mixes business, folding them into CNPF. On January 1, 2014, CNPF commenced business operations under the new corporate set-up.

CNPF manages its food business through operating divisions and wholly-owned subsidiaries. CNPF's operating divisions include the canned and processed fish, and canned meat businesses. CNPF's wholly-owned subsidiaries are General Tuna Corporation (GTC), which operates the private-label OEM tuna export business, and Snow Mountain Dairy Corporation (SMDC), which operates the dairy and mixes business. CNPF's branded products are sold through operating divisions under CNPF and its subsidiary, SMDC.

The canned and processed fish segment is CNPF's largest business segment. It produces and markets a variety mix of tuna, sardine, other fish and seafood-based products under the *Century Tuna*, *555*, *Blue Bay*, *Fresca* and *Lucky 7* brands.

The canned meat segment, CNPF's second largest segment, produces corned beef, meat loaf, luncheon meat, and other meat-based products which are sold under the *Argentina*, *Swift*, *555*, *Shanghai*, and *Wow* brands.

The tuna export segment produces private-label canned tuna, pouched tuna and vacuum-packed frozen tuna loin products for overseas markets including North America, Europe, Asia, Australia, and the Middle East.

The dairy and mixes segment is comprised of products such as evaporated milk, condensed milk, full cream powdered milk, and all-purpose creamer under the *Angel* and *Birch Tree* brands, coffee mix under *Kaffe de Oro* brand, and flavor mixes under *Home Pride* brand.

## ***Results of Operations***

### *Three Months Ended March 31, 2014*

- CNPF's consolidated net income after tax for the three months ended March 31, 2014 totaled P320 million. This yields a Net Income Margin of 7% for the first three months of 2014 which compares to the pro-forma full year consolidated rate of 4% for 2013.
- The consolidated net revenue for the three months ended March 31, 2014 totaled P4.505 billion. The branded products sold under CNPF and SMDC accounted for 80.2% of total company sales while the OEM private-label tuna products under GTC accounted for the balance of 19.8%. The breakdown of total consolidated CNPF sales by business segment, net of inter-company revenue eliminations, is as follows:

<b>UNAUDITED (in Php)</b>		
<b>Business Segment</b>	<b>Net Revenue (After Elimination)</b>	<b>% of Total</b>
CNPF		
Canned & Processed Fish	1,738,031,741	38.6
Canned Meat	1,384,979,344	30.7
Others	18,328,493	0.4
Total CNPF	3,141,339,577	69.7
SMDC		
Dairy & Mixes	471,289,757	10.5

GTC		
Tuna Export	892,231,118	19.8
<b>Total</b>	<b>4,504,860,453</b>	<b>100.0</b>

- CNPF's consolidated gross profit for the three months ended March 31, 2014 totaled P1.136 billion. This yields an equivalent consolidated gross profit rate of 25%, higher than the 17% pro-forma full year consolidated gross profit rate of 2013. Favorable materials prices (specifically tuna fish), higher sales volume and selling prices for branded products were key drivers of total Company gross profit performance.
- CNPF's operating expenses which is comprised of selling & distribution, marketing and administrative expenses, reached P689 million, or a 15% cost-to-sales ratio, for the three months ended March 31, 2014.
- Other income and expense is comprised of gains or losses on transactions relating to foreign currency exchange, inventory write down, disposal of assets, and miscellaneous income and expenses. For the three months ended March 31, 2014, CNPF registered a consolidated net other income of P22 million.
- CNPF's financing cost (income) is comprised of interest expense from short-term borrowings and interest income from temporary investments. For the three months ended March 31, 2014, CNPF registered a net financing cost of P16 million.
- CNPF's consolidated operating income for the three months ended March 31, 2014 reached P469 million. This equates to a 10% operating income ratio-to-sales, which is higher than 2013's pro forma full year operating income ratio-to-sales of 6%.
- Consolidated EBITDA (earnings before interest, taxes, depreciation, and amortization) for the three months ended March 31, 2014 registered P494 million, an 11% EBITDA margin, higher than 2013's pro forma full year EBITDA margin of 7%.

### ***Financial Condition***

#### *Period end March 31, 2014 versus Period end December 31, 2013*

- Total assets increased 2.4 times to P11.0 billion from P4.5 billion in 2013. This asset growth is attributable to increases in cash, receivables, and inventory partially due to a one-time reorganization of CNPF starting January 1, 2014. CNPF assumed the business operations of parent company Century Canning Corporation (for canned tuna) and affiliate companies, Columbus Seafood Corporation (for canned sardine) and The Pacific Meat Company, Inc. (for canned meat). It also assumed ownership of subsidiaries Snow Mountain Dairy Corporation (dairy & mixes business) and General Tuna Corporation (tuna export business).
- The increase in inventories was also partially due to an inventory build-up initiative to take advantage of lower material prices for tuna and milk.

- As of the period ended March 31, 2014, trade receivable days increased partly due to non-recurring events resulting from the reorganization of CNPF. A number of the Company's trade customers took longer to settle as the change in invoicing entity required updating of vendor codes and confirmation of the new CNPF details. Levels are expected to normalize post the first quarter transition.
- The company's liquidity position remains sound. Current ratio and net working capital to total assets ratio stood at 1.14X and 0.11X, respectively.
- The increases in trade payables and due to related parties were partly a result of non-recurring events brought about by the reorganization of CNPF. The Company engaged in purchases of inventory from the old operating companies and trade suppliers underwent system updates as they transitioned to the new transacting entity. Levels are expected to normalize post the first quarter.
- Net property, plant and equipment (PPE) grew to P1.046 billion from P1.036 billion as of the period ended December 31, 2013. The increase in PPE can be attributed to the ongoing plant expansion of the dairy and mixes business under SMDC.
- Total interest bearing debt-to-equity ratio decreased to 0.80X from the period ended December 31, 2013's pro forma ratio of 0.95X. Loans payable decreased by P321.3 million to P1.893 billion from P2.215 billion as of the period ended December 31, 2013. Total equity increased to P2.364 billion from P1.544 billion as of the period ended December 31, 2013. This is a result of the additional P500 million capital subscription of parent company, Century Canning Corporation, into CNPF in February 2014 and the P320.1 million net income earned during the first three months of 2014.
- Cash flows during the first three months of 2014 largely went to increases in working capital assets as a result of the one-time reorganization of CNPF starting January 1, 2014.
  - Net cash used from operating activities totaled P1.935 billion, largely driven by increases in trade receivables, inventory, prepayment and other current assets, and trade and other payables.
  - Cash used in investing activities was P35.0 million, as a result of acquisition of new property, plant and equipment.
  - Net cash from financing activities amounted P3.089 billion, largely comprised of due to related party transactions involving the purchase of inventory and proceeds from the issuance of new common shares.

#### Key Performance Indicators ( KPIs )

	Unaudited 1 <sup>st</sup> Quarter 2014	Pro Forma Full Year 2013
Gross Profit Margin	25%	17%
Before Tax Return on Sales	10%	5%
Return on Sales	7%	4%
Interest-Bearing Debt-to-Equity	0.80X	0.95X
Current Ratio	1.14X	1.32X

**Notes:**

1 *Gross Profit margin = Gross Profit / Net Revenue*

2 *Before Tax Return on Sales = Net Profit Before Tax / Net Revenue*

3 *Return on Sales = Net Profit After Tax / Net Revenue*

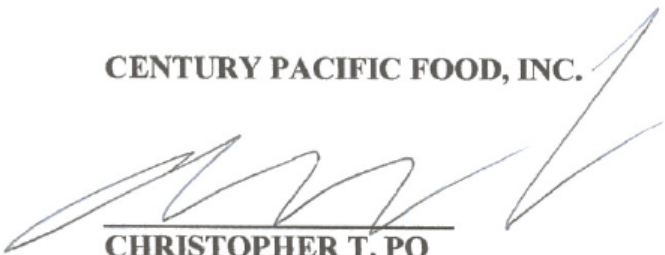
4 *Interest-Bearing Debt-to-Equity = Loans Payable / Total Stockholders' Equity*

5 *Current Ratio = Total Current Assets / Total Current Liabilities*

## 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.

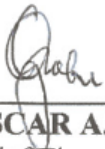
**CENTURY PACIFIC FOOD, INC.**



**CHRISTOPHER T. PO**

President & CEO

Date: June 3, 2014



**OSCAR A. POBRE**

Chief Finance Officer

Date: June 3, 2014



**CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

(Amounts in Philippine Peso)

	<b>March 31, 2014</b>	<b>December 31, 2013</b>
	<b>Unaudited</b>	
<b><u>Assets</u></b>		
Current Assets		
Cash and cash equivalents (Note 5)	1,556,768,789	437,964,907
Trade and Other Receivables - net (Notes 1 and 6)	2,936,110,202	1,034,062,591
Inventories - net (Notes 1 and 7)	5,216,006,067	1,602,019,351
Due from Related Parties (Note 14)	18,049,105	218,003,202
Prepayments and other current assets (Note 8)	172,165,968	120,151,134
<b>Total Current Assets</b>	<b>9,899,100,130</b>	<b>3,412,201,185</b>
Property, plant & equipment - net (Note 10)	1,046,301,143	1,036,419,999
Trademarks (Note 9)	40,000,000	40,000,000
Deferred Tax assets	18,600,316	18,726,311
Retirement benefit assets	-	23,643
Other non-current assets (Note 11)	32,544,459	17,491,128
<b>Total Non-current Assets</b>	<b>1,137,445,918</b>	<b>1,112,661,082</b>
<b>Total Assets</b>	<b>11,036,546,048</b>	<b>4,524,862,267</b>
<b><u>Liabilities &amp; Stockholders' Equity</u></b>		
Liabilities		
Current Liabilities		
Trade and Other Payables (Notes 1 and 13)	3,683,834,543	524,689,323
Due to Related Parties (Notes 1 and 14)	2,966,828,814	240,632,032
Income Tax Payable	126,952,578	735,451
Loans Payable (Note 12)	1,893,300,000	2,214,600,002
<b>Total Current Liabilities</b>	<b>8,670,915,935</b>	<b>2,980,656,808</b>
Retirement Benefit Payable	1,493,792	-
<b>Total Non Current Liabilities</b>	<b>1,493,792</b>	<b>-</b>
<b>Total Liabilities</b>	<b>8,672,409,727</b>	<b>2,980,656,808</b>
Stockholders' Equity		
Share Capital (Note 15)	2,000,000,000	1,500,000,000
Currency translation adjustments	14,308,241	14,308,241
Retained Earnings, End	319,320,393	(731,724)
Appraisal Increment / Other Reserves	30,507,687	30,628,942
<b>Total Stockholders' Equity</b>	<b>2,364,136,321</b>	<b>1,544,205,459</b>
<b>Total Liabilities &amp; Stockholders' Equity</b>	<b>11,036,546,048</b>	<b>4,524,862,267</b>

**CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

(Amounts in Philippine Peso)

**For the Three Months Ended**  
**March 31, 2014**  
**Unaudited**

Net Revenue	4,504,860,453
Cost of Good Sold	3,368,419,206
<b>Gross Profit</b>	<b>1,136,441,246</b>
Other Income (Expense)	21,626,318
Operating Expenses	689,440,382
Operating Income	468,627,182
Financing Cost (Income) - Net	16,291,642
Net Profit before tax	452,335,540
Income Tax Expense (Benefit)	132,283,423
Net Profit after Tax	320,052,117
Other Comprehensive Income	-
<b>Total Comprehensive Income</b>	<b>320,052,117</b>
<b>Basic and Diluted Earnings Per Share</b>	<b>0.1829</b>

**CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES**

**CONSOLIDATED CHANGES IN EQUITY**

(Amounts in Philippine Peso)

	<b>Revaluation Reserves</b>			<b>Retained Earnings</b>	<b>Total</b>
	<b>Capital Stock</b>	<b>Other Reserves</b>	<b>Foreign Currency Translation Gain</b>		
Balance at January 1, 2014					
As previously reported	1,500,000,000	30,628,942	14,308,241	(731,724)	1,544,205,459
Adjustments	-	(121,255)			(121,255)
As stated	1,500,000,000	30,507,687	14,308,241	(731,724)	1,544,084,204
Transactions with owners					
Issuance of shares during the year	500,000,000	-	-	-	500,000,000
Cash Dividends	-	-	-	-	-
	500,000,000	-	-	-	500,000,000
Total comprehensive income					
Net profit for the year	-	-	-	320,052,117	320,052,117
Other comprehensive income for the year	-	-	-	-	-
Foreign currency translation gain	-	-	-	-	-
Actuarial loss on post-employment benefit	-	-	-	-	-
	-	-	-	320,052,117	320,052,117
<b>Balance at March 31, 2014</b>	<b>2,000,000,000</b>	<b>30,507,687</b>	<b>14,308,241</b>	<b>319,320,393</b>	<b>2,364,136,321</b>
Issuance of shares during the year	1,500,000,000				1,500,000,000
Total comprehensive income					
Loss for the Period				(1,147,240)	(1,147,240)
Foreign currency translation gain			14,308,241		14,308,241
Remeasurement of retirement benefit obligations				415,516	415,516
Total other comprehensive income	-	-	14,308,241	(731,724)	13,576,517
Other reserves		30,628,942			30,628,942
<b>Balance at December 31, 2013</b>	<b>1,500,000,000</b>	<b>30,628,942</b>	<b>14,308,241</b>	<b>(731,724)</b>	<b>1,544,205,459</b>

**CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENT OF CASH FLOWS**

(Amounts in Philippine Peso)

**For the Three Months Ended  
March 31, 2014  
Unaudited****Cash Flows from Operating Activities**

Profit before tax	452,335,540
Adjustments for :	
Depreciation	25,697,204
Finance Costs	16,291,642
Finance Income	(540,533)
Operating cash flows before working capital changes	493,783,853
Decrease (increase) in trade and other receivables	(1,902,047,611)
Decrease (increase) in inventory	(3,613,986,727)
Decrease (increase) in prepayments and other current assets	(52,014,896)
Decrease (increase) in retirement assets	622,299
Decrease (increase) in non current assets	(15,053,307)
Increase (decrease) in trade and other payables	3,285,367,135
Increase (decrease) in retirement payable	895,136
Cash generated from operations	(1,802,434,117)
Income taxes paid	(132,283,423)
Net Cash From Operating Activities	(1,934,717,540)

**Cash Flows from Investing activities**

Acquisition of property and equipment	(35,578,348)
Interest Received	540,533
Net Cash From (Used in) Investing Activities	(35,037,815)

**Cash Flows from Financing Activities**

Proceeds (Repayment) of interest - bearing loans	(321,300,000)
Advances (Repayment) of due to related parties	2,926,150,879
Proceeds from issuance of shares	500,000,000
Interest paid	(16,291,642)
Net Cash From (Used in) Financing Activities	3,088,559,236

<b>Net Increase in cash and Cash Equivalents</b>	<b>1,118,803,882</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>437,964,907</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>1,556,768,789</b>

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

### **1. CORPORATE INFORMATION**

Century Pacific Food, Inc. (the “Company” or “CNPF”), was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on October 25, 2013.

#### **Reorganization**

Starting January 1, 2014, the Company underwent a one-time reorganization wherein CNPF assumed the business operations of parent company Century Canning Corporation (for canned tuna) and affiliate companies, Columbus Seafood Corporation (for canned sardine) and The Pacific Meat Company, Inc. (for canned meat). It also assumed ownership of subsidiaries Snow Mountain Dairy Corporation (dairy & mixes business) and General Tuna Corporation (tuna export business).

#### **Primary Purpose**

The Company is primarily engaged in the business of buying and selling, processing, canning and packaging and manufacturing all kinds of food products, such as but not limited to, fish, seafood and other marine products, cattle, hog and other animals and animal products, fruits, vegetables and other agricultural crops and produce of land, including by-products thereof.

#### **Parent Company**

The Company is a subsidiary of Century Canning Corporation (CCC), the Ultimate Parent Company, a corporation registered with the SEC and domiciled in the Philippines.

#### **Listing Application**

The Company has filed with the SEC and the Philippine Stock Exchange (PSE) on February 6, and February 7, 2014, respectively, its application for the offer and sale of 229,654,404 new Common Shares by way of a primary offer, with a par value of ₱1.00 per share, to be listed and traded in the Main Board of the PSE.

On May 6, 2014, the Company successfully listed on the Main Board of the PSE a total of 2,229,654,404 Common Shares. The trading symbol of the Company is “CNPF”.

### **2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICY**

#### **Basis of Consolidation and composition of the Group**

The “Group” means the Company and all of its subsidiaries.

The consolidated financial statements incorporate the separate financial statements of the Company and all subsidiaries it controls.

The Group's consolidated financial statements have been prepared on the historical cost basis except for, (a) certain financial instruments carried at amortized cost; and (b) retirement benefit asset recognized as the net total of the fair value of plant assets less the present value of the retirement benefit obligation. These consolidated financial statements are presented in Philippine peso, the currency of the primary economic environment in which the Group operates. All amounts are recorded in the nearest peso, except when otherwise indicated.

### **Statement of Compliance**

The Group's consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS), which includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), Philippine Interpretation Committee (PIC) and Standing Interpretations Committee (SIC) as approved by the Financial Reporting Standards Council (FRSC) and the of Accountancy (BOA), and adopted the SEC.

### **Subsidiaries**

Details of the Company's subsidiaries as of March 31, 2014 are as follows:

<b>Name of Subsidiary</b>	<b>Ownership and Voting Interest</b>
Snow Mountain Dairy Corporation (SMDC)	100%
General Tuna Corporation (GTC)	100%

The significant financial information of the wholly owned subsidiaries of the Company as of and for the period ended March 31, 2014 is shown below. The summarized financial information below represents amounts before intra group eliminations.

### **CNPF**

Significant stand-alone financial information of CNPF as of March 31, 2014 and December 31, 2013 is as follows:

Amounts in Php		
	As at March 31, 2014	As at December 31, 2013
<b>Financial position:</b>		
Current assets	5,934,662,701	65,421,627
Non-current assets	1,421,849,647	1,422,734,643
<b>Total assets</b>	<b>7,356,512,348</b>	<b>1,488,156,270</b>
Current liabilities	5,109,879,089	189,063
Non-current liabilities	-	-
<b>Total liabilities</b>	<b>5,109,879,089</b>	<b>189,063</b>
<b>Equity</b>	<b>2,246,633,259</b>	<b>1,487,967,207</b>
<b>Results of Operations:</b>		
Revenue	3,551,425,010	
Other Income	9,069,134	
Cost and Expenses	3,301,828,093	
<b>Profit for the Period</b>	<b>258,666,051</b>	

### **SMDC**

SMDC was incorporated in the Philippines and registered with the SEC on February 14, 2011. It is engaged in producing, canning, freezing, preserving, refining, packing, buying and selling wholesale and retail, food products including all kinds of milk and dairy products, fruits and vegetable juices and other milk or dairy preparation and by-products. The significant financial information of SMDC as of March 31, 2014 and December 31, 2013 is set forth below:

Amounts in Php		
	As at March 31, 2014	As at December 31, 2013
<b>Financial position:</b>		
Current assets	880,325,456	679,327,354
Non-current assets	255,387,869	210,393,858
<b>Total assets</b>	<b>1,135,713,325</b>	<b>889,721,212</b>
Current liabilities	595,954,214	382,700,569
Non-current liabilities	855,203	-
<b>Total liabilities</b>	<b>596,809,417</b>	<b>382,700,569</b>
<b>Equity</b>	<b>538,903,908</b>	<b>507,020,643</b>
<b>Results of Operations:</b>		
Revenue	471,289,757	
Other Income	123,277	
Cost and Expenses	439,534,569	
<b>Profit for the Period</b>	<b>31,878,465</b>	

## **GTC**

GTC was incorporated in the Philippines and registered with the SEC on March 10, 1997. It is presently engaged in the manufacturing and exporting of private label canned, pouched and frozen tuna products.

On September 25, 2012, the Board of Investment (BOI) approved GTC's registration as a new expanding export producer of frozen tuna loins on a non-pioneer status. It is entitled to Income Tax Holiday (ITH) for a period of three years beginning February 1, 2013, on its registered activities in recognition of the project's ability to contribute to the economy's development pursuant to Article 7 of Executive Order 226 based on the following parameters, in this order: (1) project's net value added; (2) job generation; (3) multiplier effect; and (4) measured capacity.

The significant financial information of GTC as translated using Company's functional currency as of March 31, 2014 and December 31, 2013 is as follows:

	Amounts in Php	
	As at March 31, 2014	As at December 31, 2013
Financial position:		
Current assets	3,557,247,590	2,667,452,164
Non-current assets	654,824,042	674,620,906
Total assets	4,212,071,632	3,342,073,070
Current liabilities	3,438,218,249	2,597,767,268
Non-current liabilities	638,589	598,656
Total liabilities	3,438,856,838	2,598,365,924
Equity	773,214,795	743,707,146
Results of Operations:		
Revenue	1,154,174,860	
Other Income	24,151,799	
Cost and Expenses	1,148,819,058	
Profit for the Period	29,507,600	

## **Adoption of New Accounting Standard**

The Group will adopt the following PFRS when these become effective:

Amendments to PFRS 10, PFRS 12 and PAS 27, *Consolidated Financial Statements, Disclosure of Interests in Other Entities: Transition Guidance and Investment Entities and Separate Financial Statements*

The amendments to PFRS 10 introduce an exception from the requirement to consolidate subsidiaries for an investment entity. In terms of the exception, an investment entity is required



to measure its interests in subsidiaries at fair value through profit or loss. The exception does not apply to subsidiaries of investment entities that provide services that relate to the investment entity's investment activities. These amendments are effective for annual periods beginning on or after January 1, 2014.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is an investment entity when it:

- Obtains funds from one or more investors for the purpose of providing them with professional investment management services
- Commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both.
- Measures and evaluates performance of substantially all of its investments on a fair value basis.
- Consequential amendments to PFRS 12 and PAS 27 have been made to introduce new disclosure requirements for investment entities. In general, the amendments require retrospective application, with specific transitional provisions.

The future adoption of these amendments to PFRS will have no significant impact on the Group's consolidated financial statements.

#### Amendments to PAS 32, Financial Instruments: Presentation

The amendments provide clarifications on the application of the offsetting rules of financial assets and financial liabilities. These amendments are effective for annual periods beginning on or after January 1, 2014.

The future adoption of the amendments to PAS 32 will have no significant impact on the Group's consolidated financial statements.

#### *Annual Improvements to PFRSs 2010-2012 Cycle*

The annual improvements address the following issues:

##### *Amendment to PFRS 2, Share-based Payment*

The amendment provides new definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition' (which were previously part of the definition of 'vesting condition').

The future adoption of the amendment to PFRS 2 will have no impact on the Group's consolidated financial statements.

##### *Amendment to PFRS 3, Business Combinations (with consequential amendments to other standards)*

This amendment clarifies that contingent consideration that is classified as an asset or a liability shall be measured at fair value at each reporting date.

The future adoption of the amendment to PFRS 3 will have no significant impact on the Group's consolidated financial statements.

*Amendments to PFRS 8, Operating Segments*

The amendments require an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments. These also clarify that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly.

The future adoption of the amendments to PFRS 8 will have no significant impact on the Group's consolidated financial statements.

*Amendment to PFRS 13, Fair Value Measurement (amendments to the basis of conclusions only, with consequential amendments to the bases of conclusions of other standards)*

This amendment states that issuing PFRS 13 and amending PFRS 9 and PAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial.

The future adoption of the amendment to PFRS 13 will have no significant impact on the Group's consolidated financial statements.

*Amendment to PAS 16, Property, Plant and Equipment*

The amendment requires that when an item of property, plant and equipment is revalued, the gross carrying amount should be adjusted in a manner that is consistent with the revaluation of the carrying amount.

The future adoption of the amendment to PAS 16 will have no significant impact on the Group's consolidated financial statements.

*Amendment to PAS 24, Related Party Disclosures*

The amendment states that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.

The future amendment will have no significant impact on the Group's consolidated financial statements.

*Amendment to PAS 38, Intangible Assets*

The amendment requires that when an intangible asset is revalued, the gross carrying amount should be adjusted in a manner that is consistent with the revaluation of the carrying amount.

The future amendment will have no significant impact on the Group's consolidated financial statements.

The above improvements are effective for annual periods beginning on or after July 1, 2014 and shall be applied retrospectively. However, early application of these improvements is permitted.

#### *Annual Improvements to PFRSs 2011-2013 Cycle*

These annual improvements address the following issues:

##### *Amendment to PFRS 1, First-time Adoption of International Financial Reporting Standards (changes to the Basis for Conclusions only)*

The amendment states that an entity, in its first PFRS financial statements, has the choice between applying an existing and currently effective PFRS or applying early a new or revised PFRS that is not yet mandatorily effective, provided that the new or revised PFRS permits early application. An entity is required to apply the same version of the PFRS throughout the periods covered by those first PFRS financial statements.

The Group is adopting all PFRS that are in effect as at October 25, 2013 and is not early adopting any PFRS or its amendments effective subsequent to December 31, 2013 in its first PFRS financial statements.

##### *Amendment to PFRS 3, Business Combinations*

The amendment clarifies that PFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

The future adoption of this amendment will have no significant impact on the Group's consolidated financial statements.

##### *Amendment to PFRS 13, Fair Value Measurement*

The amendment stresses that the scope of the portfolio exception defined in paragraph 52 of PFRS 13 includes all contracts accounted for within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*, or PFRS 9, *Financial Instruments*, regardless of whether they meet the definition of financial assets or financial liabilities as defined in PAS 32, *Financial Instruments: Presentation*.

The future adoption of this amendment will have no significant impact on the Group's consolidated financial statements.

##### *Amendment to PAS 40, Investment Property*

The amendment clarifies that in determining whether a specific transaction meets the definition of both a business combination as defined in PFRS 3, *Business Combinations*, and investment property as defined in PAS 40, *Investment Property*, it is required that both standards be separately applied independently of each other.

The future adoption of this amendment will have no significant impact on the Group's consolidated financial statements.

The above improvements are effective for annual periods beginning on or after July 1, 2014 and shall be applied retrospectively. However, early application of these improvements is permitted.

## PFRS 9, *Financial Instruments*

The standard requires all recognized financial assets that are within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*, to be subsequently measured at amortized cost or at fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely for payments of principal and interest on the outstanding balance are generally measured at amortized cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods

For financial liabilities that are designated as at fair value through profit or loss, the amount of changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or increase an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. The standard is effective for annual periods beginning on or after January 1, 2015, with earlier application permitted.

The Group conducted an initial study on the impact of an early adoption of PFRS 9, *Financial Instruments*, on the consolidated financial statements using the financial data as at December 31, 2013. Based on Management's assessment, the recognition and measurement of the Group's loans and receivables and financial liabilities would be the same under both PAS 39 and PFRS 9.

## IFRIC Interpretation 21, *Levies*

This Interpretation provides guidance on how to account for a liability to pay a levy that is within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The interpretation provides the following guidance on recognition of a liability to pay levies:

- The liability is recognized progressively if the obligating event occurs over a period of time.
- If an obligation is triggered on reaching a minimum threshold, the liability is recognized when that minimum threshold is reached.

This Interpretation is effective for annual periods beginning on or after January 1, 2014 and to be applied retrospectively.

The adoption of IFRIC 21 will have no significant impact on the Group's consolidated financial statements.

## **SIGNIFICANT ACCOUNTING POLICIES**

### **Business Combination under Common Control**

The Company, a subsidiary of CCC, acquired the equity interests of GTC and SMDC from CCC. Prior to the acquisition, the Company, GTC and SMDC were under the common control of CCC.

Common control business combinations are accounted for using the “pooling of interests method”. The Group’s acquisition of the business of both GTC and SMDC are accounted for using the pooling of interest method which is allowed to common control business combinations among entities under a common parent company.

The pooling of interests method is generally considered to involve the following:

- The assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination that otherwise would have been done under the acquisition method. The only adjustments that are made are those adjustments to harmonize accounting policies.
- No goodwill is recognized as a result of the combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid or transferred and the equity 'acquired' is reflected within equity as other reserves.
- The consolidated statement of comprehensive income reflects the results of the combining entities for the period October 25, 2013 to December 31, 2013.
- All intercompany balances and transactions with subsidiaries, including income, expenses and dividends, are eliminated in full. Unrealized profits and losses from intercompany transactions that are recognized in the separate financial statements are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.
- Subsidiaries are fully consolidated from the date on which the Group obtains control and are de-consolidated from the date control ceases. The financial statements of subsidiaries are prepared using consistent accounting policies.

## **Financial Assets**

### Initial recognition

Financial assets are recognized in the Group’s consolidated financial statements when the Group becomes a party to the contractual provisions of the instrument. Financial assets are recognized initially at fair value. Transaction costs are included in the initial measurement of the Group’s financial assets, except for investments classified at fair value through profit or loss (FVTPL).

### Classification and Subsequent Measurement

Financial assets are classified into the following specified categories: financial assets at FVTPL, held-to-maturity investments, available-for-sale (AFS) financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

Currently, the Group’s financial assets consist only of loans and receivables.

## **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. After initial recognition, loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment and are included in current assets, except for maturities greater than 12 months after the end of the reporting period.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument or, when appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The Group's financial assets classified under this category include cash and cash equivalents, trade and other receivables, and security deposits due from related parties.

#### Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

#### *Objective evidence of impairment*

For all financial assets carried at amortized cost, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it has become probable that the borrower will enter bankruptcy or financial re-organization; or
- default or delinquency in interest or principal payments; or
- the disappearance of an actual market for that financial asset because of financial difficulty; or
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past

experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period as well as observable changes in national or local economic conditions that correlate with default on receivables.

#### Financial assets carried at amortized cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred, discounted at the financial asset's original effective interest rate, i.e., the effective interest rate computed at initial recognition.

The carrying amount of financial assets carried at amortized cost is reduced directly by the impairment loss with the exception of trade receivables, wherein the carrying amount is reduced through the use of an allowance account. When trade receivables are considered uncollectible, these are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in profit or loss.

#### Offsetting of financial instruments

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

#### Derecognition of financial assets

The Group derecognizes financial assets when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risk and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risk and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying

amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

## **Inventories**

Inventories are initially measured at cost. Costs comprise direct materials and when applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Subsequently, inventories are stated at the lower of cost and net realizable value. The costs of inventories are calculated using the moving average method for its export, while the first-in, first-out method to the canned meat segment. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

When the net realizable value 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 profit or loss. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

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.

## **Prepayments**

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as they are consumed in operations or expire with the passage of time.

Prepayments are classified in the consolidated statement of financial position as current assets when the cost of goods or services related to the prepayments are expected to be incurred within one year or the Group's normal operating cycle, whichever is longer. Otherwise, prepayments are classified as non-current assets.

## **Trademarks**

The cost of trademarks is the amount of cash or cash equivalents paid or the fair value of the other considerations given up to acquire the trademark. The Group's trademark with indefinite useful life is not amortized but tested for impairment annually.

A trademark is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured



as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss when the asset is derecognized.

### **Property, Plant and Equipment**

Property, plant and equipment are initially measured at cost. The cost of an item of property, plant and equipment comprises:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- the initial estimate of the future costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

Major spare parts and stand-by equipment qualify as property, plant and equipment when the Group expects to use them during more than one period. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment

At the end of each reporting period, each items of property, plant and equipment measured using the cost model are carried at cost less any subsequent accumulated depreciation and impairment losses.

Subsequent expenditures relating to an item of property, plant 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 expenses in the period in which those are incurred.

Depreciation is computed on the straight-line method based on the estimated useful lives of the assets as follows:

Land improvements	5 to 15 years
Buildings	15 years
Building improvements	5 to 15 years
Plant, machinery and equipment	2 to 15 years
Leasehold improvement	10 years or lease term whichever is lower

Transportation and delivery equipment	5 years
Office furniture and fixture	5 years
Laboratory tools and equipment	3 to 5 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 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.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

### **Intangible Assets**

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. Currently, the Group has trademark as its intangible asset.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss when the asset is derecognized.

### **Impairment of Tangible and Intangible Assets**

At the end of each reporting period, the Group assesses whether there is any indication that any of its tangible and intangible assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized as an expense, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. 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 or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized as income.

## **Financial Liabilities and Equity Instruments**

### Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and equity instrument.

### Financial liabilities

#### *Initial recognition*

Financial liabilities are recognized in the Group's consolidated financial statements when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are initially recognized at fair value. Transaction costs are included in the initial measurement of the Group's financial liabilities except for debt instruments classified at FVTPL.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

#### *Subsequent Measurement*

Since the Group does not have financial liabilities classified at FVTPL, all financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

### Offsetting financial instruments

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

### Derecognition

Financial liabilities are derecognized by the Group when the obligation under the liability is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

## **Equity Instruments**

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by Group are recognized at the proceeds received, net of direct issue costs

#### Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

#### Currency translation adjustment

Currency translation adjustment arises during consolidation of subsidiary with a different functional currency.

#### Other reserves

Other reserves pertain to the difference between the consideration paid or transferred and the equity acquired at the time of combining the businesses.

#### Retained earnings and deficit

Retained earnings or deficit represent accumulated profit or loss attributable to equity holders of the Company after deducting dividends declared. Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

### **Provisions**

Provisions are recognized when the Group has a present obligation, either legal or constructive, as a result of a past event, it is probable that the Group will be required to settle the obligation through an outflow of resources embodying economic benefits, and the amount of the obligation can be estimated reliably.

The amount of the provision recognized is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. A provision is measured using the cash flows estimated to settle the present obligation; its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

If it is no longer probable that a transfer of economic benefits will be required to settle the obligation, the provision should be reversed.

### **Contingent Liabilities and Contingent Assets**

Contingent liabilities and assets are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent liabilities are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are disclosed only when an inflow of economic benefits is probable.

## **Employee Benefits**

### Short-term benefits

The Group recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period that are expected to be settled wholly before twelve months after the end of the reporting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

### Post-employment benefits

#### *Defined benefit plan*

The Group classifies its retirement benefit as defined benefit plans. Under the defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements).
- Net interest expense or income.
- Remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss in the line item retirement benefits expense.

The retirement benefit obligation recognized in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus

resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

#### Profit-sharing and bonus plans

The Group recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

#### **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. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

#### Sale of goods

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

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

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

#### Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

#### Rental income

Revenue recognition for rental income is disclosed in the Group policy for leases.

#### Other income

Other income is income generated outside the normal course of business and is recognized when it is probable that the economic benefits will flow to the Group and it can be measured reliably.

### **Expense Recognition**

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

Expenses in the consolidated statement of comprehensive income are presented using the function of expense method. Costs of goods sold are expenses incurred that are associated with the goods sold. Operating expenses are costs attributable to administrative, marketing, selling and other business activities of the Group.

### **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 as lessor

##### *Operating lease*

Rental income from operating leases is recognized as income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Initial direct costs incurred by Group in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income.

#### The Group as lessee

##### *Operating lease*

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.

## **Foreign Currency Transactions**

### Transactions and balances

Transactions in currencies other than the functional currency of the Group are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period.

Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date the fair value was determined. Gains and losses arising on retranslation are included in profit or loss for the year, except for exchange differences arising on non-monetary assets and liabilities when the gains and losses of such non-monetary items are recognized directly in equity. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are not retranslated.

### Functional and Presentation Currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates (functional currency). The financial statements are presented in the Philippine peso, which is also the Group's functional and presentation currency. The financial statements of GTC, which has the US dollar as its functional currency, are translated using the prevailing current exchange rate for statement of financial position accounts and average rate during the period for income statement accounts.

## **Borrowing Costs**

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

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

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Borrowing costs are expensed in full when the amounts are not material.

## **Related Party Transactions**

A related party transaction is a transfer of resources, services or obligations between the Group and a related party, regardless of whether a price is charged.

Parties are considered related if one party has control, joint control, or significant influence over the other party in making financial and operating decisions. An entity that is a post-employment



benefit plan for the employees of the Group and the key management personnel of the Group are also considered to be related parties.

Upon consolidation, significant intra-group balances are eliminated to reflect the Group's consolidated financial position and performance as a single entity.

## **Taxation**

Income tax expense represents the sum of the current tax expense and deferred tax.

### Current tax

The current tax expense is based on taxable profit for the taxable period. Taxable profit differs from net profit as reported in the statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's dairy and mixes segment's current tax expense is calculated using 30% regular corporate income tax rate (RCIT) or 2% minimum corporate income tax rate (MCIT), whichever is higher while the Group's tuna export segment's frozen tuna loins activities was granted an ITH.

### Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

### Current and deferred tax for the period

Current and deferred taxes are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss, whether in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognized outside profit or loss.

## **Earnings Per Share**

The Group computes its basic earnings per share by dividing profit or loss for the year attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the period.

## **Events After the Reporting Period**

The Group identifies events after the end of each reporting period as those events, both favorable and unfavorable, that occur between the end of the reporting period and the date when the consolidated financial statements are authorized for issue. The consolidated financial statements of the Group are adjusted to reflect those events that provide evidence of conditions that existed at the end of the reporting period. Non-adjusting events after the end of the reporting period are disclosed in the notes to the consolidated financial statements when material.

## **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. All operating segments' operating results are reviewed regularly by the Group's Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Group reports separately, information about an operating segment that meets any of the following quantitative thresholds:

- its reported revenue, including both sales to external customers and inter-segment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments, provided that;
- the absolute amount of its reported profit or loss is 10% or more of the greater, in absolute amount, of the combined reported profit of all operating segments that did not report a loss and the combined reported loss of all operating segments that reported a loss; and
- Its assets are 10% or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if Management believes that information about the segment would be useful to users of the consolidated financial statements.

For Management purposes, the Group is currently organized into four business segments: canned and processed fish, canned meat, tuna export and dairy and mixes. These segments are the basis on which the Group reports its primary segment information.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

### **3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on the historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed 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.

#### **Critical Judgments in Applying Accounting Policies**

The following are the critical judgments, apart from those involving estimations, that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

##### Determination of functional currency

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

The operating results and financial position of GTC which are measured using the United States (U.S.) dollars were translated into Philippine Peso using the accounting policies in Note 2.

##### Leases

The evaluation of whether an arrangement contains a lease is based on its substance.

##### *Classification of lease*

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risk and rewards of the ownership to the lessee, otherwise, leases are classified as operating leases. Judgment is used in determining whether the significant risk and rewards of ownership are transferred to the lessee. In making such judgment, the Group evaluates the terms and conditions of the lease arrangement. Failure to make the right judgment would directly affect the Group's assets and liabilities.

Based on Management evaluation, the lease arrangements entered into by the Group as a lessor and as a lessee are determined to be as operating leases because: (a) the lease arrangement will not transfer the ownership of the leased assets to the Group upon termination of the lease; and (b) it does not provide an option to purchase the asset at a price that is sufficiently lower than the fair value at the date of the option.

##### *Determination of control*

Management exercises its judgment in determining whether the Company has control over another entity by evaluating the substance of relationship that indicates control of the Company over its investees. The recognition and measurement of the Company's investments over these entities will depend on the result of the judgment made.

Based on the assessment made by the Management, the Company has control over its subsidiaries, GTC and SMDC, as of March 31, 2014.

#### *Application of pooling of interest method*

Business acquisitions are accounted for by using either the purchase method or the pooling of interest method depending on the circumstances of the acquisition.

The Group has applied the pooling of interest method in accounting for its acquisition of GTC and SMDC due to its relationship with these entities.

#### *Determination of Segments*

For Management purposes, the Group is organized into four major business segments: canned and processed fish, canned meat, tuna export and dairy and mixes products. These segments are the basis on which the Group reports its primary segment information to the CODM for the purposes of resources allocation and assessment of segment performance focuses on the types of goods or services delivered or provided.

#### **Key Sources of Estimation Uncertainty**

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### *Estimating useful lives of tangible assets*

The useful lives of the Group's assets with definite lives are estimated based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the Group's assets. In addition, the estimation of the useful lives is based on the Group's collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property, plant and equipment would increase the recognized operating expenses and decrease non-current assets.

As of March 31, 2014, the carrying amount and accumulated depreciation and amortization of the Group's property, plant and equipment, amounted to P1,046,301,143 and P996,110,217, respectively.

#### *Determining the Useful Lives of Trademark*

Under the Intellectual Property Code of the Philippines, the legal life of trademarks is 10 years and may be perpetually renewed thereafter for another 10 years. However, considering that the Management does not expect any circumstances or events which will cause it to decide not to renew its trademarks every 10 years, Management has taken the position that the useful lives of its trademarks are indefinite; hence, the related costs are not amortized but subjected to annual impairment testing. Changes in assumption and circumstances in the future will substantially affect the financial statements of the Group, particularly the carrying value of such asset.

#### *Asset impairment*

The Group performs an impairment review when certain indicators are present.

Determining the recoverable amounts of trademarks and property, plant and equipment, based on future cash flows expected to be generated from the continued use and ultimate disposition of such assets requires the Group to make estimates and assumptions that can materially affect the consolidated financial statements. Any resulting impairment loss could have a material adverse impact on the Group's financial position and result of operations.

The preparation of the estimated future cash flows involves significant judgment and estimations. While the Group believes that its assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges.

The carrying amounts of the trademarks and property, plant and equipment as of March 31, 2014 are P40,000,000 and P1,046,301,143, respectively.

As of March 31, 2014, Management believes that the recoverable amounts of the Group's trademarks and property, plant and equipment exceed their carrying amounts; accordingly, no impairment loss was recognized in 2014 and 2013.

#### *Deferred tax assets*

The Group reviews the carrying amounts at the end of each reporting period and reduces deferred tax assets 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 assets to be utilized. However, there is no assurance that the Group will generate sufficient taxable profit to allow all or part of its deferred tax assets to be utilized.

Total deferred tax assets recognized in the consolidated statement of financial position as of March 31, 2014 amounted to P18,600,316.

#### *Estimating allowances for doubtful accounts*

The Group estimates the allowance for doubtful accounts related to its receivables based on assessment of specific accounts when the Group has information that certain counterparties are unable to meet their financial obligations. In these cases, judgment used was based on the best available facts and circumstances including but not limited to, the length of relationship with the counterparty and the counterparty's current credit status based on credit reports and known market factors. The Group used judgment to record specific reserves for counterparties against

amounts due to reduce the expected collectible amounts. These specific reserves are re-evaluated and adjusted as additional information received impacts the amounts estimated.

The amounts and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. An increase in the allowance for doubtful accounts would increase the recognized operating expenses and decrease current assets.

Total trade and other receivables recognized in the Group's consolidated statement of financial position amounted to P2,936,110,202 and P1,034,062,591 as of March 31, 2014 and December 31, 2013, respectively, which is net of the related allowance for doubtful accounts amounting to P7,795,643 as of that date.

Due from related parties amounted to P18,049,105 and P218,003,002 as of March 31, 2014 and December 31, 2013, respectively.

#### *Estimating net realizable value of inventories*

The net realizable value of inventories represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. The Group determines the estimated selling price based on the recent sale transactions of similar goods with adjustments to reflect any changes in economic conditions since the date the transactions occurred. The Group records provision for excess of cost over net realizable value of inventories. While the Group believes that the estimates are reasonable and appropriate, significant differences in the actual experience or significant changes in estimates may materially affect the profit or loss and equity.

Total inventories recognized in the Group's consolidated statement of financial position amounted to P 5,216,006,067 and P1,602,019,351 as of March 31, 2014 and December 31, 2013, respectively, which is net of allowance for inventory loss of P4,462,318.

#### *Post-employment and other employee benefits*

The determination of the retirement obligation cost and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include among others, discount rates, expected returns on plan assets and rates of compensation increase. Actual results that differ from the assumptions are directly charged to other comprehensive income and therefore, generally affect the recognized expense and recorded obligation in such future periods. 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 pension and other retirement obligations.

The total retirement benefit expense recognized in 2014 and 2013 amounted to P365,739 and P2,094,690, respectively.

## **4. SEGMENT INFORMATION**

For Management purposes, the Group is organized into four major business segments: canned and processed meat, canned meat, tuna export (under GTC) and dairy and mixes products (under

SMDC). These segments are the basis on which the Group reports its primary segment information to the CODM for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided.

Business Segment	Unaudited (In Pesos)	
	Assets	Liabilities
CNPF	7,356,512,348	5,109,879,089
GTC	4,212,071,632	3,438,856,838
SMDC	1,135,713,325	596,809,417
Segment Total	12,704,297,305	9,145,545,344
Eliminations	(1,667,751,257)	(473,135,617)
Consolidated Balances	11,036,546,048	8,672,409,727

Business Segment	UNAUDITED (in Php)			
	Net Revenue (Before Elimination)	Elimination	Net Revenue (After Elimination)	% of Total
CNPF				
Canned & Processed Fish	1,738,031,741		1,738,031,741	38.6
Canned Meat	1,384,979,344		1,384,979,344	30.7
Others	428,413,926	(410,085,433)	18,328,493	0.4
Total CNPF	3,551,425,010	(410,085,433)	3,141,339,577	69.7
SMDC				
Dairy & Mixes	471,289,757		471,289,757	10.5
GTC				
Tuna Export	1,154,174,860	(261,943,742)	892,231,118	19.8
<b>Total</b>	<b>5,176,889,627</b>	<b>(672,029,175)</b>	<b>4,504,860,453</b>	<b>100.0</b>

*Notes:*

- Other revenue, after eliminations, represents external sales of third party products covered by exclusive Philippine market distribution arrangements.*
- SMDC has distribution arrangements appointing parent company CNPF as exclusive distributor of SMDC products for the Philippine market.*
- Revenue eliminations for the purpose of consolidated financial reporting include revenues representing inter-related party transactions namely – sales of distributed SMDC products under CNPF, management fees charged by CNPF to subsidiaries – SMDC and GTC, and sale of inventory and toll services by GTC to parent company CNPF.*

The Group's consolidated net income after tax for the four operating segments is P320,052,117. The parent company, CNPF, which operates the canned and processed fish and canned meat segment, accounts for P258,666,051 while subsidiaries, SMDC (which operates the dairy and

mixes segment) and GTC (which operates the tuna export segment) have net incomes of P31,878,465 and P29,507,600, respectively.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2.

## 5. CASH AND CASH EQUIVALENTS

	Amounts in Php	
	As at March 31, 2014	As at December 31, 2013
Cash on hand	8,148,659	6,307,154
Cash in bank	1,338,718,910	256,397,755
Cash equivalents	209,901,221	175,259,998
	1,556,768,789	437,964,907

Cash on hand includes petty cash fund.

Cash in banks earn an average interest at rates based on daily bank deposit rates. These are unrestricted and immediately available for use in the current operations of the Group.

Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value. The Group classifies an investment as cash equivalent if that investment has a maturity of three months or less from the date of acquisition. Cash equivalents represent short-term fund placements with local banks maturing on various dates. These placements are from excess cash and can be withdrawn anytime for operations.

## 6. TRADE AND OTHER RECEIVABLES – net

The Group's trade and other receivables consist of:

	Amounts in Php	
	As at March 31, 2014	As at December 31, 2013
Trade receivables from third parties	2,436,514,957	939,690,320
Advances to suppliers, officers & employees	504,329,635	82,345,741
Other receivables	3,061,253	19,865,787
	2,943,905,845	1,041,901,848
Less : Allowance for doubtful accounts	7,795,643	7,839,257
	2,936,110,202	1,034,062,591

Trade receivables represent short-term, non-interest bearing receivables from various customers



and generally have 60 day terms or less.

As of the period ended March 31, 2014, trade receivable days increased partly due to non-recurring events resulting from the reorganization of CNPF. A number of the Company's trade customers took longer to settle as the change in invoicing entity required updating of vendor codes and confirmation of the new CNPF details. Levels are expected to normalize post the first quarter transition.

Advances to suppliers pertain to the Group's deposits on purchases.

## 7. INVENTORIES – net

Details of the Group's inventories are as follows:

	Amounts in Php	
	As at March 31, 2014	As at December 31, 2013
Finished goods	2,312,670,833	879,270,427
Raw materials	2,677,270,505	668,633,654
Work in process	71,054,628	13,289,824
Other inventories	159,472,419	45,287,764
	5,220,468,385	1,606,481,669
Less : Allowance for inventory loss	4,462,318	4,462,318
	5,216,006,067	1,602,019,351

The increase in inventory were partly due to the one-time reorganization of CNPF where it assumed business operation starting January 1, 2014.

CNPF assumed the business operations of parent company Century Canning Corporation (for canned tuna) and affiliate companies, Columbus Seafood Corporation (for canned sardine) and The Pacific Meat Company, Inc. (for canned meat). It also assumed ownership of subsidiaries Snow Mountain Dairy Corporation (dairy & mixes business) and General Tuna Corporation (tuna export business).

The increase in inventories was also partially due to an inventory build-up initiative to take advantage of lower material prices for tuna and milk.

No inventories are pledged as security for any liability as of March 31, 2014.

## 8. PREPAYMENTS AND OTHER CURRENT ASSETS

The account consists of:

	As at March 31, 2014	As at December 31, 2013
Tax credits	60,931,407	61,529,654
Input value added tax (VAT) - net	100,795,945	55,855,449
Prepaid insurance	2,943,481	425,442
Prepaid rent	50,500	14,968
Other prepayments	7,444,635	2,325,621
	172,165,968	120,151,134

Tax credits include creditable withholding taxes withheld by the Group's customers and tax credit certificates (TCC) issued by the Bureau of Customs (BOC). TCCs from BOC are granted to Board of Investment (BOI) registered companies and are given for taxes and duties paid on raw materials used for the manufacture of their export products. The Group can apply its TCC against tax liabilities other than withholding tax or can be refunded as cash.

## **9. TRADEMARKS**

This amount represents certain trademarks registered with the Intellectual Property Office under the name of General Milling Corporation (GMC) that were acquired in 2008. The Group's trademarks are subject to annual impairment testing.

No impairment losses were recognized in the three month period of 2014 because the Management believes that the recoverable amounts of the trademarks are higher than their carrying amounts.

## **10. PROPERTY PLANT AND EQUIPMENTS – net**

Movements in the carrying amounts of the Group's property plant and equipment are as follows:

Amounts in Php

	Buildings, Bldg & Land Improvements	Plant Machinery & Equipments	Office Furnitures, Fixtures & Equipments	Laboratory Tools & Equipments	Transportation Equipments	Construction in Progress	Total
<b>Cost</b>							
January 1, 2014	503,671,598	1,222,834,761	48,240,463	18,670,411	25,731,192	187,684,586	2,006,833,011
Acquisition	615,449	375,181	6,480,375	414,198	-	27,693,146	35,578,349
	504,287,047	1,223,209,942	54,720,838	19,084,609	25,731,192	215,377,732	2,042,411,360
<b>Accumulated Depreciation</b>							
January 1, 2014	281,368,502	678,530,402	2,352,640	5,218,840	2,942,629	-	970,413,013
Depreciation and amortization	2,783,399	15,229,062	3,939,918	1,119,875	2,624,950	-	25,697,204
	284,151,901	693,759,464	6,292,558	6,338,715	5,567,579	-	996,110,217
<b>Carrying Value</b>							
As at March 31, 2014	220,135,146	529,450,478	48,428,280	12,745,894	20,163,613	215,377,732	1,046,301,143
<b>Cost</b>							
Acquisition through business combination	369,180,738	1,025,286,165	17,013,590	26,748,105	1,130,999	186,506,131	1,625,865,728
Acquisition	22,185,581	199,846,348	48,240,463	10,475,399	24,534,012	52,772,820	358,054,623
Reclassifications	22,076,378	6,299,105				(28,375,483)	-
Translation adjustment	90,228,901	(8,596,857)	(17,013,590)	(18,553,093)	66,181	(23,218,882)	22,912,660
	503,671,598	1,222,834,761	48,240,463	18,670,411	25,731,192	187,684,586	2,006,833,011
<b>Accumulated Depreciation</b>							
Acquisition through business combination	257,684,103	629,621,565	13,653,325	19,307,075	1,130,999		921,397,067
Depreciation and amortization	1,668,682	6,260,883	135,502	51,577	100,530		8,217,174
Translation adjustment	22,015,717	42,647,954	(11,436,187)	(14,139,812)	1,711,100		40,798,772
	281,368,502	678,530,402	2,352,640	5,218,840	2,942,629	-	970,413,013
<b>Carrying Value</b>							
As at December 31, 2013	222,303,096	544,304,359	45,887,823	13,451,571	22,788,563	187,684,586	1,036,419,998

## 11. OTHER NON-CURRENT ASSETS

Details of the Group's other non-current assets as of March 31, 2014 are as follows:

	Amounts in Php	
	As at March 31, 2014	As at December 31, 2013
Input VAT - non current	21,510,868	14,735,854
Security deposits	10,702,391	1,780,295
Returnable containers	331,200	974,979
	32,544,459	17,491,128

Security deposits pertain to the required amounts under the terms of the lease agreements of the Group with certain lessors.

## 12. LOANS PAYABLE

The breakdown of the bank loans are as follows:

	Amounts in Php	
	As at March 31, 2014	As at December 31, 2013
GTC	1,656,300,000	1,999,600,002
SMDC	237,000,000	215,000,000
	1,893,300,000	2,214,600,002

## 13. TRADE AND OTHER PAYABLES

The Group's trade and other payables consist of:

	Amounts in Php	
	As at March 31, 2014	As at December 31, 2013
Trade payables	2,093,492,439	356,160,232
Accrued Payables	1,528,028,309	73,227,048
Non trade payables	44,960,165	17,539,398
Withholding taxes payable	8,765,135	4,168,520
Other payables	8,588,494	73,594,125
	3,683,834,543	524,689,323

Trade payables and non-trade payables are generally on a 30 to 90-day term.

As of the period ended March 31, 2014, trade payable days were higher due to non-recurring events involving the purchase by CNPF of inventory from the old operating companies and the updating process of trade suppliers as they transitioned to the new transacting entity. Levels are expected to normalize post the first quarter transition.

No interest is charged on trade and non-trade payables. Accrued expenses are non-interest bearing and are normally settled within one year. The Group has financial risk management policies in place to ensure that all payables are paid within the credit period.

## 14. RELATED PARTY TRANSACTIONS

In the normal course of business, the Group transacts with companies which are considered related parties under PAS 24, *Related Party Disclosures*.

The summary of the Group's transactions and outstanding balances with related parties for the first three months of 2014 is as follows:

Related Entity	Transaction	Amounts	Outstanding Balances (in PhP)		Terms & Condition
			Due from	Due to	
Ultimate parent company CCC	Purchase of inventory; Share of Expenses; Advances	1,508,102,298		(1,168,734,319)	On demand; non-interest bearing; unsecured
Fellow subsidiary PMCI	Purchase of inventory Share of Expenses	1,451,691,507 18,049,105	18,049,105	(1,451,691,507)	On demand; non-interest bearing; unsecured On demand; non-interest bearing; unsecured
Fellow subsidiary CSC	Purchase of inventory	346,402,988		(346,402,988)	On demand; non-interest bearing; unsecured

The outstanding balances as of March 31, 2014 are presented as follows:

	As at March 31, 2014
Due from related parties	18,049,105
Due to related parties	2,966,828,814

Majority of the Company's related party transactions are a result of the non-recurring transfer of business operations into CNPF.

## 15. SHARE CAPITAL

Amounts in PhP

	As at March 31, 2014	As at December 31, 2013
Authorized :		
6,000,000,000 ordinary shares at P1 par value	6,000,000,000	6,000,000,000
Issue and paid	2,000,000,000	1,500,000,000

The Group has one class of common shares which carry one vote per share and a right to dividends.

## 16. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	Amounts in Php 2014
Income for the three month period	320,052,117
Weighted average number of ordinary shares	1,750,000,000
Basic and diluted earnings per share	0.1829

As of March 31, 2014, the Company has no potential dilutive shares. Accordingly, the basic earnings per share of P0.1829 is the same as the diluted earnings per share.

## 17. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The fair values of the Group's financial assets and financial liabilities are shown below:

	As of March 31, 2014	
	Carrying Amount	Fair Value
<b>Financial Assets</b>		
Cash and cash equivalents	P 1,556,768,789	P 1,556,768,789
Trade and other receivables-net	2,936,110,202	2,936,110,202
Due from related parties	18,049,105	18,049,105
Security deposits	10,702,390	10,702,390
	P 4,521,630,486	P 4,521,630,486
<b>Financial Liabilities</b>		
Loans payable	P 1,893,300,000	P 1,893,300,000
Trade and other payables*	3,683,834,543	3,683,834,543
Due to related parties	2,966,828,814	2,966,828,814
	P 8,543,963,357	P 8,543,963,357

*Note: The amount does not include government liabilities which are not considered financial liabilities.*

Due to the short-term maturities of cash and cash equivalents, trade and other receivables, due from related parties, security deposits, trade and other payables, and due to related parties, their carrying amounts approximate their fair values.

The loans payable is determined based on the discounted cash flow analysis using effective interest rates for similar types of instruments.

## Financial Risk Management

The Group is exposed to certain financial risks which result from both their operating and investing activities. The Group's risk management is coordinated with their Parent Company, in close cooperation with the BOD, and focuses on actively securing the Group's short-to-medium term cash flows by minimizing the exposure to financial markets.

The Group does not engage in the trading of financial assets for speculative purposes nor do they write options. The most significant financial risks to which the Group is exposed to are described below.

### *Market risk*

The Group is exposed to market risk through their use of financial instruments and specifically interest risk which result from both their operating and financing activities.

### *Interest rate risk*

The Group has limited exposure to changes in market interest rates through their interest-bearing loans and cash, which are subject to variable interest rates. These financial instruments have historically shown small or measured changes in interest rates.

### *Credit Risk*

Credit risk is the risk that the counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments arising from selling goods to customers, including related parties, providing security deposits to lessors, and placing deposits with banks.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into their credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of sales, advance payments are received to mitigate credit risk.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the combined statements of financial position (or in the detailed analysis provided in the notes to combined financial statements), as summarized below.

	<b>As of March 31, 2014</b>	<b>As of December 31, 2013</b>
Cash and cash equivalents	1,556,768,789	437,964,955
Trade and other receivables	2,936,110,202	1,034,062,625
Due from related parties	18,049,105	218,002,201
Security deposits	10,702,390	1,780,295
	<b>4,521,630,486</b>	<b>1,691,810,995</b>

As part of the Group's policy, bank deposits are only maintained with reputable financial institutions. Cash in banks which are insured by the Philippine Deposit Insurance Corporation (PDIC) up to a maximum coverage of (P500,000) per depositor per banking institution, as provided for under Republic Act No. 9576, Charter of PDIC, are still subject to credit risk.

The Group's Management considers that all the above financial assets that are not impaired or past due for each reporting period are of good credit quality.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The aging analysis of the Group's financial assets that are not impaired as of March 31, 2014 is as follows:

<b>As of March 31, 2014</b>					
	<b>Past Due Account but Not Impaired</b>				<b>Total</b>
	<b>0 to 60 Days Past Due</b>	<b>61 to 90 Days Past Due</b>	<b>91 to 120 Days Past Due</b>	<b>Over 120 Days Past Due</b>	
Cash in banks and cash equivalents	P1,556,768,789	P -	P -	P -	P1,556,768,789
Trade and other receivables	2,936,110,202	-	-	-	2,936,110,202
Due from related parties	18,049,105	-	-	-	18,049,105
Security deposits	10,702,390	-	-	-	10,702,390
	P4,521,630,486	P -	P -	P -	P4,521,630,486

<b>As of December 31, 2013</b>					
	<b>Past Due Account but Not Impaired</b>				<b>Total</b>
	<b>0 to 60 Days Past Due</b>	<b>61 to 90 Days Past Due</b>	<b>91 to 120 Days Past Due</b>	<b>Over 120 Days Past Due</b>	
Cash in banks & cash equivalents	P 437,964,907				P 437,964,907
Trade and other receivables	1,034,062,591				1,034,062,596
Due from related parties	218,003,202				218,003,202
Security deposits	1,780,295				1,780,295
	P 1,691,810,995				P 1,691,810,995

The aging analysis of the Group's individual receivables as of March 31, 2014 and December 31 is as follows:

	<b>As of March 31, 2014</b>	<b>As of December 31, 2013</b>
60 to 90 days	P 2,936,110,202	P 1,034,062,591
91 to 120 days	--	--
Over 120 days	--	--
	P 2,936,110,202	P 1,034,062,596



### *Liquidity Risk*

The ability of the Group to finance their operations and to meet obligation as these become due is extremely crucial to its viability as a business entity. The Companies adopt a prudent liquidity risk management where they maintain sufficient cash to meet trade and other short term payables as they fall due.

The Group manages their liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities:

	Weighted Average Effective Interest Rate	Within One Year	More than One Year	Total
<b>As of March 31, 2014</b>				
Loans payable	<b>2.70%</b>	P 1,893,300,000		P 1,893,300,000
Trade and other payables*		3,683,834,543		3,683,834,543
Due to related parties		2,966,828,814		2,966,828,814
		P 8,543,963,357		P 8,543,963,357
<b>As of December 31, 2013</b>				
Loans payable	<b>2.70%</b>	P2,214,600,000		P 2,214,600,000
Trade and other payables*		524,689,323		524,689,323
Due to related parties		240,632,032		240,632,032
		P2,979,921,355		P 2,979,921,355

*Note: The amount does not include government liabilities which are not considered financial liabilities.*

## **18. CAPITAL MANAGEMENT RISK**

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximizing the profits of the shareholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of debt, which includes loans, trade and other payables and due to related parties as offset by cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

The debt to equity ratio of the Group at each reporting period is within the acceptable range as follows:

	<b>As of March 31, 2014</b>	<b>As of December 31, 2013</b>
Debt	P 8,672,409,727	P 2,980,656,808
Less: Cash and cash equivalents	1,556,768,789	437,964,907
Net debt	P 7,115,640,938	P 2,542,691,901
Equity	P 2,364,136,321	P 1,544,205,459
Total Net Debt to Equity ratio	3.01:1	1.65:1

The Group regularly reviews its financials to ensure compliance with this capital requirement.

The increase in total debt to equity was mainly due to increases in non-interest bearing liabilities that resulted from the reorganization of CNPF starting January 1, 2014.