

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 **September 30, 2016**
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>3,541,028,895 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:

**Main Board of the Philippine Stock Exchange, Common Shares**

12. Indicate by check mark whether the registrant:
  - (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)  
Yes  No
  - (b) has been subject to such filing requirements for the past ninety (90) days.

Yes  No

## PART I – FINANCIAL INFORMATION

### Item 1. Financial Statements

The unaudited interim consolidated financial statements of Century Pacific Food, Inc., and its wholly owned subsidiaries General Tuna Corporation, Snow Mountain Dairy Corporation, Allforward Warehousing Inc, Century Pacific Agricultural Ventures Inc, Century Pacific Food Packaging Ventures Inc, Century Pacific Seacrest Inc, and Centennial Global Coporation (collectively, the ‘Company’ or “CNPF”) for the period ended September 30, 2016 and the comparative period in 2015 is attached to this 17-Q report, comprising of the following:

- 1.1 Consolidated Balance Sheets as of September 30, 2016 and December 31, 2015
- 1.2 Consolidated Statement of Income for the period ended September 30, 2016 and September 30, 2015
- 1.3 Consolidated Statement of Cash Flows for the period ended September 30, 2016 and September 30, 2015
- 1.4 Consolidated Statement of Changes in Shareholder’s Equity for the period ended September 30, 2016 and September 30, 2015
- 1.5 Notes to Consolidated Financial Statements for the period ended September 30, 2016

### Item 2. Management Discussions and Analysis of Financial Condition and Results of Operations (Based on the unaudited consolidated financial statements for the period ended September 30, 2016)

#### *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 original equipment manufacturer (OEM) tuna and coconut products.

CNPF traces its history from the Century Pacific Group, a focused branded food company for almost 40 years. Century Pacific Group began in 1978 when Mr. Ricardo S. Po established Century Canning Corporation as an exporter of canned tuna. In 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, dairy, mixes and OEM tuna export businesses, 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.

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 OEM 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 and fortified powdered milk, and all-purpose creamer under the *Angel* and *Birch Tree* brands, coffee mix under the *Kaffe de Oro* brand, and flavor mixes under the *Home Pride* brand.

At the end of 2015, CNPF also acquired a 100% interest in Century Pacific Agricultural Ventures, Inc., an integrated coconut producer of high value organic-certified and conventional coconut products for both export and domestic markets.

### ***Results of Operations***

- CNPF's consolidated net income after tax for the nine months ended September 30, 2016 totaled P2.16 billion. This is 44% higher than the net income after tax of P1.50 billion reported during the first nine months of 2015. Income performance can be attributed largely to sustained growth in its branded food business, generally subdued input costs, and the consolidation of recently acquired coconut subsidiary, Century Pacific Agricultural Ventures, Inc. (CPAVI).
- Consolidated net revenue for the nine months ended September 30, 2016 totaled P20.96 billion which is a 22% growth versus the same period one year ago. Revenue performance can be largely attributed to maintained double-digit growth of the branded businesses, owing to the Company's various sales and marketing initiatives. This was achieved despite some slowdown in the third quarter that was likely affected by several factors, including the absence of election-related spending and the delay in school openings into the second half. Top line growth was also supported by the growing coconut exports business and recovery in the OEM tuna export business, which saw third quarter top line reverse back to double-digit growth.
- CNPF's cost of sales consists primarily of raw material and packaging costs, manufacturing costs and direct labor costs. Cost of sales for the nine months ended September 30, 2016 grew by 13%, less than the 22% increase in revenues. The slower increase in cost of sales is mainly attributable to subdued raw material prices and hedging strategies.
- CNPF's consolidated gross profit for the nine months ended September 30, 2016 amounted to P6.68 billion. This represents a gross profit margin of 31.9% or an improvement of 5.6ppts over the gross profit margin during the same period last year.

- CNPF's total operating expense, which is comprised of selling, distribution, marketing and administrative expenses, reached P3.77 billion in the first nine months of 2016. This represents an 18.0% cost-to-sales ratio, an increase versus 14.7% during the same period last year.
- Other income and expense is comprised of gains or losses on transactions relating to foreign currency exchange, to sale of scrap and PPE, management fees, and miscellaneous income. For the nine months ended September 30, 2016, CNPF registered a consolidated net other income of P52 million. Gains on transactions relating to foreign currency exchange, to sale of scrap or PPE, inventory write downs plus management fees collected from related party companies accounted for the bulk of this net other income and expense.
- CNPF's consolidated operating income for the nine months ended September 30, 2016 reached P2.96 billion or a 14.1% operating income-to-sales ratio. This compares to last year's operating income of P2.09 billion or an operating income-to-sales ratio of 12.1%.
- CNPF's financing cost is comprised of interest expense from short-term and long-term borrowings, bank charges and other financing costs. For the nine months ended September 30, 2016, financing costs were P72 million, mainly representing interest expense from short and long term borrowings.
- Consolidated EBITDA (earnings before interest, taxes, depreciation, and amortization) for the nine months ended September 30, 2016 totaled P3.21 billion. The resulting 15.3% EBITDA margin is higher than last year's 12.9%.

### ***Financial Condition***

The Company's financial stability and financial position as of September 30, 2016 is as follows:

- Cash and cash equivalents as of September 30, 2016 amounted to P768 million. Operating activities registered a P1.53 billion total inflow, with operating cash more than enough to cover changes in working capital. Net cash used in investing amounted to P991 million. Net cash used in financing activities was P490 million.
- Current ratio remained relatively steady at 2.16 times as of end-September 2016. This compares to last year's ratio of 2.51 times. The cash conversion cycle increased to 101 days from 97 days a year ago. As of end-September 2016, accounts receivable and inventory days stood at 52 and 142 respectively, while accounts payable came in at 93 days. Net working capital ratio to total assets is measured at 0.35 times, lower than last year's level of 0.50 times.
- Property, plant and equipment - net registered at P3.82 billion as of end-September 2016. Capital expenditures for the first nine months of the year totaled P930 million, consisting of the installation of new equipment and machinery at the different manufacturing facilities of the Company.
- As of end-September 2016, the Company has a total of P2.30 billion in interest-bearing debt, P2.25 billion of which was incurred for the acquisition of Century Pacific Agricultural Ventures, Inc.
- Total stockholders' equity grew by P1.69 billion from P10.35 billion as of end of December 2015 to P12.03 billion as of end-September 2016, representing mainly the net income earned during the nine-month period ended.

- Total debt-to-equity ratio is measured at 0.65 times as of end-September 2016, higher compared to 0.51 times as of end-September 2015. Net of cash available, current total debt-to-equity is 0.59 times. Considering only interest-bearing debt, the Company's gearing and net gearing ratios are 0.19 and 0.13 times respectively, as of end-September 2016.

**Key Performance Indicators ( KPIs )**

	<b>Unaudited Nine Months Ended September 30, 2016</b>	<b>Unaudited Nine Months Ended September 30, 2015</b>
Gross Profit Margin	32%	26%
Before Tax Return on Sales	14%	12%
Return on Sales	10%	9%
Interest-Bearing Debt-to- Equity	0.19x	-
Current Ratio	2.16X	2.51X

**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*

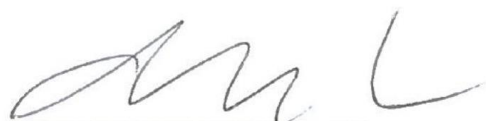
4 *Interest-Bearing Debt-to-Equity = Loans Payable / Total Stockholders' Equity*

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.**



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**CHRISTOPHER T. PO**  
President & Chief Executive Officer  
Date: November 14, 2016



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**OSCAR A. POBRE**  
Vice President & Chief Finance Officer  
Date: November 14, 2016

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

(Amounts in Philippine Peso)

	<b>Unaudited</b>	<b>Audited</b>
	<b>September 30, 2016</b>	<b>December 31, 2015</b>
<b><u>Assets</u></b>		
Current Assets		
Cash and cash equivalents	768,392,369	722,164,343
Trade and Other Receivables - net	4,049,668,732	3,592,691,726
Inventories - net	7,487,264,783	5,925,978,924
Biological Assets	42,560,208	31,429,135
Due from Related Parties	51,652,717	41,369,475
Prepayments and other current assets	443,338,946	218,683,647
Held-to-Maturity Investment - Current	27,376,869	14,686,601
Total Current Assets	12,870,254,623	10,547,003,851
Noncurrent Assets		
Property, plant & equipment - net	3,817,369,288	3,133,942,196
Intangible Assets	3,016,799,979	2,955,325,199
Held-to-Maturity Investment - Non Current	-	13,108,859
Deferred Tax assets	81,275,330	81,725,977
Retirement benefit assets	802,734	-
Other non-current assets	56,193,976	50,842,437
Total Non-current Assets	6,972,441,307	6,234,944,668
<b>Total Assets</b>	<b>19,842,695,930</b>	<b>16,781,948,519</b>
<b><u>Liabilities &amp; Stockholders' Equity</u></b>		
Liabilities		
Current Liabilities		
Trade and Other Payables	4,903,615,811	3,863,970,207
Due to Related Parties	138,802,021	13,979,192
Income Tax Payable	261,898,741	146,533,363
Notes Payable	654,000,000	2,250,000,000
Total Current Liabilities	5,958,316,573	6,274,482,762
Noncurrent Liabilities		
Long Term Loan	1,650,000,000	-
Retirement Benefit Payable	197,359,517	157,039,771
Deferred Tax liability	3,834,897	3,594,077
Total Non Current Liabilities	1,851,194,414	160,633,848
Total Liabilities	7,809,510,988	6,435,116,610
Stockholders' Equity		
Share Capital	3,541,028,895	2,360,685,933
Share Premium	4,911,986,439	4,911,986,439
Currency translation adjustments	47,380,655	48,506,727
Retained Earnings	3,496,897,650	2,989,761,508
Share-based compensation reserve	5,262,361	5,262,360
Appraisal Increment / Other Reserves	30,628,942	30,628,942
Total Stockholders' Equity	12,033,184,942	10,346,831,909
<b>Total Liabilities &amp; Stockholders' Equity</b>	<b>19,842,695,930</b>	<b>16,781,948,519</b>

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

(Amounts in Philippine Peso)

	<b>For The Nine Months Ended September 30, 2016</b>	<b>For The Nine Months Ended September 30, 2015</b>	<b>For the Three Months Ended September 30, 2016</b>	<b>For the Three Months Ended September 30, 2015</b>
Net Revenue	20,964,219,016	17,184,702,070	7,959,348,742	5,876,652,149
Cost of Good Sold	14,283,153,246	12,663,301,795	5,205,518,258	4,341,134,493
<b>Gross Profit</b>	<b>6,681,065,770</b>	<b>4,521,400,275</b>	<b>2,753,830,484</b>	<b>1,535,517,657</b>
Other Income (Expense)	52,011,146	90,397,162	40,589,482	45,014,529
Operating Expenses	3,768,714,401	2,525,168,761	1,707,288,165	793,861,026
<b>Operating Income</b>	<b>2,964,362,516</b>	<b>2,086,628,676</b>	<b>1,087,131,801</b>	<b>786,671,159</b>
Financing Cost	72,006,828	2,922,118	25,951,610	1,127,181
<b>Net Profit before tax</b>	<b>2,892,355,687</b>	<b>2,083,706,558</b>	<b>1,061,180,191</b>	<b>785,543,978</b>
Income Tax Expense (Benefit)	732,739,392	587,110,637	263,262,942	224,270,014
<b>Net Profit after Tax</b>	<b>2,159,616,296</b>	<b>1,496,595,921</b>	<b>797,917,249</b>	<b>561,273,965</b>
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>2,159,616,296</b>	<b>1,496,595,921</b>	<b>797,917,249</b>	<b>561,273,965</b>
<b>Basic and Diluted Earnings Per Share</b>	<b>0.6411</b>	<b>0.4473</b>	<b>0.2253</b>	<b>0.1677</b>



**CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES**  
**CONSOLIDATED CHANGES IN EQUITY**

(Amounts in Philippine Peso)

				<u>Revaluation Reserves</u>		<u>Retained Earnings</u>	<u>Total</u>
	<u>Capital Stock</u>	<u>Additional Paid-in Capital</u>	<u>Deposit on Future Subs</u>	<u>Other Reserves</u>	<u>Foreign Currency Translation Gain</u>		
Balance at January 1, 2016							
As previously reported	2,360,685,933	4,911,986,439	-	35,891,303	48,506,727	2,989,761,510	10,346,831,912
Adjustments					(1,126,072)		(1,126,072)
As stated	2,360,685,933	4,911,986,439	-	35,891,303	47,380,655	2,989,761,510	10,345,705,840
Transactions with owners							
Issuance of shares during the year							-
Stock Dividends	1,180,342,962					(1,180,342,962)	-
Cash Dividends						(472,137,193)	(472,137,193)
	1,180,342,962	-	-	-	-	(1,652,480,155)	(472,137,193)
Total comprehensive income							
Net profit for the year						2,159,616,296	2,159,616,296
Foreign currency translation gain							-
Shared based							-
Actuarial loss on post-employment benefit							-
Total other comprehensive income	-	-	-	-	-	2,159,616,296	2,159,616,296
Other reserves							
<b>Balance as of September 30, 2016</b>	<b>3,541,028,895</b>	<b>4,911,986,439</b>	<b>-</b>	<b>35,891,303</b>	<b>47,380,655</b>	<b>3,496,897,651</b>	<b>12,033,184,942</b>
Balance at January 1, 2015							
As previously reported	2,231,021,604	2,769,337,410		34,005,926	19,477,591	1,526,494,752	6,580,337,283
Adjustments					(9,070,746)		(9,070,746)
As stated	2,231,021,604	2,769,337,410		34,005,926	10,406,845	1,526,494,752	6,571,266,537
Transactions with owners							
Issuance of shares during the year			-				-
Cash Dividends						(446,204,321)	(446,204,321)
	-	-		-	-	(446,204,321)	(446,204,321)
Total comprehensive income							
Net profit for the year						1,496,595,921	1,496,595,921
Foreign currency translation gain							-
Actuarial loss on post-employment benefit							-
Total other comprehensive income	-	-		-	-	1,496,595,921	1,496,595,921
Other reserves							
<b>Balance as of September 30, 2015</b>	<b>2,231,021,604</b>	<b>2,769,337,410</b>		<b>34,005,926</b>	<b>10,406,845</b>	<b>2,576,886,352</b>	<b>7,621,658,137</b>

**CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
(Amounts in Philippine Peso)

	<b>Unaudited</b> <b>September 30, 2016</b>	<b>Unaudited</b> <b>September 30, 2015</b>
<b>Cash Flows from Operating Activities</b>		
Profit before tax	2,892,355,687	2,083,706,558
Adjustments for :		
Depreciation and amortization	246,154,008	128,753,194
Adjustment due to currency revaluation	(1,126,072)	(9,996,713)
Finance Costs	72,006,828	(3,820,141)
Operating cash flows before working capital changes	3,209,390,451	2,198,642,898
Decrease (increase) in trade and other receivables	(456,977,010)	(128,221,919)
Decrease (increase) in inventory	(1,572,416,930)	(945,686,773)
Decrease (increase) in related party	114,539,589	(103,310,530)
Decrease (increase) in prepayments and other current assets	(224,655,299)	(35,050,500)
Decrease (increase) in deferred tax asset	450,647	347,599
Decrease (increase) in retirement assets	(802,734)	-
Decrease (increase) in non current assets	(5,351,539)	78,914,452
Increase (decrease) in trade and other payables	1,039,645,608	(506,535,315)
Increase (decrease) in income tax payables	115,365,378	98,190,357
Increase (decrease) in retirement payable	40,319,747	(3,037,499)
Increase (decrease) in deferred tax liability	240,820	(0)
Increase (decrease) in other non current liabilities	-	-
Cash generated from operations	2,259,748,728	654,252,769
Income taxes paid	(732,739,392)	(587,110,637)
Net Cash From Operating Activities	1,527,009,337	67,142,133
<b>Cash Flows from Investing Activities</b>		
Acquisition of property and equipment	(929,581,094)	(512,632,766)
Acquisition of trademark	(61,474,788)	-
Investment in securities	418,591	152,733,613
Interest received	-	6,742,260
Net Cash From (Used in) Investing Activities	(990,637,291)	(353,156,893)
<b>Cash Flows from Financing Activities</b>		
Proceeds (Repayment) of interest - bearing loans	54,000,000	-
Dividends payment	(472,137,193)	(446,204,320)
Interest paid	(72,006,828)	(2,922,118)
Net Cash From (Used in) Financing Activities	(490,144,021)	(449,126,439)
<b>Net Increase in Cash and Cash Equivalents</b>	<b>46,228,025</b>	<b>(735,141,199)</b>
<b>Cash and Cash Equivalents at Beginning of Period</b>	<b>722,164,345</b>	<b>1,264,209,896</b>
<b>Cash and Cash Equivalents at End of Period</b>	<b>768,392,369</b>	<b>529,068,697</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 Pacific Group, Inc, formerly 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 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 September 30, 2016 are as follows:

Subsidiary	Business	% Ownership	Country of Residence
Snow Mountain Dairy Corporation	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.	100	Philippines
General Tuna Corporation	Manufacturing and exporting of OEM canned, pouched and frozen tuna products.	100	Philippines
Allforward Warehousing Inc	Operating warehouse facilities	100	Philippines
Century Pacific Agricultural Ventures, Inc.	Manufacturing high value organic-certified and conventional coconut products for both export and domestic markets.	100	Philippines
Century Pacific Seacrest Inc.	Developing, maintaining, licensing and administering marks and all kinds of intellectual property	100	Philippines

Centennial Global Corporation	Trademark holding company	100	BVI
Century Pacific Food Packaging Ventures, Inc.	Manufacturing tin cans and other packaging materials	100	Philippines

The significant financial information of the wholly owned subsidiaries of the Company as of and for the period ended September 30, 2016 is shown below. The summarized financial information below represents amounts before intra group eliminations

### **CNPF**

Significant stand-alone financial information of CNPF as of September 30, 2016 and December 31, 2015 is as follows:

	As of September 30, 2016	As of December 31, 2015
Financial position:		
Current assets	10,725,206,964	10,523,042,997
Non-current assets	7,639,068,344	5,590,738,507
Total assets	18,364,275,308	16,113,781,503
Current liabilities	5,659,229,764	6,338,412,007
Non-current liabilities	1,834,947,352	143,933,793
Total liabilities	7,494,177,115	6,482,345,800
Equity	10,870,098,193	9,631,435,704

### **SMDC**

The significant financial information of Snow Mountain Dairy Corporation (SMDC) as of September 30, 2016 and December 31, 2015 is set forth below:

	As of September 30, 2016	As of December 31, 2015
Financial position:		
Current assets	1,240,616,104	1,103,872,135
Non-current assets	241,017,035	237,366,401
Total assets	1,481,633,139	1,341,238,536
Current liabilities	591,758,594	493,449,652
Non-current liabilities	198,296	57,865
Total liabilities	591,956,890	493,507,517
Equity	889,676,249	847,731,019

### **GTC**

The significant financial information of General Tuna Corporation (GTC) as translated using Company's functional currency as of September 30, 2016 and December 31, 2015 is as follows:

	As of September 30, 2016	As of December 31, 2015
Financial position:		
Current assets	2,894,329,838	2,657,391,875
Non-current assets	769,504,635	798,459,762
Total assets	3,663,834,473	3,455,851,637
Current liabilities	2,025,620,885	2,378,726,301
Non-current liabilities	14,722,615	15,056,760
Total liabilities	2,040,343,500	2,393,783,061
Equity	1,623,490,973	1,062,068,576

### **AWI**

The significant financial information of Allforward Warehousing Inc (AWI) as of September 30, 2016 and December 31, 2015 is as follows:

	As of September 30, 2016	As of December 31, 2015
Financial position:		
Current assets	83,210,883	69,986,810
Non-current assets	427,677,653	253,296,305
Total assets	510,888,537	323,283,115
Current liabilities	271,955,824	303,975,007
Non-current liabilities	83,271	83,271
Total liabilities	272,039,095	304,058,278
Equity	238,849,442	19,224,837

### **CPAVI**

The significant financial information of Century Pacific Agricultural Ventures Inc (CPAVI) as of September 30, 2016 and December 31, 2015 is as follows:

	As of September 30, 2016	As of December 31, 2015
Financial position:		
Current assets	1,138,394,069	655,240,572
Non-current assets	1,321,887,711	1,006,908,404
Total assets	2,460,281,780	1,662,148,976
Current liabilities	738,560,908	1,272,079,172
Non-current liabilities	1,242,881	1,502,159
Total liabilities	739,803,789	1,273,581,331
Equity	1,720,477,991	388,567,645

### **CPSI**

The significant financial information of Century Pacific Seacrest Inc (CPSI) as of September 30, 2016 and December 31, 2015 is as follows:

	As of September 30, 2016	As of December 31, 2015
Financial position:		
Current assets	250,662,112	50,000,761
Non-current assets	111,587,800	50,113,012
Total assets	362,249,912	100,113,773
Current liabilities	251,557,988	50,376,357
Non-current liabilities	-	-
Total liabilities	251,557,988	50,376,357
Equity	110,691,925	49,737,416

### **CGC**

The significant financial information of Centennial Global Corp (CGC) as of September 30, 2016 and December 31, 2015 is as follows:

	As of September 30, 2016	As of December 31, 2015
Financial position:		
Current assets	50,004,439	50,004,439
Non-current assets	-	-
Total assets	50,004,439	50,004,439
Current liabilities	-	-
Non-current liabilities	-	-
Total liabilities	-	-
Equity	50,004,439	50,004,439

## **CPFPVI**

The significant financial information of Century Pacific Food Packaging Ventures Inc (CPFPVI) as of September 30, 2016 is as follows:

	As of September 30, 2016
Financial position:	
Current assets	510,829,294
Non-current assets	364,825,191
Total assets	875,654,485
Current liabilities	440,684,845
Non-current liabilities	-
Total liabilities	440,684,845
Equity	434,969,640

### **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**

Common control business combinations are excluded from the scope of PFRS 3, *Business Combinations*. However, there are no specific rules under existing PFRS which prescribe how such transactions shall be accounted for. In August 2011, the PIC issued Q&A No. 2011-02, PFRS 3.2 – Common Control Business Combinations, to provide guidance in accounting for common control business combinations in order to minimize diversity in the current practices until further guidance is provided by the International Accounting Standards Board (IASB).

The consensus in Q&A No. 2011-02 provides that common control business combinations shall be accounted for using either (a) the pooling of interests method, or (b) the acquisition method in accordance with PFRS 3. However, where the acquisition method of accounting is selected, the transaction must have commercial substance from the perspective of the reporting entity.

In accordance with PIC Q&A No. 2011-02, the Parent Company's acquisitions of businesses under common control are accounted for using either the acquisition method or the pooling of interest method, depending on the specific circumstance of the acquisition.

### **Goodwill**

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the interest in the net fair value of the acquirer's identifiable assets, liabilities, and contingent liabilities. Subsequently, goodwill arising on an acquisition of a business is measured at cost less any accumulated impairment losses.

For the purposes of impairment testing, goodwill is allocated to each of the Groups of cash-generating units (CGUs) that are expected to benefit from the synergies of the combination.

A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount

of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the amount attributable to goodwill is included in the determination of the profit or loss on disposal.

## **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 as of September 30, 2016.

### *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.

### *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.

As of September 30, 2016, 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 2016 and 2015.

### *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.

#### *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.

#### *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.

#### *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.

## **4. SEGMENT INFORMATION**

For Management purposes, the Group is organized into two major business segments: branded and non-branded. 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.

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

	Amount in Php	
	As of September 30, 2016	As of December 31, 2015
Cash on hand	1,037,871	1,153,054
Cash in bank	735,354,399	599,011,291
Cash equivalents	32,000,100	122,000,000
	768,392,369	722,164,345

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

The Group's trade and other receivables consist of:

	Amount in Php	
	As of September 30, 2016	As of December 31, 2015
Trade receivables from third parties	3,640,898,863	3,411,313,428
Advances to suppliers	393,480,801	191,206,982
Advances to officers & employees	18,690,325	12,497,052
Other receivables	25,777,808	6,293,855
	4,078,847,798	3,621,311,318
Less : Allowance for doubtful accounts	29,179,066	28,619,596
	4,049,668,732	3,592,691,721

Trade receivables represent short-term, non-interest bearing receivables from various customers and generally have 60 day terms or less.

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

## 7. INVENTORIES – net

Details of the Group's inventories are as follows:

	Amount in Php	
	As of September 30, 2016	As of December 31, 2015
Finished goods	3,870,769,808	3,422,583,733
Raw and packaging materials	3,320,059,170	2,356,530,403
Work in process	187,937,513	83,814,607
Spare parts and supplies	204,126,400	181,561,825
	7,487,264,783	5,925,978,925

No inventories are pledged as security for any liability as of September 30, 2016.

## 8. PREPAYMENTS AND OTHER CURRENT ASSETS

The account consists of:

	Amount in Php	
	As of September 30, 2016	As of December 31, 2015
Tax credits	116,104,556	59,934,234
Input value added tax (VAT) - net	301,857,754	125,889,742
Prepaid insurance	6,347,009	10,341,575
Prepaid rent	1,884,864	4,074,212
Other prepayments	17,144,762	18,443,884
	443,338,946	218,683,647

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. PROPERTY, PLANT AND EQUIPMENT – net

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

	Land and land improvement	Buildings machinery and equipment	Transportation Equipments	Office Furnitures, Fixtures & Equipments	Laboratory Tools & Equipments	Construction in Progress	Total
<b>Cost</b>							
January 1, 2016	240,938,463	3,308,346,392	61,257,582	17,153,550	123,313,090	684,089,412	4,589,458,489
Acquisition	8,908,861	1,628,674,726	28,520,589	29,924,895	38,257,786	(431,122,126)	1,303,164,732
Reclassification	-	(9,771,972)	-	(500)	-	(925,929)	(10,698,401)
Disposal	-	(400,947,604)	(1,681,964)	(701,218)	(9,568,984)	-	(412,899,770)
	249,847,324	4,526,301,542	88,096,207	200,736,726	152,001,893	252,041,358	5,469,025,050
<b>Accumulated Depreciation</b>							
January 1, 2016	76,080,669	1,235,409,658	25,537,003	69,101,715	49,400,493	-	1,455,529,537
Depreciation and amortization	14,259,974	18,1043,415	10,833,415	24,682,417	15,334,787	-	246,154,008
Reclassification	-	-	-	-	-	-	-
Disposal	-	(47,562,126)	(251,843)	(229,294)	(1,984,520)	-	(50,027,783)
	90,340,644	1,368,890,947	36,118,575	93,554,838	62,750,759	-	1,651,655,762
<b>Carrying Value</b>							
As of September 30, 2016	159,506,681	3,157,410,596	51,977,632	107,181,888	89,251,134	252,041,358	3,817,369,288
<b>Cost</b>							
January 1, 2015	586,533,083	2,041,507,312	71,480,503	137,445,040	56,447,914	434,958,271	3,328,372,123
Acquisition	50,092,499	673,247,559	17,460,241	55,545,629	28,687,830	770,532,879	1,595,566,638
Reclassification	20,020,225	(61,325,510)	-	(217,031)	(704,289)	(285,291,802)	(327,518,408)
Disposal	(1)	(6,451,304)	(37,134)	(932,985)	(1,987,240)	(1,757,918)	(11,166,582)
	656,645,806	2,646,978,056	88,903,610	191,840,652	82,444,215	918,441,430	4,585,253,771
<b>Accumulated Depreciation</b>							
January 1, 2015	281,792,368	827,288,708	32,270,779	44,621,624	11,857,082	-	1,197,830,562
Depreciation and amortization	15,315,499	200,358,828	10,524,423	28,327,530	16,299,136	-	270,825,416
Reclassification	(4,201,678)	(10,026,354)	-	(152,522)	(729,464)	-	(15,110,018)
Disposal AD	4,145	(1,501,437)	(30,944)	(360,740)	(345,017)	-	(2,233,993)
	292,910,335	1,016,119,746	42,764,258	72,435,892	27,081,738	-	1,451,311,968
<b>Carrying Value</b>							
As of December 31, 2015	363,735,472	1,630,858,311	46,139,353	119,404,761	55,362,477	918,441,430	3,133,941,803



## 11. OTHER NON-CURRENT ASSETS

Details of the Group's other non-current assets as of September 30, 2016 and December 31, 2015 are as follows:

	Amount in Php	
	As of September 30, 2016	As of December 31, 2015
Deferred Charges	(3,107,166)	587,224
Security deposits	52,756,581	45,397,531
Returnable containers	6,544,561	4,857,681
	56,193,976	50,842,437

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

## 10. LOANS PAYABLE

Details of the Group's loans payable as of September 30, 2016 and December 31, 2015 are as follows:

	Amount in Php	
	As of September 30, 2016	As of December 31, 2015
Short term loans payable	654,000,000	2,250,000,000
Long term loans payable	1,650,000,000	-
	2,304,000,000	2,250,000,000

## 11. TRADE AND OTHER PAYABLES

The Group's trade and other payables consist of:

	Amount in Php	
	As of September 30, 2016	As of December 31, 2015
Trade payables	3,204,839,356	2,594,798,899
Accrued Payable	1,409,423,557	1,068,652,970
Non trade payables	147,915,135	103,959,456
Vat Output payable - net	62,473,571	-
Withholding taxes payable	27,934,950	85,432,108
Other current payables	51,029,242	11,126,770
	4,903,615,811	3,863,970,203

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

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.

## 12. 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 outstanding balances as of September 30, 2016 and December 31, 2015 are presented as follows:

Related Party Category	Amount of Transactions during the year		Outstanding Receivable/Payable		Terms and Condition
	2016	2015	2016	2015	
<b>Ultimate Parent Company</b>					
Purchase of inventories	5,742,411		6,317,545		On demand; non interest bearing; unsecured
Service fee				1,350,686	On demand; non interest bearing; unsecured
Cost reimbursement		13,486			On demand; non interest bearing; unsecured
Rental expense	24,072,344	31,268,633	(6,833,411)	(2,004,679)	On demand; non interest bearing; unsecured
Cash Advance	116,063,333		(116,063,333)		On demand; non interest bearing; unsecured
<b>Fellow Subsidiaries</b>					
Shared services fee	11,180,531	27,284,044			On demand; non interest bearing; unsecured
Sale of inventories	103,059,628	205,167,871	45,335,172	40,018,788	On demand; non interest bearing; unsecured
Purchase of inventories	30,202,740	28,990,996	(15,905,277)	(11,974,510)	On demand; non interest bearing; unsecured
Service fee	7,432,824	10,753,532			On demand; non interest bearing; unsecured
Cost reimbursements	24,646,636	35,468,132			On demand; non interest bearing; unsecured
Acquisition of assets					On demand; non interest bearing; unsecured
Rental expense	-				On demand; non interest bearing; unsecured
<b>Retirement Fund</b>					
Contribution from the employer	32,968,782	30,973,957			On demand; non interest bearing; unsecured
<b>Due from Related Parties</b>			<b>51,652,717</b>	41,369,474	
<b>Due to Related Parties</b>			<b>(138,802,021)</b>	(13,979,189)	

## 13. SHARE CAPITAL

	Amount in Php	
	As of September 30, 2016	As of December 31, 2015
Authorized Capital :		
6,000,000,000 ordinary shares at P1 par value	6,000,000,000	6,000,000,000
Issued and subscribed	3,541,028,895	2,360,685,933

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

## 14. EARNINGS PER SHARE

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

	As of September 30, 2016
Income for the period	2,159,616,296
Weighted average number of ordinary shares	3,368,538,444
Basic and diluted earnings per share	0.6411

As of September 30, 2016, the Company has no potential dilutive shares. Accordingly, the basic earnings per share of P0.6411 is the same as the diluted earnings per share.

## 15. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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

	As of September 30, 2016		As of December 31, 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
Cash and cash equivalents	768,392,369	768,392,369	722,164,345	722,164,345
Trade and Other Receivables - net	4,049,668,732	4,049,668,732	3,592,691,721	3,592,691,721
Due from Related Parties	51,652,717	51,652,717	41,369,474	41,369,474
Held-to-Maturity Investment - Non Current	27,376,869	27,376,869	27,795,460	27,795,460
Security deposits	52,756,581	52,756,581	45,397,531	45,397,531
	4,949,847,268	4,949,847,268	4,429,418,532	4,429,418,532
<b>Financial Liabilities</b>				
Notes Payable	654,000,000	654,000,000	2,250,000,000	2,250,000,000
Trade and Other Payables	4,903,615,811	4,903,615,811	3,863,970,203	3,863,970,203
Due to Related Parties	138,802,021	138,802,021	13,979,189	13,979,189
	5,696,417,832	5,696,417,832	6,127,949,392	6,127,949,392

*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.

	Amount in Php	
	As of September 30, 2016	As of December 31, 2015
Cash and cash equivalents	768,392,369	722,164,345
Trade and Other Receivables - net	4,049,668,732	3,592,691,721
Due from Related Parties	51,652,717	41,369,474
Held-to-Maturity Investment - Non Current	27,376,869	27,795,460
Security deposits	52,756,581	45,397,531
	4,949,847,268	4,429,418,532

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 September 30, 2016 is as follows:

	As of September 30, 2016				
	Past Due Accounts but Not Impaired				Total
	0 to 60 Days Past Due	61 to 90 Days Past Due	91 to 120 Days Past Due	Over 120 Days Past Due	
Cash and cash equivalents	768,392,369	-	-	-	768,392,369
Trade and Other Receivables - net	4,049,668,732	-	-	-	4,049,668,732
Due from Related Parties	51,652,717	-	-	-	51,652,717
Held-to-Maturity Investment - Non Current	-	-	-	27,376,869	27,376,869
Security deposits	-	-	-	52,756,581	52,756,581
	4,869,713,818	-	-	80,133,450	4,949,847,268

The aging analysis of the Group's individual receivables as of September 30, 2016 and December 31, 2015 is as follows:

	Amount in Php	
	As of September 30, 2016	As of December 31, 2015
60 to 90 days	4,049,668,732	3,592,691,721
91 to 120 days	-	-
Over 120 days	-	-
	4,049,668,732	3,592,691,721

### *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:

	Amount in Php		
	Within One Year	More than One Year	Total
<b>As of September 30, 2016</b>			
Loans payable	-	-	-
Trade and other payables	4,903,615,811	-	4,903,615,811
Due to related parties	138,802,021	-	138,802,021
	5,042,417,832	-	5,042,417,832
<b>As of December 31, 2015</b>			
Loans payable	2,250,000,000	-	2,250,000,000
Trade and other payables	3,863,970,203	-	3,863,970,203
Due to related parties	13,979,189	-	13,979,189
	6,127,949,392	-	6,127,949,392

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

## 16. 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 the Group regularly reviews its financials to ensure compliance with this capital requirement.

	Amount in Php	
	As of September 30, 2016	As of December 31, 2015
Debt	7,809,510,988	6,435,116,603
Less : Cash and cash equivalents	768,392,369	722,164,345
Net debt	7,041,118,618	5,712,952,258
Equity	12,033,184,942	10,346,831,909
Debt to equity ratio	0.59:1	0.55:1