



INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Swift Foods, Inc.
4F RFM Corporate Center
Sheridan corner Pioneer Street
Mandaluyong City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Swift Foods, Inc. (the "Company") which comprise the balance sheets as at December 31, 2016 and 2015, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2016, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016 and 2015, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2016 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements which indicates that the Company has reported significant deficit amounting to =3P.00 billion as of December 31, 2016 and 2015, resulting from accumulated losses in prior years. As stated in Note 1, these events and conditions along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter. To address material uncertainty related to going concern, the Company will continue to operate its Palawan branch.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Valuation of investment properties

The Company accounts for its investment properties using the fair value method. As of December 31, 2016, the carrying value of the Company's investment properties amounted to P=139.35 million, representing 77.36% of the Company's total assets. In addition, the Company recognized a revaluation gain of P=3.78 million for the year ended December 31, 2016. The valuation of the investment properties requires the assistance of an external appraiser whose calculations involve certain assumptions, such as sales price of similar properties and adjustments to sales price based on internal and external factors. This matter is significant to our audit because it involves significant judgment and estimates.

Refer to Notes 2 and 3 to the financial statements for the relevant accounting policy and a discussion of significant estimates, and Notes 9 and 22 for the detailed disclosure about the Company's investment properties.

Audit response

We evaluated the competence, capabilities and objectivity of the Company's external appraiser. We involved our internal specialist in evaluating the methodologies and the assumptions used. We reviewed the relevant information supporting the sales price of similar properties and inquired from the external appraiser the basis of adjustments made to the sales price. We also reviewed the Company's disclosures with respect to investment properties.

Provision and contingencies

The Company in the ordinary course of business is involved in legal proceeding as well as certain claims from regulatory bodies and other parties. This matter is significant to our audit because the determination of whether the provision should be recognized and the estimation of the potential liability from these assessments requires judgment by management. The inherent uncertainty over the outcome of these legal proceeding and claims is brought about by the differences in the interpretation and application of the regulations, laws and rulings.

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Refer to Notes 2 and 3 to the financial statements and for the relevant accounting policy and a discussion of significant judgment and estimates of provisions and contingencies, and Note 10 for the amount of provisions recognized in the balance sheet.

Audit response

We involved our internal specialist in the evaluation of management's assessment on whether any provision for contingencies should be recognized, and the estimation of such amount. We discussed with management the status of the legal proceeding and claims and obtained correspondences with the regulatory bodies and opinions from the external legal counsel. We evaluated the position of the Company by considering the relevant laws, ruling and jurisprudence.

Estimation of fair value of biological assets and agricultural produce

The Company's biological assets consist of growing livestock and are carried at fair value less cost to sell while the agricultural produce consist of harvested live broilers which are carried at fair value less estimated point-of-sale costs at the point of harvest. The Company determines the fair value based on the most recent relevant external market prices and makes adjustments by considering the life cycle of the growing livestock and estimated quantity of live broilers to be harvested. As of December 31, 2016, the Company has biological assets amounting to P=2.34 million and agriculture produce amounting to P=319 thousand. This matter is significant to our audit because the estimation of fair value of biological assets and agricultural produce involved significant judgment and estimate.

Refer to Notes 2 and 3 to the financial statements for the relevant accounting policy and a discussion of significant estimates, and Note 7 for the disclosure about the fair value of biological assets and agricultural produce.

Audit response

We obtained an understanding over the management process in determining the fair value of the biological assets and agricultural produce and the related controls. We compared the farm gate prices and the assumptions used by the Company in determining the life cycle of the growing livestock and in estimating the quantity of live broilers to be harvested against the relevant external market data and historical information. We also reviewed the quantities and amounts of agriculture produce that were recognized as cost of goods sold and those transferred to the ending inventory as of and for the year ended December 31, 2016 against the relevant documents such as inventory stock cards and delivery receipts.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016, but does not include the financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016 are expected to be made available to us after the date of this auditor's report.

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Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- x Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- x Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- x Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- x Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- x Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

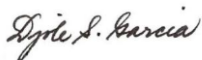
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Note 26 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Swift Foods, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Djole S. Garcia.

SYCIP GORRES VELAYO & CO.



Djole S. Garcia

Partner

CPA Certificate No. 0097907

SEC Accreditation No. 1285-AR-1 (Group A),

May 12, 2016, valid until May 12, 2019

Tax Identification No. 201-960-347

BIR Accreditation No. 08-001998-102-2015,

November 25, 2015, valid until November 24, 2018

PTR No. 5908702, January 3, 2017, Makati City

April 3, 2017

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SWIFT FOODS, INC.
BALANCE SHEETS
(Amounts in Thousands)

	December 31	
	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	P=32,410	P=34,692
Receivables (Note 5)	3,811	3,761
Inventories (Note 6)	1,120	1,251
Biological assets (Note 7)	2,344	2,509
Other current assets (Note 8)	890	471
Total Current Assets	40,575	42,684
Noncurrent Assets		
Investment properties (Note 9)	139,347	135,563
Other noncurrent assets	207	207
Total Noncurrent Assets	139,554	135,770
TOTAL ASSETS	P=180,129	P=178,454
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other payables (Note 10)	P=71,141	P=69,917
Noncurrent Liabilities		
Deferred income tax liabilities (Note 18)	41,613	40,500
Retirement benefits liability (Note 17)	3,510	3,183
Other employee benefits liability (Note 17)	831	927
Total Noncurrent Liabilities	45,954	44,610
Total Liabilities	117,095	114,527
Equity (Note 11)		
Capital stock	1,878,169	1,878,169
Capital in excess of par value	1,281,414	1,281,414
Deficit	(3,004,973)	(3,004,080)
Revaluation increment on investment properties (Note 9)	19,406	19,406
Cost of preferred treasury shares	(110,982)	(110,982)
Total Equity	63,034	63,927
TOTAL LIABILITIES AND EQUITY	P=180,129	P=178,454

See accompanying Notes to Financial Statements.

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SWIFT FOODS, INC.

STATEMENTS OF INCOME

(Amounts in Thousands, Except Basic and Diluted Loss Per Share)

	Years Ended December 31		
	2016	2015	2014
REVENUE			
Gross sales	P=43,294	=46,298P	P=64,665
Less sales returns and discounts	(852)	(1,421)	(2,392)
Net sales	42,442	44,877	62,273
Fair value change of agricultural produce (Note 7)	1,987	2,995	(1,666)
	44,429	47,872	60,607
COST OF GOODS SOLD (Note 12)	40,052	42,702	60,060
GROSS INCOME	4,377	5,170	547
GENERAL AND ADMINISTRATIVE EXPENSES (Note 13)	(7,833)	(8,008)	(7,434)
SELLING AND MARKETING EXPENSES (Note 14)	(728)	(811)	(653)
FAIR VALUE CHANGE ON INVESTMENT PROPERTIES (Note 9)	3,784	—	—
OTHER INCOME (LOSS) - Net (Note 15)	785	(50)	1,321
INCOME (LOSS) BEFORE INCOME TAX	385	(3,699)	(6,219)
PROVISION FOR INCOME TAX (Note 18)			
Current	133	105	26
Deferred	1,113	26	—
	1,246	131	26
NET LOSS	(P=861)	(P=3,830)	(P=6,245)
Basic/Diluted Loss Per Share (Note 19)	(P=0.0005)	(P=0.0021)	(P=0.0034)

See accompanying Notes to Financial Statements.

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SWIFT FOODS, INC.
STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	Years Ended December 31		
	2016	2015	2014
NET LOSS	(P=861)	(P=3,830)	(P=6,245)
OTHER COMPREHENSIVE INCOME (LOSS)			
Not to be reclassified to profit or loss in subsequent periods:			
Revaluation increment on properties transferred to investment properties - net of tax effect (Notes 9, 11 and 18)	í	19,406	í
Remeasurement gain (loss) on defined benefit plan (Notes 11 and 17)	(32)	220	í
Total comprehensive income (loss)	(32)	19,626	—
TOTAL COMPREHENSIVE INCOME (LOSS)	(P=893)	P=15,796	(P=6,245)

See accompanying Notes to Financial Statements.

SWIFT FOODS, INC.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

(Amounts in Thousands)

	Capital Stock (Note 11)		Capital in Excess of Par Value (Note 11)		Deficit (Note 11)	Revaluation Increment on Properties Transferred to Investment Properties (Note 11)	Treasury Shares Preferred (Note 11)	Total
	Preferred	Common	Preferred	Common				
BALANCES AT DECEMBER 31, 2013	=60,134P	=1,814,417P	=418,137P	=866,895P	(P=2,994,225)	P=—	(P=110,982)	=54,376P
Conversion of preferred shares to common shares (Note 11)	(1)	7	(6)	—	—	—	—	—
Total comprehensive loss for the year	—	—	—	—	(6,245)	—	—	(6,245)
BALANCES AT DECEMBER 31, 2014	60,133	1,814,424	418,131	866,895	(3,000,470)	—	(110,982)	48,131
Conversion of preferred shares to common shares (Note 11)	(401)	4,013	(3,612)	—	—	—	—	—
Total comprehensive income (loss) for the year	—	—	—	—	(3,610)	19,406	—	15,796
BALANCES AT DECEMBER 31, 2015	59,732	1,818,437	414,519	866,895	(3,004,080)	19,406	(110,982)	=63,927P
Total comprehensive loss for the year	—	—	—	—	(893)	—	—	(893)
BALANCES AT DECEMBER 31, 2016	=59,732P	=1,818,437P	=414,519P	=866,895P	(P=3,004,973)	=19,406P	(P=110,982)	=63,034P

See accompanying Notes to Financial Statements.

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SWIFT FOODS, INC.
STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Years Ended December 31		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	P=385	(P=3,699)	(P=6,219)
Adjustments for:			
Fair value on investment properties (Note 9)	(3,784)		
Impairment loss on investment properties (Notes 9 and 15)		417	
Impairment loss on AFS financial assets (Note 15)		48	
Interest income (Notes 4 and 15)	(91)	(95)	(94)
Unrealized foreign exchange gain (loss) - net	(89)	87	
Movement in retirement benefits liability and other employee benefits (Note 17)	199	343	334
Operating loss before working capital changes	(3,380)	(2,899)	(5,979)
Decrease (increase) in:			
Receivables	(50)	(1,321)	(384)
Inventories	131	(24)	379
Biological assets	165	(415)	1,530
Other current assets	(517)	(215)	8
Increase in accounts payable and other payables	1,322	1,151	630
Cash used in operations	(2,329)	(3,723)	(3,816)
Income taxes paid, including creditable withholding taxes	(35)	(105)	(26)
Interest received	91	95	94
Net cash flows used in operating activities	(2,273)	(3,733)	(3,748)
CASH FLOWS FROM INVESTING ACTIVITY			
Proceeds from sale of investment properties			12,511
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(9)	(12)	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,282)	(3,745)	8,763
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	34,692	38,437	29,674
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	P=32,410	P=34,692	=38,437P

See accompanying Notes to Financial Statements.

SWIFT FOODS, INC.

NOTES TO FINANCIAL STATEMENTS

(Amounts in Thousands Except Number of Shares or When Otherwise Stated)

1. General

Corporate Information

Swift Foods, Inc. (SFI or the Company) was incorporated in the Philippines on June 6, 1994 to assume RFM Corporation's business of manufacturing, marketing, and distributing processed and canned meat products, poultry products and commercial feeds. In 2002, the production, marketing, and distribution activities of the meat division were transferred back to RFM Corporation. Starting 2006, the Company's only business is the poultry business.

In 2012, the trade license agreement between the Company and RFM Corporation was finalized giving ownership of the "Swift" brand to RFM Corporation. In October 2012, RFM Corporation sold the trademark to a third party. As of December 31, 2016 and 2015, the Company continues to operate under the brand name "Sariwanok".

The Company's registered office address is 4F RFM Corporate Center, Sheridan corner Pioneer Street, Mandaluyong City.

Status of Operations and Management Plans

The Company has reported significant deficit which amounted to P=3.00 billion as of December 31, 2016 and 2015, resulting from accumulated losses in prior years. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern, and therefore, the Company may be unable to realize its assets and settle its liabilities in the normal course of business.

The Company rested its production and operations nationwide towards the end of 2011 except for Palawan branch which remains as the only company-operated facility and continues to grow day-old chicks from local suppliers and contract growers into broiler, and markets them as dressed chicken.

The financial statements have been prepared assuming that the Company will continue as a going concern. To enable the Company to continue as a going concern, the Company will continue the operation of the Palawan branch and will focus on the marketing of Sariwanok brand of chicken. The Company also expects to generate additional income from renting out its investment property. These will enable the Company to operate for the next twelve months from balance sheet date. The Company continues to wait for better business opportunities and carefully evaluate various business plans.

The financial statements do not include any adjustments that may result from the outcome of this uncertainty.

Authorization for the Issuance of the Financial Statements

The financial statements as of December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016 were authorized for issue by the Board of Directors (BOD) on April 3, 2017.

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

The financial statements were prepared using historical cost basis, except for biological assets, agricultural produce and investment properties, which are carried at fair value. The financial statements are presented in Philippine peso (Peso), which is the Company's functional and presentation currency. All values are rounded off to the nearest thousand (P=000), except for the number of shares and earnings/loss per share or when otherwise indicated.

Statement of Compliance

The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended standards which the Company has adopted starting January 1, 2016. The adoption of these amendments did not have any significant impact on the Company's financial statements.

- x Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and Philippine Accounting Standards (PAS) 28, *Investments in Associates and Joint Ventures, Investment Entities: Applying the Consolidation Exception*
- x Amendments to PFRS 11, *Joint Arrangements, Accounting for Acquisitions of Interests in Joint Operations*
- x PFRS 14, *Regulatory Deferral Accounts*
- x Amendments to PAS 1, *Presentation of Financial Statements, Disclosure Initiative*
- x Amendments to PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets, Clarification of Acceptable Methods of Depreciation and Amortization*
- x Amendments to PAS 16 and PAS 41, *Agriculture: Bearer Plants*
- x Amendments to PAS 27, *Separate Financial Statements, Equity Method in Separate Financial Statements*
- x Annual Improvements to PFRS 2012 - 2014 Cycle
 - x Amendment to PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations, Changes in Methods of Disposal*
 - x Amendment to PFRS 7, *Financial Instruments: Disclosures, Servicing Contracts*
 - x Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
 - x Amendment to PAS 19, *Employee Benefits, Discount Rate: Regional Market Issue*
 - x Amendment to PAS 34, *Interim Financial Reporting, Disclosure of Information 'Elsewhere in the Interim Financial Report'*

Summary of Significant Accounting Policies

The significant accounting policies that have been used in the preparation of the Company's financial statements are summarized below. These accounting policies have been consistently applied to all the years presented, unless otherwise stated.

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are short-term, highly liquid investments that are readily convertible to

known amounts of cash with original maturities of up to three months or less from dates of acquisition and are subject to an insignificant risk of change in value.

Fair Value Measurement

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

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

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

- x Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- x Level 2 - Valuation techniques for which the lowest level of input that is significant to the fair value measurement is directly or indirectly observable
- x Level 3 - Valuation techniques for which the lowest level of input that is significant to the fair value measurement is unobservable

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

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

As of December 31, 2016 and 2015, the Company's biological assets, agricultural produce and investment properties are carried at fair value and with recurring fair value measurements.

Financial Assets and Financial Liabilities

Date of recognition

The Company recognizes a financial asset or a financial liability in the balance sheet when it becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place are recognized on the settlement date.

Initial recognition of financial instruments

All financial assets and financial liabilities are recognized initially at fair value. Except for securities at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. Subsequent to initial recognition, the Company classifies its financial assets in the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments and available-for-sale (AFS) financial assets. The classification depends on the purpose for which the investments were acquired or whether they are quoted in an active market. The Company also classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities.

The Company determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such designation at the end of each reporting period.

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

As of December 31, 2016 and 2015, the Company's financial assets and financial liabilities consist of loans and receivables and other financial liabilities. The Company does not have contracts identified as having embedded derivatives characteristics.

Loans and receivables

Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivables. After initial measurement, loans and receivables are subsequently carried at cost or amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in the statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Loans and receivables are classified as current assets if maturity is within 12 months from the balance sheet date. Otherwise, these are classified as noncurrent assets.

This category primarily includes the Company's cash and cash equivalents, trade receivables, due from employees, other receivables and rental deposits.

AFS financial assets

AFS financial assets are those which are designated as such or do not qualify to be classified as financial assets at FVPL, HTM financial assets or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. They include equity investments, money market papers, investments in managed funds and other debt instruments.

After initial measurement, AFS financial assets are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt and equity securities, is reported in the statement of income. The unrealized gains and losses arising from the fair valuation of AFS financial assets are excluded, net of tax, from reported earnings.

When the security is disposed of, the cumulative gain or loss previously recognized in equity is removed from equity and recognized as "Realized valuation gains/losses on AFS financial assets" in the statement of income. Where the Company holds more than one investment in the same security, cost of the disposed investment is determined on a weighted average basis. Interest earned on holding AFS financial assets are reported as interest income using the effective interest rate. Dividends earned on holding AFS financial assets are recognized as such in the statement of income when the right or the payment has been established. The losses arising from impairment of such investments are recognized as "Impairment loss on AFS financial assets" in the statement of income.

AFS financial assets are classified as current if they are expected to be realized within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.

As of December 31, 2016 and 2015, the Company's AFS financial assets which is not significant consist of equity securities, which are included under "Other noncurrent assets".

Other financial liabilities

This category pertains to financial liabilities that are not held for trading or not designated as at FVPL at inception. These include liabilities arising from operations or borrowings. The Company's other financial liabilities include accounts payable and other payables (excluding provisions and other statutory obligations).

Other financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization for any related premium, discount and any directly attributable transaction cost.

Impairment of Financial Assets

An assessment is made at the end of each reporting period to determine whether there is objective evidence that a financial asset or group of financial assets is impaired.

Loans and receivables

The Company first assesses whether an objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. 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 the asset shall be reduced through the use of an allowance account and the amount of the loss shall be recognized in the statement of income. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset.

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 is reversed. Any subsequent reversal is recognized in the statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Loans and receivables, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Company. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance for impairment losses account. If a future write-off is later recovered, the recovery is recognized in the statement of income under "Other income" account. Any subsequent reversal of an impairment loss is recognized in the statement of income under "Provision for (reversal of) impairment losses" account, to the extent that the carrying value of the asset does not exceed its amortized cost at reversal date.

In relation to trade receivables, a provision for doubtful accounts is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through the use of an allowance account. Impaired receivables are written off when assessed as uncollectible.

AFS financial assets

In case of equity securities classified as AFS financial assets, objective evidence of impairment would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on those financial assets previously recognized in the statement of income - is removed from equity and recognized in the statement of income. Impairment losses on equity investments are not reversed through the statement of income. Increases in fair value after impairment are recognized directly in statement of comprehensive income.

In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount of the asset and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. If, in subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of income, the impairment loss is reversed through the statement of income.

"Day 1" difference

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the statement of income unless it qualifies for recognition as some other type of asset. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference amount.

Derecognition of Financial Assets and Financial Liabilities *Financial assets*

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

- x the right to receive cash flows from the financial asset has expired; or
- x the Company retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- x the Company has transferred its right to receive cash flows from the financial asset, and either (a) has transferred substantially all the risks and rewards of the financial asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the financial asset.

Where the Company has transferred its right to receive cash flows from a financial asset or has entered into a pass-through agreement and has neither transferred nor retained substantially all the risks and rewards of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Company's continuing involvement. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities

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

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

Inventories

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

- | | | |
|------------------------------------|---|--|
| Raw materials, packaging materials | - | purchase cost using the moving average |
| and supplies | | method. |
| Finished goods | - | the initial cost of finished goods is the fair |
| | | value less costs to sell of agricultural |
| | | produce at point of harvest (see related |
| | | policy on Agricultural Produce). |

NRV is the selling price in the ordinary course of business, less the estimated costs necessary to make the sale. For raw materials, packaging materials and supplies, NRV is the current replacement cost.

Biological Assets and Agricultural Produce

The Company's biological assets include growing livestock (broilers before reaching harvestable weight) and goods in process (day-old chicks), which are grouped mainly according to their transformation capacity (growing or laying) as well as their particular stage in the production process. These biological assets are categorized according to their inherent characteristics in the production cycle.

The day-old chicks will be grown as livestock, which will either be sold as live chicken or transferred to the dressing plant for processing as dressed chicken.

Growing livestock and goods in process are carried at fair value less cost to sell and the live broilers harvested from the Company's biological assets are carried at fair value less estimated point-of-sale costs at the point of harvest.

The fair value of the biological assets and agricultural produce is determined based on the most recent market price at the point of harvest based on relevant market prices published by the Philippine Bureau of Agricultural Statistics (BAS). The Company, generally, does not maintain any inventory of agricultural produce at any given time as these are either sold as live chicken or are immediately transferred as live broilers to the Company's dressing plants for processing as dressed chicken.

Biological assets are assessed for any indication of impairment at each balance sheet date.

Creditable Withholding Tax

Creditable withholding tax, which is included under "Other current assets" account in the balance sheet, represents the amount withheld by customers from income payments to the Company and may be applied against the Company's income tax payable. Estimates of amounts that are potentially unrecoverable are provided with allowance for probable losses through charges to statement of income.

Creditable withholding tax that are expected to be realized for no more than 12 months after the reporting period are classified as current assets; otherwise, these are classified as other noncurrent assets.

Investment Properties

Investment properties, which pertain to land and buildings held for capital appreciation or for rentals, are measured at fair value. These are measured initially at cost, including transaction costs. Fair value changes of investment property are included in the profit or loss in the period in which they arise.

The fair value of the land is determined based on appraisal reports conducted by independent Philippine SEC-accredited appraisers on the basis of recent sales of similar properties in the same areas as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made. The independent appraisers hold a recognized and relevant professional qualification and have a recent experience in the location and category of the investment properties being valued.

An investment property is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss in the derecognition on an investment property is recognized in the statement of income in the year of derecognition.

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

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

For a transfer from investment property to owner-occupied property, the deemed cost of the property for subsequent accounting is its fair value at the date of change in use. If an owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant, and equipment up to the date of change in use. The difference between the fair value of the property, plant and equipment transferred to investment property and its carrying value is credited to the revaluation increment account. In 2015, the Company's land (classified as property, plant and equipment) was transferred to investment properties. Prior to the transfer in 2015, the Company's land was measured initially at fair value as of January 1, 2004 as permitted by PFRS 1, *First Time Adoption of Philippine Financial Reporting Standards*. This fair value was the "deemed cost" of the land. The fair value of the land has been determined based on the appraisal reports conducted by independent appraisers and taking into account the economic conditions prevailing at the time the valuations were made. The difference between the fair value of the land and the carrying value was credited to deficit.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts and output value-added tax (VAT). The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods

Revenue from sale of goods is recognized when delivery has taken place and the significant risks and rewards of ownership have passed to the buyer and the amount of revenue can be measured reliably, which is normally upon delivery or acceptance by the customer. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances.

Fair valuation of agricultural produce

Gain from fair value change of agricultural produce is recognized at the point of harvest. Fair value is based on the most recent relevant market price (see related policy on Agricultural Produce) at transaction date.

Rent income

Rent income is recognized using the straight-line method over the term of the lease.

Interest income

Interest income from bank deposits are recognized as interest accrues.

Other income

All other income are recognized when earned or when the right to receive payment is established.

Costs and Expenses

Costs and expenses are recognized as incurred when decrease in future economic benefits related to a decrease in an asset or an increase of a liability, other than equity transactions with equity holders, has arisen that can be measured reliably.

Cost of goods sold

Cost of goods sold is recognized as expense when the related goods are sold.

General, administrative, selling and marketing expenses

General and administrative expenses constitute costs of administering the business. Selling and marketing expenses are costs incurred to sell or distribute the merchandise. These expenses are expensed when incurred.

Other Comprehensive Income (Loss)

Other comprehensive income (loss) comprises items of income and expense (including items previously presented under the statement of changes in equity) that are not recognized in the statement of income for the year in accordance with PFRS.

Leases

The determination of whether an arrangement is, or contains a lease as provided in Philippine Interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease*, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the factors below applies.

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

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

The determination whether a lease agreement is a finance or an operating lease is dependent on the retention or transfer of substantially all the risks and rewards incidental to ownership to the leased asset.

Company as lessee

Leases where the lessor retains substantially all the risk and rewards of ownership of the asset are classified as operating lease. Operating leases are recognized as an expense in the statement of income on a straight-line basis over the term of the lease.

Company as lessor

Leases where the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Retirement Benefits Cost

The Company accrues retirement benefits cost for all regular full-time employees based on the requirements of Republic Act (RA) No. 7641. Retirement benefits cost is actuarially determined using the projected unit credit method. This method considers each period of service as giving rise

to an additional unit of benefit entitlement and measures each separately to build up the final obligation.

Retirement benefit costs comprise the following:

- x Service cost
- x Net interest on the net defined benefit liability or asset
- x Re-measurements of net defined benefit liability or asset

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

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

Re-measurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they occur and immediately credited to deficit. Re-measurements are not reclassified to the statement of income in subsequent periods.

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

Actuarial valuations are made with sufficient regularity that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at reporting date.

Employee leave entitlement

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Foreign Currency-denominated Transactions

Transactions denominated in foreign currencies are initially recorded in Peso based on the exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are translated at the closing exchange rate at the reporting date. Exchange gains or losses arising from foreign currency transactions and balances are credited to or charged against current operations. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of initial transaction.

Income Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to

compute the amount are those that are enacted or substantively enacted at the each balance sheet date.

Deferred income tax

Deferred income tax is provided, using balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences, carryforward benefits of unused MCIT and NOLCO can be utilized.

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

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

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of income.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at each balance sheet date.

Capital Stock

Capital stock is measured at par value for all shares issued. Common and preferred shares are classified as equity. The proceeds from the issuance of common shares and preferred shares are presented in equity as capital stock to the extent of the par value of issued shares. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to the "Capital in excess of par value" account.

Retained Earnings (Deficit)

Retained earnings (deficit) represent the cumulative balance of total comprehensive income (losses) and effects of changes in accounting policy. Retained earnings (deficit) includes the remeasurement gain (loss) on retirement benefits liability and the revaluation increment on the land when the Company adopted the deemed cost.

Shares Held in Treasury

The Company's own equity instruments reacquired are carried at cost and deducted from equity. No gain or loss is recognized in the statement of income on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

Basic/Diluted Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated through dividing the net income (loss) by the weighted average number of common shares issued and outstanding during the year.

Diluted earnings (loss) per share is calculated through dividing the net income (loss) by the weighted average number of common shares outstanding during the year, excluding treasury shares and adjusted for the effects of all potentially dilutive common shares, if any. Where the basic earnings (loss) per share effect of the assumed conversion of preferred shares on net income (loss) would be anti-dilutive, no diluted earnings per share is presented.

Provisions and Contingencies

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

Segment Reporting

The Company only has one reportable segment, which is its poultry business. The Company's asset producing revenues are located in the Philippines.

Events after the Reporting Period

Post year-end events that provide additional information about the Company's position at balance sheet date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

Future Changes in Accounting Policies

The Company will adopt, where applicable, the following standards and interpretation when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended standards and interpretations to have a significant impact on its financial statements.

Effective in 2017

- x Amendment to PFRS 12, *Clarification of the Scope of the Standard (Part of Annual Improvements to PFRS 2014 - 2016 Cycle)*
- x Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*
- x Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

Effective in 2018

- x Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
- x Amendments to PFRS 4, *Insurance Contracts - Applying PFRS 9, Financial Instruments, with PFRS 4*
- x PFRS 15, *Revenue from Contracts with Customers*, establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is

applicable to all entities and will supersede all current revenue recognition requirements under PFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. The Company is currently assessing the impact of adopting this standard.

- x PFRS 9, *Financial Instruments*
- x Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRS 2014 - 2016 Cycle)*
- x Amendments to PAS 40, *Investment Property, Transfers of Investment Property*
- x Philippine Interpretation based on International Financial Reporting Interpretations Committee (IFRIC) 22 *Foreign Currency Transactions and Advance Consideration*

Effective in 2019

- x PFRS 16, *Leases*, will no longer require lessees to classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Company is currently assessing the impact of adopting this standard.

Deferred effectivity

- x Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

3. Management's Use of Significant Judgments and Accounting Estimates

The preparation of the financial statements in accordance with PFRS requires management to exercise judgments and make accounting estimates that affect the amounts reported in the financial statements and related notes to the financial statements. The judgments, estimates and assumptions used are based upon management's evaluation of the relevant facts and circumstances as of the reporting date. Actual results could differ from these estimates and assumptions used. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

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

Distinction between investment properties and owner-occupied properties

The Company determines whether a property qualifies as investment property. In making its judgment, the Company considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to the other assets used in the supply process.

In 2015, the Company reclassified the parcels of land located at Tanay, Rizal from owner-occupied properties to investment property due to change in the use of the property. Since the Company is focusing its operations in Palawan, the parcel of land ceases to be an owner-occupied property and is currently being held for capital appreciation or for future rent.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation at each balance sheet date that have significant risks of covering a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed as follows:

Estimating allowance for doubtful accounts

Provisions are made for specific and groups of accounts identified to be doubtful of collection. Recoverability of specific receivables and other noncurrent asset items are evaluated based on the best available facts and circumstances, the length of the Company's relationship with the customer, the customer's payment behavior, known market factors and historical loss experiences.

The Company makes an individual assessment of financial assets that are specifically identified as impaired and are individually significant. Then a collective assessment is done by grouping the financial assets according to credit risk characteristics. Moreover, the historical loss experience was determined for purposes of assessing the impairment.

The allowance for doubtful accounts amounted to P=77.38 million as of December 31, 2016 and 2015, respectively. The carrying value of receivable amounted to =3P.81 million and P=3.76 million as of December 31, 2016 and 2015, respectively (see Note 5).

Estimating allowance for probable losses on creditable withholding taxes

Allowance for probable loss on creditable withholding tax is based on the ability of the Company to recover the carrying value of the assets. Amounts estimated to be potentially unrecoverable are provided with allowance for probable losses. The Company estimates the level of provision for probable losses based on the factors that affect realizability such as future income tax due. The Company has creditable withholding taxes, net of allowance for probable losses, amounting =0P.72 million and =0P.17 million as of December 31, 2016 and 2015, respectively. Allowance for probable losses amounted to P=16.19 million and P=16.84 million as of December 31, 2016 and 2015, respectively (see Note 8).

Fair value of biological assets and agricultural produce

The Company determines the fair value of its biological assets and agricultural produce based on the most recent market transaction price at the date which approximates the point of harvest, provided that there has been no significant change in economic circumstances between the date of transactions and the balance sheet date, and adjustments to market price by considering the life cycle of the growing livestock and future estimated harvests of live broilers. Point-of-sale cost is estimated based on most recent transaction and is deducted from the fair value in order to measure the biological assets and agricultural produce at point of harvest.

Market price is obtained from the monthly commercial farmgate prices of chicken issued by the BAS for provinces which the Company considered as its relevant markets. Management believes that the monthly market prices from BAS are the only available reliable basis of fair value of biological assets and agricultural produce at the point of harvest.

The carrying value of the biological assets amounted to =2P.34 million and =2P.51 million as of December 31, 2016 and 2015, respectively. The Company fair value gains on agricultural produce that were harvested and sold during the year amounted to P=1.99 million in 2016 and =3P.00 million in 2015, while the fair value loss recognized in 2014 amounted to =1P.67 million.

Estimating NRV of inventories

The Company determines the NRV of inventories by reference to the current selling price of the product and the estimated cost to sell, which is based on the Company's budget for the succeeding year.

The carrying amount of inventories amounted to P=1.12 million and =1P.25 million as of December 31, 2016 and 2015, respectively (see Note 6).

Estimating the fair value of investment properties

The Company determines the fair value of the investment properties based on the report prepared by independent Philippine SEC-accredited appraisers or actual offers from prospective buyers, if any. The appraisers are industry specialists in valuing these types of investment properties. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of investment properties amounted to P=139.35 million and =135P.56 million as of December 31, 2016 and 2015, respectively (see Note 9).

Estimating retirement benefits liability and costs

The cost of defined benefit pension plans, as well as the present value of the pension obligation is, determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates and future salary increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All significant assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds, adjusted to zero coupon rates, with term consistent with the obligation of the plan.

As of December 31, 2016 and 2015, the retirement benefits liability amounted to P=3.51 million and P=3.18 million, respectively. Retirement benefits costs amounted to =0P.38 million in 2016 and P=0.33 million in 2015 and =0P.31 million 2014 (see Note 17).

Provisions and contingencies

The Company is a party to certain claims. The Company makes provisions on the basis of management's and its legal counsel's opinion and assessment on the outcome of the claims (see Notes 10 and 24).

Recognizing deferred income tax assets

Deferred income tax assets are recognized for all temporary deductible differences, carryforward of NOLCO and MCIT to the extent that it is probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. The Company considered the deferred income tax assets that will reverse on the same period as the deferred income

tax liabilities. As of December 31, 2016 and 2015, no deferred income tax asset was recognized since the Company believes that there are no sufficient taxable profits against which the deductible temporary differences, carryforward of NOLCO and MCIT can be realized (see Note 18).

4. Cash and Cash Equivalents

	2016	2015
Cash on hand and in banks	P=21,322	=27,695P
Temporary cash investments	11,088	6,997
	P=32,410	=34,692P

Cash in banks earn interest at the prevailing bank deposit rates. Temporary cash investments are made for varying periods of up to three months depending on the immediate cash requirements of the Company. Interest earned amounted to =0P.09 million in 2016, 2015 and 2014 (see Note 15).

5. Receivables

	2016	2015
Trade - net of allowance for doubtful accounts of =40,905P in 2016 and 2015	P=1,858	P=1,903
Employees - net of allowance for doubtful accounts of P=105 in 2016 and 2015	1,796	1,858
Nontrade receivables - net of allowance for doubtful accounts of =36,366P in 2016 and 2015	157	
	P=3,811	P=3,761

Movements in the allowance for doubtful accounts of receivables individually determined to be impaired is as follows:

	Trade	Employees	Nontrade	Total
At January 1, 2015	=40,836P	=105P	=36,366P	=77,307P
Provision (Note 13)	172	í	í	172
Reversal (Note 15)	(96)	í	í	(96)
Write-off	(7)	í	í	(7)
At December 31, 2015	=40,905P	=105P	=36,366P	=77,376P
At December 31, 2016	=40,905P	=105P	=36,366P	=77,376P

In 2016, there were no movements in the allowance for doubtful accounts of receivables.

6. Inventories

	2016	2015
At net realizable value:		
Raw materials - medicine and vaccine	P=547	P=787
At cost:		
Raw materials - feeds and feeds ingredients	167	328
Finished Goods	319	í
Packaging materials	87	136
	P=1,120	P=1,251

In 2015, the Company provided P=0.04 million for slow-moving medicines (nil in 2016).

7. Biological Assets

As of December 31, 2016 and 2015, biological assets consist of growing stocks.

Changes in the carrying value of biological assets are as follows:

	2016	2015
At January 1	P=2,509	P=2,094
Increase due to purchases	37,845	37,086
Decrease due to harvest	(38,010)	(35,385)
Decrease due to sales	í	(1,286)
	P=2,344	P=2,509

8. Other Current Assets

	2016	2015
Rental deposits	P=150	=258P
Creditable withholding tax, net of allowance for probable loss of =16,190P in 2016 and =16,835P in 2015	718	171
Others	22	42
	P=890	P=471

The Company's excess input VAT amounting to P=2.6 million as of December 31, 2016 and 2015 has been fully provided with allowance for probable loss.

9. Investment Properties

	2016			
	Land	Buildings and Improvements	Machinery and Equipment	Total
Cost:				
Beginning of year	P=124,385	P=2,692	P=8,903	P=135,980
Fair value increase (decrease)	5,903	191	(2,310)	3,784
End of year	130,288	2,883	6,593	139,764
Accumulated impairment	417	í	í	417
Net Book Values	P=129,871	P=2,883	P=6,593	P=139,347

	2015			
	Land	Buildings and Improvements	Machinery and Equipment	Total
Cost:				
Beginning of year	P=417	=Pí	=Pí	=417P
Reclassification	123,968	2,692	8,903	135,563
End of year	124,385	2,692	8,903	135,980
Accumulated impairment –				
Impairment during the year (Note 15)	417	í	í	417
Net Book Values	P=123,968	P=2,692	P=8,903	=135,563P

In 2015, the Company recognized impairment loss amounting to P=0.42 million on its land property located at Tumaga, Zamboanga City as management assessed that carrying value of the property is no longer recoverable.

In 2015, the Company reclassified the property located at Tanay, Rizal from property, plant and equipment to investment property. The reclassification of owner-occupied property to investment property is due to the change in the use of the property (see Note 3). The difference between the fair value and the net book value during the date of reclassification amounted to P=19.41 million, net of deferred income tax effect, and was recognized as revaluation increment under equity (see Note 11).

The market value is based on the valuation performed in December 2016 by Cuervo Appraisers, Inc., a Philippine SEC-accredited appraiser. The valuation procedures have been performed in accordance with the Philippine Valuation Standard – Adoption of the International Valuation Standards Committee under Philippine setting. The fair value was determined by using the sales comparison approach. Such approach considers the sales of similar or substitute properties and related market data, and establishes a value estimate involving comparison and adjustments to sales price which pertain to factors affecting value such as size, location, time and shape.

Fair value hierarchy disclosures for investment properties are provided in Note 22.

Related real property taxes paid by the Company amounted to P=0.44 million in 2016, P=0.43 million in 2015 and =0P.50 million in 2014.

10. Accounts Payable and Other Payables

	2016	2015
Trade payables	P=20,166	=26,648P
Provisions (Note 24)	29,134	28,206
Nontrade payables	18,042	13,320
Accrued liabilities	3,633	1,570
Others	166	173
	P=71,141	=69,917P

Trade payables arise from regular transactions with supplier and service providers. These are non-interest bearing and are normally settled within one year.

Provisions represent management's best estimate of probable cost of claims arising from the normal course of business that has been developed in consultation with the Company's legal counsel and is based upon an analysis of potential results. As allowed under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, detailed information on the provisions is not disclosed as it may prejudice the Company's negotiation with the third party.

11. Equity

Capital Stock

Issued and outstanding preferred stock are held by 3,404 stockholders as of December 31, 2016 and 2015. Issued and outstanding common stocks are held by 7,345 stockholders as of December 31, 2016 and 2015.

Information on capital stock as of December 31 follows:

Number of shares	2016	2015
Preferred stock - P=1 par value:		
Authorized shares	200,000,000	200,000,000
Issued shares	59,731,934	59,731,934
Outstanding shares	48,633,664	48,633,664
Common stock - P=1 par value:		
Authorized shares	2,500,000,000	2,500,000,000
Issued and outstanding shares	1,818,436,953	1,818,436,953

In 2016, no shareholders exercised their right to convert their preferred shares to common shares. In 2015, some holders of preferred shares exercised their right to convert their 401,348 preferred shares into 4,013,480 common shares, based on the ratio of ten common shares for every one preferred share.

Preferred Shares

The terms of the Company's convertible preferred shares as amended during the stockholders' meeting on October 11, 2006 and as approved by the SEC on December 6, 2007 follow:

- i. The convertible preferred shares have no voting rights, except as may be provided by law.
- ii. Holders of the convertible preferred shares shall not be entitled to receive dividend.
- iii. The holders of convertible preferred shares shall have the right to convert such shares into common shares anytime at the ratio of ten (10) common shares for every one (1) convertible preferred shares held.
- iv. The Company shall have the option to redeem the convertible preferred shares on any date at the offer price.

As of December 31, 2016 and 2015, the Company has a total of 59,731,934 issued shares, which include the 11,098,270 preferred shares in treasury acquired by the Company at =10P per share or a total of P=110.98 million.

Revaluation Increment on Properties Transferred to Investment Properties

This represents the difference between fair value and net book value of the Company's land, building and improvements, and machinery and equipment under the property, plant and equipment account that was transferred to investment properties which amounted to P=19.41 million, net of =8P.32 million deferred income tax liability, at the date of reclassification (see Notes 9 and 18).

Deficit

The balance of deficit includes the revaluation increment on land amounting to =74P.9 million, net of deferred income tax, when the Company adopted the deemed cost and the cumulative remeasurement on defined benefit plan which pertains to the actuarial differences estimated from the determination of the Company's defined benefit obligation that are directly taken to deficit (see Note 17). The details of the cumulative actuarial differences follow:

	2016	2015
Accumulated actuarial loss at January 1	(P=47,370)	(P=47,590)
Actuarial gain (loss) for the year (Note 17)	(32)	220
Accumulated actuarial loss at December 31	(P=47,402)	(P=47,370)

Track Registration Record of Securities

On May 28, 1998, the SEC approved the Offer of Pre-Emptive Rights on 100,327,687 convertible preferred shares with a par value of =1P.00 per share at a price of =10P.00 per share with a Greenshoe Option of up to 50,163,844 additional preferred shares.

On June 24, 1998, the Philippine Stock Exchange approved the listing of the following shares of the Company:

- 100,327,687 convertible preferred shares, with a par value of =1P.00 per share, to cover the 1:8 preemptive rights offering to stockholders as of the proposed record date of July 15, 1998, at an offer price of =10P.00 per share;
- 50,163,844 convertible preferred shares, with a par value of =1P.00 per share, to cover the Greenshoe option shares granted to stockholders as of the proposed record date of July 15, 1998, at an offer price of P=10.00 per share; and
- 1,504,915,310 common shares, with a par value of =1P.00 per share, to cover the underlying shares of the convertible preferred shares.

12. Cost of Goods Sold

	2016	2015	2014
Raw materials used (Note 6)	P=32,324	P=33,567	P=43,349
Freight and handling	2,053	2,918	6,712
Supplies and facilities	1,760	1,901	2,940
Outside services	1,553	1,280	3,109
Rental	975	822	1,463
Personnel costs (Notes 14 and 17)	731	1,036	1,060
Taxes and licenses	224	261	260
Communication, light and water	208	668	308
Repairs and maintenance	40	40	274
Others	184	209	585
	P=40,052	P=42,702	P=60,060

13. General and Administrative Expenses

	2016	2015	2014
Personnel costs (Notes 14 and 17)	P=3,672	=3,545P	P=3,036
Outside services	2,022	1,880	1,724
Taxes and licenses	697	753	835
Communication, light and water	419	365	388
Transportation and travel	321	317	415
Rental	315	317	248
Repairs and maintenance	158	121	193
Supplies and facilities	55	117	122
Insurance	81	89	111
Provision for doubtful accounts (Note 5)	í	172	í
Others	93	332	362
	P=7,833	=8,008P	P=7,434

14. Selling and Marketing Expenses

	2016	2015	2014
Rental	P=317	=399P	P=91
Outside services	183	169	190
Transportation and travel	171	151	158
Supplies and facilities	44	45	69
Repairs and maintenance	6	24	127
Others	7	23	18
	P=728	=811P	P=653

Personnel costs pertain to:

	2016	2015	2014
Salaries and wages (Notes 12 and 13)	=P4,022	=4,248P	=3,789P
Retirement benefits costs (Note 17)	381	333	307

15. Other Income (Loss) - Net

	2016	2015	2014
Rent income	P=774	P=í	P=í
Interest income (Note 4)	91	95	94
Impairment loss on investment properties (Note 9)	í	(417)	í
Reversal of provision (provision) for probable losses	í	178	(964)
Reversal of allowance for doubtful accounts (Note 5)	í	96	1,950
Impairment loss on AFS financial assets	í	(48)	í
Write-off of :			
Inventories	í	(44)	(39)
Receivables	í	—	(253)
Others	(80)	90	533
	P=785	(P=50)	=1,321P

16. Related Party Transactions

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

The aggregate compensation and benefits paid to the Company's key management personnel follow:

	2016	2015	2014
Salaries and allowances	P=1,833	P=1,050	P=1,050
Other short-term employee benefits	í	94	90
Retirement benefits costs	í	95	í
	P=1,833	P=1,239	P=1,140

17. Employee Benefits

Retirement Benefits

The Company's retirement plan (the Plan) is non-contributory and of the defined benefit type which provides a retirement benefit equal to a certain percentage of the monthly salary for every year of credited service. The benefit is paid in a lump sum upon retirement or separation in accordance with the terms of the plan. There are no significant risks to which the Plan exposes the Company. However, in the event a benefit claim arises under the Plan, the benefit shall immediately be due and payable from the Company.

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The components of retirement benefits cost recognized in statement of income follow:

	2016	2015	2014
Current service cost	P=175	=163P	=155P
Interest cost	206	170	152
Retirement benefits costs	P=381	=333P	=307P

The amounts of remeasurement gain (loss) on defined benefit plan recognized in statement of comprehensive income for the years ended December 31 are as follows:

	2016	2015	2014
Remeasurement gain (loss) arising from changes in:			
Experience adjustments	P=86	=201P	P=í
Financial assumptions	(118)	í	í
Demographic assumptions	í	19	í
	(P=32)	=220P	P=í

The retirement benefits liability is equal to the present value of defined benefit obligation.

Movements in the retirement benefits obligation account and present value of defined benefit obligation are as follows:

	2016	2015	2014
At January 1	P=3,183	=3,070P	P=2,763
Current service cost	175	163	155
Interest cost	206	170	152
Retirement benefits payments	(86)	í	í
Remeasurement (gain) loss recognized in other comprehensive income	32	(220)	í
At December 31	P=3,510	=3,183P	=3,070P

The latest actuarial valuation report is as of December 31, 2016. The principal actuarial assumptions used to determine pension benefits cost as of December 31, 2016 and 2015 and January 1, 2015 follow:

	2016	2015	2014
Discount rate	5.86%	6.46%	5.52%
Salary increase	2.00%	2.00%	2.00%

The Company performed sensitivity analysis for the changes in the significant assumptions that would increase the defined benefit obligation. The sensitivity analysis as shown below has been determined based on a method that extrapolates the impact of defined benefit obligation as a result of reasonable changes in key assumptions occurring at December 31, 2016 and 2015 assuming all other assumptions were held constant.

		Increase (decrease) in present value of defined benefit obligation	
	Movement	2016	2015
Discount rate	+100 basis points	(P=192)	(P=186)
	-100 basis points	219	214
Salary rate	+100 basis points	203	201
	-100 basis points	(181)	(178)

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

The average duration of the defined benefit obligation as of December 31, 2016 and 2015 is 5.9 years and 8.7 years, respectively.

Other employee benefits liability

Employees can accumulate earned leave credits, which can be used anytime when needed by the employee or converted to cash, computed based on the employee's final rate upon separation (i.e., resignation or retirement). Accumulated leave credits are presented as "Other employee benefits liability" which amounted to =0P.83 million and =0P.93 million as of December 31, 2016 and 2015, respectively.

18. Income Taxes

- a. The provision for current income tax represents the MCIT in 2016, 2015 and 2014.
- b. The components of the Company's deferred income tax liabilities follow:

	2016	2015
Deemed cost adjustment on land (Note 11)	P=32,112	=32,112P
Revaluation increment on properties transferred to investment properties	8,317	8,317
Fair value changes on investment properties	1,135	—
Unrealized foreign exchange gain - net	44	71
Unrealized fair market value gain on agricultural produce transferred to ending inventory	5	—
	P=41,613	P=40,500

- c. The Company did not recognize deferred income tax assets on the following deductible temporary differences and carryforward benefits of NOLCO and MCIT since the Company believes that there are no sufficient future taxable profits against which to apply these items:

	2016	2015
Allowance for doubtful accounts (Note 5)	P=77,376	P=77,376
NOLCO	11,571	36,035
Retirement benefits liability (Note 17)	3,510	3,183
Allowance for inventory obsolescence (Note 6)	—	44
MCIT	264	259

- d. The details of the NOLCO and MCIT outstanding as of December 31, 2016 follow:

Year Incurred	Available Until	NOLCO	MCIT
2014	2017	P=6,700	P=26
2015	2018	3,322	105
2016	2019	1,549	133
		P=11,571	P=264

Following are the movements of NOLCO and MCIT:

	NOLCO			MCIT		
	2016	2015	2014	2016	2015	2014
At January 1	P=36,035	P=32,713	P=26,013	P=259	P=4,721	P=5,940
Additions	1,549	3,322	6,700	133	105	26
Expiration	(26,013)	í	í	(128)	(4,567)	(1,245)
At December 31	P=11,571	P=36,035	P=32,713	P=264	P=259	P=4,721

- e. The reconciliation of benefit from income tax computed at the statutory income tax rate to provision for income tax as shown in the statements of income follows:

	2016	2015	2014
Provision for (benefit from) income tax at statutory income tax rate	P=116	(P=1,110)	(P=1,866)
Additions to (reductions in) income tax resulting from:			
Movement in MCIT, NOLCO, and temporary differences for which no deferred income tax assets were recognized	1,147	1,326	2,128
Nondeductible interest and other expenses/ (nontaxable income)	10	(56)	(208)
Interest income subjected to final tax	(27)	(29)	(28)
Provision for income tax	=1,246P	=131P	=26P

19. Basic and Diluted Loss Per Share

Basic/diluted loss per share are computed as follows:

	2016	2015	2014
Net loss attributable to common stockholders	(P=861)	(P=3,830)	(P=6,245)
Divided by weighted average number of common stock	1,818,436,953	1,816,430,213	1,814,420,178
Basic/diluted loss per share	(P=0.0005)	(P=0.0021)	(P=0.0034)

The effect of convertible preferred shares is antidilutive for 2016, 2015 and 2014. Accordingly, the basic and dilutive earnings per share presented are the same.

20. Operating Segment Information

The Company only has one reportable segment - poultry business - which is its only activity.

The Company has only one geographical segment as all of its assets are located in the Philippines. The Company operates and derives principally all of its revenue from domestic operations. Thus, geographical business operation is not required.

Operating results of the Company is regularly reviewed by the Company's BOD for the purpose of making decisions about resource allocation and performance assessment. Segment assets, liabilities and revenue and expenses are measured in accordance with PFRS. The presentation and classification of segment revenue and expenses are consistent with the statements of income. The presentation and classification of segment assets and liabilities are consistent with the balance sheets.

Segment information are as follows:

	2016	2015	2014
Segment revenue	P=44,429	=47,872P	P=60,607
Segment net loss	(861)	(3,830)	(6,245)
Total assets	180,129	178,454	152,967
Total liabilities	117,095	114,527	104,836

In 2016, revenue from agricultural produce derived from a customer amounted to P=13.42 million representing 27.97% of total revenue. In 2015 and 2014, revenue from agricultural produce derived from two customers amounted to P=26.92 million and =41P.48 million representing 52.93% and 66.61% of total revenue, respectively.

21. Financial Risk Management Objectives and Policies

The Company's principal financial instruments consist of cash and cash equivalents, trade receivables, due from employees, rental deposits and accounts payable and other payables. The main purpose of these financial instruments is to ensure adequate funds for the Company's operations.

It is the Company's policy that no trading of financial instruments shall be undertaken.

The Company's management and the BOD review and approve policies for managing these risks. Management closely monitors the funds and financial transactions of the Company.

The Company recognizes the fact that their business operations are always exposed, in one way or the other, to some level of uncertainties or risks which, if not properly addressed and managed, could be detrimental to the profitability of the Company. Listed below are the financial risks the Company is exposed to:

Credit risk

Credit risk is the risk that the Company will incur a loss because its counterparties failed to discharge their contractual obligations. The Company manages credit risk by transacting only with a few recognized and creditworthy customers with whom it has already firmly established a good business relationship. It is the Company's policy that all customers who wish to contract on credit terms are subjected to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debt is not significant.

The Company controls credit risk through strict monitoring procedures and regular coordination with customers.

The maximum exposure to credit risk is equal to the carrying value of the financial assets. The tables in the next page show the credit quality and aging analysis of financial assets.

As of December 31, 2016:

	Neither past due nor impaired		Past due but not impaired						Subtotal	Impaired	Total
	High grade	Standard grade	1-30 Days	31-60 Days	61-90 Days	91-365 Days	Over365 Days				
Cash and cash equivalents	P=32,410	P=í	P=í	P=í	P=í	P=í	=Pí	P=í	P=í	P=32,410	
Receivables:											
Trade	485	771	348	37	13	9	195	602	40,905	42,763	
Due from employees	í	í	í	í	í	25	1,771	1,796	105	1,901	
Nontrade	í	í	í	í	í	157	í	157	36,366	36,523	
Rental deposits	í	150	í	í	í	í	í	í	í	150	
	P=32,895	P=921	P=348	P=37	P=13	P=191	P=1,966	P=2,555	P=77,376	P=113,747	

As of December 31, 2015:

	Neither past due nor impaired		Past due but not impaired							
	High grade	Standard grade	1-30 Days	31-60 Days	61-90 Days	91-365 Days	Over 365 Days	Subtotal	Impaired	Total
Cash and cash equivalents	P=34,692	=Pí	=Pí	=Pí	=Pí	=Pí	=Pí	=Pí	P=í	P=34,692
Receivables:										
Trade	142	948	485	120	109	54	45	813	40,905	42,808
Due from employees	í	í	í	í	í	790	1,068	1,858	105	1,963
Nontrade	í	í	í	í	í	í	í	í	36,366	36,366
Rental deposits	í	258	í	í	í	í	í	í	í	258
	P=34,834	1,206	=485P	P=120	P=109	P=844	P=1,113	P=2,671	P=77,376	P=116,087

Cash and cash equivalents are classified as High grade since these are deposited and invested with reputable banks and can be withdrawn anytime.

High grade receivables pertain to those receivables from clients or customers that consistently pay before the maturity date. Standard grade includes receivables that are collected on their due dates even without an effort from the Company to follow them up. Past due receivables and advances include those that are past due but are still collectible. The majority of these past due receivables are not considered to be impaired.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations when they fall under normal and stress circumstances. To limit risk, the Company manages its liquid funds through cash planning on a monthly and weekly basis. The Company uses historical figures and experiences and forecasts from its collections and disbursements, as well as projections based on the annual business plan. Likewise, the Company places excess funds in short-term cash investments. The Company also enters into restructuring agreements with creditor banks, as the need arises.

The table in the next page summarizes the Company's maturity profile of financial assets held for managing liquidity and maturity profile of financial liabilities based on contractual undiscounted obligations.

As of December 31, 2016:

	On Demand	Less than 3 months	3 to 12 months	Total
Loans and receivables:				
Cash and cash equivalents	P=32,410	P=í	P=í	P=32,410
Receivables:				
Trade	í	1,654	204	1,858
Due from employees	í	í	1,796	1,796
Nontrade			157	157
Total financial assets	32,410	1,654	2,157	36,221
Other financial liabilities:				
Accounts payable and other payables*	41,841	í	í	41,841
Liquidity position (gap)	(P=9,431)	P=1,654	P=2,157	(P=5,620)

*Excluding nonfinancial liabilities amounting to =29,300P.

As of December 31, 2015:

	On Demand	Less than 3 months	3 to 12 months	Total
Loans and receivables:				
Cash and cash equivalents	P=34,692	P=í	P=í	P=34,692
Receivables:				
Trade	í	1,804	99	1,903
Due from employees	í	í	1,858	1,858
Total financial assets	34,692	1,804	1,957	38,453
Other financial liabilities:				
Accounts payable and other payables*	41,538	í	í	41,538
Liquidity position (gap)	(P=6,846)	P=1,804	P=1,957	(P=3,085)

*Excluding nonfinancial liabilities amounting to =28,379P.

The Company's only operation relates to agricultural activity and the financial instruments held by the Company only relates to such activity. As such, the financial risk management disclosure on credit risk and liquidity risk are likewise the strategies related to agricultural activity as required by PAS 41.

22. Fair Value Measurement

The following provides the quantitative disclosures of fair value measurement as of December 31:

Asset measured at fair value and recurring fair value measurement	Fair value measurement using significant unobservable inputs (Level 3)
Investment properties	
2016	P=139,347
2015	135,563
Biological assets	
2016	P=2,344
2015	2,509
Agricultural produce (presented as finished goods)	
2016	P=319
2015	í

There have been no transfers between Level 1 and 2 in 2016 and 2015.

Investment Properties

The table below summarizes the valuation techniques used and the significant unobservable input valuation for investment properties held by the Company.

Asset measured at fair value- Investment property	Valuation Techniques	Significant unobservable Inputs	Interrelationship between key unobservable input and fair value measurement
2016	Sales Comparison Approach. A process to value based on sales of similar or substitute properties and related market data and establishes a value estimated by processes involving comparison	Price per square meter. Range of estimates is about P=660/sqm meter	The estimated fair value would increase (decrease) if the price per square meter increase (decrease)
2015	Sales Comparison Approach. A process to value based on sales of similar or substitute properties and related market data and establishes a value estimated by processes involving comparison	Price per square meter. Range of estimates is about P=630/sqm meter	The estimated fair value would increase (decrease) if the price per square meter increase (decrease)

Biological assets and agricultural produce

The fair value of the Company's biological assets and agricultural produce are based on the market price obtained from the monthly commercial farmgate prices of chicken issued by the Bureau of Agricultural Statistics to provinces which the Company considered as its relevant market and management makes adjustments by considering the life cycle of the growing livestock and future estimated harvests of live broilers. The estimated fair value would increase (decrease) if the farmgate prices increase (decrease).

Cash and Cash Equivalents, Trade Receivables, Due from Related Parties, Due from Employees, Other Receivables, Accounts Payable and Other Payables

Due to the short-term nature of transactions, the carrying amounts of these instruments approximate the fair values at the balance sheet date.

23. Capital Management

The Company maintains a capital base to cover risks inherent in the business. The primary objectives of the Company's capital management are to safeguard the Company's ability to continue as a going concern so that it continues to fulfill the Company's vision and mission and provide adequate return to shareholders. It also aims to provide adequate return to shareholders by maintaining profitability as the main requirement of the business and to ensure that the Company complies with externally imposed capital requirements. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. The Company is not subject to externally imposed capital requirements. No changes were made in the objectives, policies and processes from the previous years.

The following table summarizes the capital considered by the Company as of December 31:

	2016	2015
Capital stock	P=1,878,169	P=1,878,169
Capital in excess of par value	1,281,414	1,281,414
Deficit	(3,004,973)	(3,004,080)
Revaluation increment on investment properties (Note 9)	19,406	19,406
Cost of preferred treasury shares	(110,982)	(110,982)
Total Equity	P=63,034	P=63,927

24. Other Matters

The Company, in the normal course of business, is involved in certain claims, the outcome of which are presently not determinable. In the opinion of management and its legal counsel, the Company has strong legal basis on the cases, and the liability on these lawsuits, if any, will not have a material effect on the financial statements. For those cases where management, in consultation with the legal counsel, believes that the Company may eventually be obligated to settle, accruals have been made in the financial statements (see Note 10).

25. Note to Statements of Cash Flows

In 2015 and 2014, the Company's noncash financing activity pertains to the conversion of preferred shares to common shares which amounted to P=4.01 million and P=0.01 million, respectively (nil in 2016).

26. Supplementary Information Required Under Revenue Regulations No. 15-2010

In compliance with Revenue Regulations No. 15-2010 issued by the Bureau of Internal Revenue on November 25, 2010, mandating all taxpayers to disclose information on taxes, duties and licenses paid and accrued during the taxable year, summarized below are the taxes paid and accrued during the year.

The following information reflects the taxes, duties and license fees paid or accrued by the Company during 2016:

- a. Net Sales/Receipts and Output VAT declared in the Company's VAT returns filed for the period.

	Net Sales/Receipt	Output VAT
Vatable sales	=2,321P	=278P
VAT Exempt sales	47,126	—
	=49,447P	=278P

b. Input VAT

The following table shows the sources of input VAT claimed as declared in the VAT returns:

Beginning balance	P=3,880
Purchases of:	
Goods for resale	32
Services lodged under cost of goods sold and general and administrative expenses	1,090
Total	5,002
Less:	
Input VAT claimed as deduction against output VAT	2
Income tax allocable to exempt sales	5,000
Ending balance	P=–

c. The taxes, duties and license fees paid or accrued in 2016 follow:

Business taxes	P=222
Real property tax forward	435
Meat inspection fee	224
Community tax certificate	11
Registration fee and others	29
	P=921

d. The withholding taxes paid or accrued in 2016 are categorized into:

Withholding tax on compensation	P=415,521
Expanded withholding tax	P=719,460

e. Tax cases

In 2016, a decision from the Court of Tax Appeals related to a tax assessment for taxable year 2007 was rendered in favor of the Company ordering the Company to pay =346,130P for income tax and =1P.22 million for VAT deficiencies. The Company paid these amounts in February 2017.

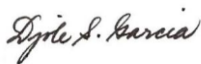


INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Swift Foods, Inc.
4F RFM Corporate Center
Sheridan corner Pioneer Street
Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the accompanying financial statements of Swift Foods, Inc. as at December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016, included in this Form 17-A, and have issued our report thereon dated April 3, 2017. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Djole S. Garcia
Partner
CPA Certificate No. 0097907
SEC Accreditation No. 1285-AR-1 (Group A),
May 12, 2016, valid until May 12, 2019
Tax Identification No. 201-960-347
BIR Accreditation No. 08-001998-102-2015,
November 25, 2015, valid until November 24, 2018
PTR No. 5908702, January 3, 2017, Makati City

April 3, 2017

SGVFS022015

SWIFT FOODS, INC.

**SUPPLEMENTARY SCHEDULE OF ALL THE EFFECTIVE STANDARDS
AND INTERPRETATIONS**

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Early Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		9		
PFRSs Practice Statement Management Commentary				9
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	9		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			9
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			9
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			9
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			9
	Amendments to PFRS 1: Government Loans			9
	Amendments to PFRS 1: Borrowing Costs			9
	Amendments to PFRS 1: Meaning of Effective PFRS			9
PFRS 2	Share-based Payment			9
	Amendments to PFRS 2: Vesting Conditions and Cancellations			9
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			9
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			9
PFRS 3 (Revised)	Business Combinations			9

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016 for the Company		Adopted	Not Early Adopted	Not Applicable
PFRS 4	Insurance Contracts			9
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			9
	Amendments to PFRS 4: Applying PFRS 9 with PFRS 4			9
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			9
PFRS 6	Exploration for and Evaluation of Mineral Resources			9
PFRS 7	Financial Instruments: Disclosures	9		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	9		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	9		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	9		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	9		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	9		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			9
PFRS 8	Operating Segments	9		
PFRS 9	Financial Instruments (2010 version)		9	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		9	
	Financial Instruments - Hedge Accounting and Amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)		9	
	Financial Instruments (2014 or final version)		9	
PFRS 10	Consolidated Financial Statements			9
	Amendments to PFRS 10: Investment Entities			9

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS			Not Early	Not
Effective as of December 31, 2016 for the Company		Adopted	Adopted	Applicable
PFRS 10	Amendments to PFRS 10: Sale or Contribution of Assets between an investor and its Associate or Joint Venture			9
	Amendments to PFRS 10: Investment Entities Applying the Consolidation Exception			9
PFRS 11	Joint Arrangements			9
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			9
PFRS 12	Disclosure of Interests in Other Entities			9
	Amendments to PFRS 12: Investment Entities			9
	Amendments to PFRS 12: Investment Entities Applying the Consolidation Exception			9
PFRS 13	Fair Value Measurement	9		
	Amendments to PFRS 13: Short-term Receivables and Payables	9		
PFRS 14	Regulatory Deferral Accounts			9
PFRS 15	Revenue from Contracts with Customers		9	
PFRS 16	Leases		9	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	9		
	Amendment to PAS 1: Capital Disclosures	9		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			9
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	9		
	Amendments to PAS 1: Clarification of the Requirements for Comparative Presentation	9		
	Amendments to PAS 1: Disclosure Initiative	9		
PAS 2	Inventories	9		
PAS 7	Statement of Cash Flows	9		
	Amendments to PAS 7: Disclosure Initiative	9		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	9		
PAS 10	Events after the Reporting Period	9		
PAS 11	Construction Contracts			9

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016 for the Company		Adopted	Not Early Adopted	Not Applicable
PAS 12	Income Taxes	9		
	Amendment to PAS 12: Deferred Tax: Recovery of Underlying Assets	9		
	Amendment to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses		9	
PAS 16	Property, Plant and Equipment	9		
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization			9
	Amendments to PAS 16: Bearer Plants			9
PAS 17	Leases	9		
PAS 18	Revenue	9		
PAS 19 (Revised)	Employee Benefits	9		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			9
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			9
PAS 21	The Effects of Changes in Foreign Exchange Rates	9		
	Amendment to PAS 21: Net Investment in a Foreign Operation			9
PAS 23 (Revised)	Borrowing Costs			9
PAS 24 (Revised)	Related Party Disclosures	9		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			9
PAS 27	Consolidated and Separate Financial Statements			9
PAS 27 (Amended)	Separate Financial Statements			9
	Amendments to PAS 27: Investment Entities			9
	Amendments to PAS 27: Equity Method in Separate Financial Statements			9
PAS 28	Investments in Associates			9
PAS 28 (Amended)	Investments in Associates and Joint Ventures			9

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016 for the Company		Adopted	Not Early Adopted	Not Applicable
PAS 28 (Amended)	Amendments to PAS 28: Sale or Contribution of Assets between and Investor and its Associate or Joint Venture			9
	Amendments to PAS 28: Investment Entities Applying the Consolidation Exception			9
PAS 29	Financial Reporting in Hyperinflationary Economies			9
PAS 32	Financial Instruments: Disclosure and Presentation	9		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			9
	Amendment to PAS 32: Classification of Rights Issues			9
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			9
PAS 33	Earnings per Share	9		
PAS 34	Interim Financial Reporting			9
PAS 36	Impairment of Assets	9		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets			9
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	9		
PAS 38	Intangible Assets			9
	Amendments to PAS 16 and PAS 41: Bearer Plants			9
PAS 39	Financial Instruments: Recognition and Measurement	9		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	9		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			9
	Amendments to PAS 39: The Fair Value Option			9
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			9

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016 for the Company		Adopted	Not Early Adopted	Not Applicable
PAS 39	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			9
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			9
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives			9
	Amendment to PAS 39: Eligible Hedged Items			9
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			9
PAS 40	Investment Property	9		
	Amendments to PAS 40: Transfers of Investment Property		9	
PAS 41	Agriculture	9		
	Amendments to PAS 16 and PAS 41: Bearer Plants			9
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			9
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			9
IFRIC 4	Determining Whether an Arrangement Contains a Lease			9
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			9
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			9
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			9
IFRIC 9	Reassessment of Embedded Derivatives			9
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives			9
IFRIC 10	Interim Financial Reporting and Impairment			9
IFRIC 12	Service Concession Arrangements			9

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016 for the Company		Adopted	Not Early Adopted	Not Applicable
IFRIC 13	Customer Loyalty Programmes			9
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			9
	Amendments to Philippine Interpretations IFRIC 14: Prepayments of a Minimum Funding Requirement			9
IFRIC 15	Agreements for the Construction of Real Estate			9
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			9
IFRIC 17	Distributions of Non-cash Assets to Owners			9
IFRIC 18	Transfers of Assets from Customers			9
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			9
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			9
IFRIC 21	Levies			9
IFRIC 22	Foreign Currency Transactions and Advance Consideration			
SIC-7	Introduction of the Euro			9
SIC-10	Government Assistance - No Specific Relation to Operating Activities			9
SIC-12	Consolidation - Special Purpose Entities			9
	Amendment to SIC			9
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			9
SIC-15	Operating Leases - Incentives			9
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			9
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			9
SIC-29	Service Concession Arrangements: Disclosures			9
SIC-31	Revenue - Barter Transactions Involving			9

	Advertising Services			
SIC-32	Intangible Assets - Web Site Costs			9